As We See It

There Is No Reason for the Economic Uptrend to Abort Itself in 1964

By Dr. Pierre A. Rinfret,* Vice-President and Director of Economics Department, Lionel D. Edie & Co., N.Y.C.

Business consultant's convincing analysis forecasts continued upward economic pace in 1964 to a $570-615 billion GNP level without a tax cut and higher with it. Examineation of factors responsible for post-WW II recesions finds they are not present, and that at worst the economy will start off slowly but finish vigorously in the second half of 1964.

Dr. Rinfret states we are under—rather than over—inventories; capital investments should rise 8% over 1963; federal spending to rise $5 billion; and consumer outlays up $13 billion without, and $15-220 billion with, a tax cut.

I would like to start off my comments on the outlook for 1964 by stating my conclusions, and after I have that I would like to illustrate how I arrive at these conclusions and what the factors are that have led me to them.

I have three conclusions: first, there will be no recession of consequence in 1964; second, the economy in 1964 will be about 5% higher than that of 1963; and third, the pattern for the year will be a relatively flat first half and a rising second half.

In the first half of the year we are likely to see moderate variations up and down in industrial activity, but in the second half of the year the economy will move forward on a broad front with new records established in the fourth quarter.

Let me turn from these conclusions to an analysis of the forces that are at work in the American economy today. I would like to start off by a discussion of the currently popular theory of "periodicity." We are being treated these days to the suggestion that there is a periodicity, a regular cycle in the economic affairs of the United States. This is not true. There is no such thing as a regular or periodic cycle. If you will study the history of business cycles in the United States, you will see we have had business cycles which have lasted as little as one year and one that lasted as long as nine years. The logic that business cycles are some magical number such as 25, 40 or 45 months in length is a myth, not based on the history of this country.

I would, therefore, reject as a variable when forecasting the economic outlook for 1964, the fact that our recent business recovery has been underway since early 1961. The length of the recovery is only significant to the extent that we build in excesses which must be or are prone to be corrected.

In order, therefore, to forecast the outlook for 1964 we need to ask ourselves the fundamental and basic question which is "Will this recovery abort in 1965?" In order to answer that question we need to examine how and why we have had business contractions in the postwar period. An examination of these postwar contractions which occurred in 1948-49, 1953-54, 1957-58, and 1960-61, leads to the conclusion that each of the contractions has been caused by one or more of the following: inventory correction, a downturn in private capital expenditure, a contraction in federal spending.

Let us look at each one of these factors as it now exists. Let's start off with inventories. In our work, we take the position that inventories are by no means excessive and in fact the American economy is in a very tight inventory situation even though we have been accumulative.

(Continued on page 9)

* Dr. Pierre A. Rinfret

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PHILIP W. HUMMER

Skil Corporation

The Skil Corporation was founded in 1924 with an investment of 
$31,000,000 originally referred to as "skilaw." Prac
tically all expansion since that time has been through retained earnings. Sales for the current year will reach $31,000,000.

This impressive record relates the growth of the market for portable power tools which has expanded from a postwar volume of 
40 million to an estimated size of 250 million in 1962 and is increasing at an annual rate of about 7%. Steady is steadily increas¬
ing its share of this market. Sales for this year will be about 13% above last year, the ninth consecutive year in which growth has been registered. Large-scale re
cipe and development expenditures have been maintained and the forecast for 1963 shows that this trend will continue. About 
1,500,000 will be invested this year. Skil is a true blue-chip company, a fact which is obvious in the product line: 40% of the products now marketed have been on the market for the past five years. The total line includes 150 different tools.

Skil's growth in position in its industry results from a record of alertness in recognizing changes in the market, the ability to nudge from willingness to innovate. Growth in sales from 
$19,000,000 in 1958 to $31,000,000 in 1963 has been made possible through excellent marketing and product development.

Skil is a fully integrated company, manufacturing virtually all the parts, including electric motors, needed for its tools. Its market has three principal areas, consumer, industrial and automotive.

Foreign sales of Skil amounted to less than $2 million in 1955, and this volume was principally in Canada. As a result of in
gear growth, in the expanding European market, foreign volume will account for 20% of total sales in the current year. A plant in 
Holland is being enlarged to 51,000 square feet. Sales and service offices have been established in West Germany, Belgium and Nor-
way. A small factory in Mexico will begin operation in early 1964 and a joint venture in Aus-

lansia is planned. Foreign sales are expected to account for $2.0 million in 1964, or 22% of total indicated sales. An attractive feature of this expansion is that re
turn on foreign sales is more favorable than on domestic sales, over 9% compared with a little under 8%.

An interesting concept of man-
gerent is the expansion of manufacturing facilities at for

ces is the use of raw material space at home for grow-

ing domestic production. The management team at Skil Corporation is a most important factor in the company's success. The president, John F. Spaulding, joined the company in 1908 after having served ten years as president of a large wholesale电器 company. He brought to the job marketing know-how and production experience. Spaulding's five year record of yearly 10% annual sales increase is due large-
ly to successful merchandising policy, but also to the traditional concentration on quality in its product line. Currently priced at 55%, Skil Corporation is selling at 18.2 times 1963 earnings of $1.40 per share. Cooperated dealers must call for $35 million in sales in 1964, and earnings of $1.60 per share. The five year sales target is $100,000,000, and in a net of $4 million, or $2.30 per share. The company has been conservative in past estimates; in 1958 the goal for $20 million was set for 1962. A closely observed policy is that dividend payout equals about one-half of earnings.

Skil Corporation feels its chal-

le ng for the future is to produce tools that can be held by a pair of hands and do a better job at a lower cost. Introduction of new products has become more critical and it is necessary to continue at the past rate and some new dynamic impact on sales than others. While elec-
tric motors constitute the main source of power, development of other methods is constantly car-
ried out; experiments are now be-
ing made with gas or steam motors.

Skil Corporation is also active in mutual development with com-
panies in other industries who foreseeable benefits can result.

For example, efforts have been made to establish new products with United Carbide to adapt improved batteries to furnish power to port-
table tools. Possibility of licensing the products considered for Skil's use.

The stock is traded in the Over-
the-Counter, and is a con-

servative investment for individu-
als and appropriate institutions.

Robert J. Kiep, CPA
Investment Advisor, William Blair & Co., Chicago

United States Life Insurance Company

In searching for an attractive investment, my approach is first to select a real growth industry and then an outstanding company within that industry.

Life insurance has had a record of growth which few other industries can surpass. Since 1890, total life insurance company assets have never failed to show a yearly increase. Total life insurance in force exceeds $671 billion, com-
pared with only $27 billion ten years ago. This is an increase of 144%, whereas Gross National Product has increased 41%.

Product in the same period has risen only 31%. The continued growth in force is attributed to a rise in the na-
tion's population and income, and increased desire for protection and security. In 1902, the average family paid $50 per year for insur-
ance. This sum has increased to $115, factors which have aided earnings, been made possible also by increased mortality rate, control of expenses and higher investment income.

One of the most significant charac-
teristics of the industry is that it is an essential one. Insurance is an important part of our lives, and another feature is that since most of the assets consist of securities, the effective income is likely to increase with the increase in price of securities, and the increase in income is likely to be relatively high in terms of increasing importance.

Market price rise of life in-

surance stocks has by far ex-
cceeded that of most other indus-
tries. Since January 1, 1961, Lock & Rude's Industrial Stock Index increased 276% while Standard & Poor's Life Stock Index increased 197%, or 3% times greater. Dur-
ing this same period, an invest-
ment of $10,000 in United States Life Insurance Company in the City of New York would have increased in market value to 
$40,000 or 4 times.

United States Life Insurance Company is one of the largest and oldest insurance companies in the nation, having been incorporated in Pennsylvania in 1863 as the United States Life Insurance Company by Charles H. 1st, 1962 Mr. Raymond Belknap, a man with wide and successful experience in building and man-
aging insurance agencies throughout the country, is working with the chairman of the company as president and has developed a vigorous management team. The company is now licensed to do business in all 50 states, compared with 30 a decade ago. Of the 1,503 United States life insurance companies, out of 1,503 in the United States, are authorized to do business in all 50 states. The company is both licensed and domiciled in New York, a state that has the highest business requirements and giving a company a mark of quality and national prestige.

United States Life offers a broad line of policies—partici-
ating, non-participating, ordi-
nary, group and accident and health. Recently it has entered the group, pension and profit sharing plan field. Of total premium in-
come, approximately 90% is from domestic operations. Of total in-
surance in force at 1962 year end, 87.3% was non-participating and 12.5% participating. Ordinary life insurance represented 43.6% of the total, insurance in force and group, 56.4%.

In the decade ending with 1962, United States Life's admitted as-
sets increased from $1,926,000,000 to $34,490,000, while in this same period its income rose from $333,490 to $1,480,000. In the last ten years, the company has enjoyed a considerably more rapid rate of growth than the total life insurance industry. In the ten years ending Dec. 31, 1962, United States Life was 44%, compared with 15% for the industry as a whole. In 1962, its sales of in-
dividual life insurance exceeded $172 million, the highest new record, and 8.7% over 1961 and well above
Continued on page 19

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SAN FRANCISCO
Managing Profit Sharing Funds for Investment Goals

By John A. Sidd, Pension Fund Investment Department, Smith, Barney & Co., New York City

Profit-sharing plans come in two distinctly different styles. After determining the type of fund, there begins the problem of properly managing and financing it to meet diverse goals. These objectives include simultaneously satisfying deferred retirement, deferred profit-sharing plan, and investment reserve requirements. These and other particulars that can be troublesome unless properly handled are tackled in a clear and instructive manner by Mr. Sidd. The writer explains why he believes deferred profit-sharing plans do not neglect the advantages and disadvantages of other investment media. Smaller profit-sharing funds are advised to use mutual funds, bank-\devoted investment funds, corporate bonds or limited investment advisor if the trustees concerned do not wish to become involved in detailed investment matters.

It is rather surprising that although there is a good deal of literature on the subject of profit sharing, very little has been written about the investment problems of deferred profit-sharing plans. With the growing acceptance of the profit sharing concept among industry in this country and the increasing use of deferred plans for providing retirement benefits, there is a need to examine the policy which should be applied to this type of fund.\devote

Investing In the Company's Own Stock

An interesting feature of the deferred profit-sharing concept is that this has developed along two quite different paths. Many of the early plans, including the well-known Sears, Roebuck and Proctor & Gamble plans, were used wholly for investment in the company's own stock. Based partly on the outstanding success of these plans and the obvious attraction of the employee-partner concept which is involved, there is a large school of thought which believes that this is the most effective way of investing profit-sharing contributions. To other approaches is the one adopted by those who view the deferred profit-sharing fund more as a pension trust to which traditional investment concepts should be applied. Under this approach the company's own stock should be subject to the same criteria of selection and the same limitation of size of holding as any other included in the portfolio.

Investing in the company's own stock represents a logical extension of the profit sharing concept because, having created a fund out of the profits resulting from the combined efforts of management and employees, the fund will depend on the future results of those efforts. Thus the concept of the employees' partnership in the success of the company is perpetuated. This basic argument for investing the fund in the company's stock is difficult to dispute, particularly in a growing company, because there have been instances where employees have questioned why their fund is not wholly invested in the company's own stock, the implication being that management does not have sufficient faith in the company's future.

The traditional investment arguments against this view are fairly obvious. The case for limiting the size of any one holding in the portfolio becomes even stronger where the company's own stock is involved. Not only will a decline in the price of the stock have a marked effect on the total value of the fund, but the very circumstances which caused this decline might well make the need for the security of the fund even greater. It is possible to envisage an extreme case where a serious setback is experienced in a number of lay-offs and early retirements at a time when, due to the decline in the company's stock, the value of a share in the fund, and hence the size of the benefit attainable, have been severely reduced. Further, the effect of fluctuations in the price of the company's stock, which may be due solely to market movements and quite unconnected with the success of the company's operations, could have a negative effect on employee goodwill.

I think that the answer to the problem must be found by adopting an approach which, while recognizing the arguments of the two opposing viewpoints, is based upon a truly realistic appraisal of the situation. Continued on page 18

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Happy New Year

Singer, Bean & Mackie, Inc.

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This content is for subscribers only.
Observations...

By A. Wilfred May

Overnite Transportation Co.

By Dr. Irn U. Cobleigh, Economist

A short report on a Southern trucking company with a unique record for growth, cost controls, excellent labor relations and expanding profitability.

The trucking industry in the last decade has increased its share of the money and the traffic that it handles. Traffic and revenues have surged ahead and the industry's earnings have doubled. Traffic and revenues have doubled since 1950. The result of this is that today, as a market for the money and the traffic that it handles, the trucking industry is a market for capital.

In the last three or four years, they have appeared less dynamic to the market maker, and some lines have had problems with competition and rising costs which have re-stricted the growth of earnings. The company selected for discussion, however, has, performed exceedingly well.

I. Largest Non-Union Operator

Overnite Transportation Company is a third generation, non-union trucking company, and its employees have consistently voted against unionization. Enlightened management policy has contributed to a considerable degree of cooperation between the company and its employees with this non-union status. Annual wages paid by Overnite are among the highest paid in the industry by unionized companies in the area, and working conditions in the company are more comfortable. Moreover, Overnite has encouraged its employees to carry the company in the business under an attractive stock purchase plan, and today about 85% of its employees are stockholders. Because Overnite is not tied down by restrictive union wages, it enjoys greater operational flexibility, and can put on temporary workers during periods of high demand. A third of this has paid off at the cash register, because the company has been able to cut the industry salaries and wages, on the average, 55 cents out of every dollar paid. Today, the Overnite figure is only 48 cents out of every dollar paid.

Mr. J. Harwood Cochrane, President and Chairman is the founder of the company and widely respected for his executive capability. He has shepherded the expansion of the enterprise into a single truck and trailer to a fleet of 750 trucks, and the growth stimulated over the years has been characterized by the rapid expansion of the company, involving a fleet of 750 trucks and the creation of a 127,000 square foot warehouse facility.

Common Stock

Investors may well interest themselves in the common stock of Overnite Transportation Company. There are 1,010,335 shares outstanding and listed on NYSE. Current quotation is 11 1/2, and the current dividend rate is 60 cents per share. The growth trend has been impressive with operating revenues rising steadily each year from $17 million in 1953 to $31 million this year. Except for 1957 and 1959 in which there were losses, the company has been consistently profitable, and the earnings have continued to increase. The increase has been consistent and the earnings have also improved each year, on a per share basis from 75 cents in 1953 to an estimated $1.80 for 1963. Cash flow has remained consistent.

The current financial position is excellent and there is only $2,000,000 in long term debt ahead of the company.

Potentials

Because Overnite serves one of the most rapidly expanding in-dustrial centers of the United States, and because of the new plants being established, and older ones expanded, in its service area, the company should continue to enjoy an attractive growth rate of around 10% a year compounded, in net earnings. Acquisitions may be expected to further stimulate growth.

Those investors attracted by sound management, a rising trend in earnings and dividends, and by a record which shows only a modest amount of common stock outstanding, may find an equity of sound quality and promise in Overnite common.

C. Cain, Jr. Joins Kidde Peabody

Charles Cain, Jr., recently re-trenched, Alie vice president and head of International Department of the Chase Manhattan Bank, has joined Kidde Peabody & Company, Inc., exchange place, New York, as vice president and special consultant, with a special concentration on foreign investment banking firm.

Mr. Cain has been engaged in international banking for 19 years. He joined the Equitable Trust Company of New York in 1917, and after six years in the foreign department, he was appointed an assistant manager. In 1929, he was named one of the thirteen vice presidents of the bank. In 1930, he was appointed as vice president in 1938 and a senior vice president in 1949, continuing in that capacity following the Chase-Manhattan merger in 1955. In January, 1956, he was appointed to executive vice president.

He also served as a director of Chase International Investment Company, as a director and as a director of the Chase Manhattan Bank; chairman, president, and director of Chase Manhattan Overseas Banking Corporation; and a member of the board of directors of the Estado Bancario de Brasil, Brasiliero, Chase Manhattan's associate in Brazil.

Mr. Cain is a director and member of the policy board of the Business Council for International Understanding (New York), and a voting trustee of Cargo Carriers, Inc., Minneapolis, Minnesota, and the Overseas Press Club of New York. He is a director of the First National Bank, Abilene, Texas, and a director of the New York Stock Exchange.

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To Admit

Goodbody & Co., 2 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit James E. Hoge, Edgard N. Bailey, Henry E. Dahlheim, Wendell M. Smoot, Jr., N. Matthes, H. C. Smith, and A. W. Glass, Jr. to general partnership, and Alfred B. Stevens to limited partnership.

All are partners of J. A. Hoge & Co., which is being dissolved.

Investment Advisor Control in Transam

The Supreme Court's handing down of the decision in the Capital Gains Research Bureau case, makes the marking the go-ahead on the SEC's new rule regulating the investment advisors, pending which decision the Commission's rule-making process has been held up, incites great interest as to the nature of the coming regulation. The commission's intent to make the investment advisory services may be compelled to make public a statement of the commissions of the stocks in which they recommend. For example, the advices of the objection to relying on a rigid statute for regulation.

An important step in itself is unobjectionable, the assumption of abuse from advisor's own previous experience, may not be unjustified as grasping the opportunity to sell out the recommended purchase on the "suckers" market.

Like an insider's acquisition of a stock, an investment advisor's purchase of his own money in the company, provides an opportunity for the investor may sell out against the crowd, a less market expert, might well serve to demonstrate the flexibility of the advisor's position. Flexibility by a supervisory agency can be both an asset to the investor is the (desideratum).

In any event, the advisor's market may be affected in advertising or in the media, but unless their constituency is a real disgrace, calling their potential clients a "current ejector", the buyer be rich
to be double split in Chase Manhattan at the end of the year. Mr. Cain's election to the position of vice president in 1938 and a senior vice president in 1949, continuing in that capacity following the Chase-Manhattan merger in 1955. In January, 1956, he was ad-

I have been long in the business—indeed, for my entire life. While this statement may be literally true, we know that the net earnings may not be increased by as much as a percentage, as evidenced by the fact that, including the recent increase dividend, the dividend has been increased only once in the last ten years. In fact, this has been the total in an increase in a period of over 40 years. It is because A. Wilfred May never would have made such a statement, without a qualification as to the effect of the stock share earnings, by reason of the enormous change in the number of shares outstanding in the same period, that I am writing to you.

So, please keep well and convey your concern.

Ralph H. Sabban

New York City

Metropolitan Secs. Branch

FOPLAR BLUFF, Mo. — Metropolitan Securities Corporation has opened a branch office at 320 North Main Street under the management of Judson L. Bokley.
Changing the Tax Bill to Accomplish Its Growth Goal

By Dr. William H. Petersen,* Professor of Economics, Graduate School of Business Administration, New York City.

N. Y. E. economics professor strongly criticizes the proposed federal tax-reduction bill on three different grounds. His opposes present provisions providing a demand type of tax-cut and advance, instead, a flattening curve of graduated 50% tax rate to encourage the flow of investment funds. Moreover, he favors restoration of the 40% dividend credit. Dr. Petersen contends that the present tax reductions in 1913-14 views, among others, are referred to in substantiation of what happens when the tax structure is kept at an unsatisfactory level. Much of our excess capacity comes from the difficult tax which would be overcome if the "theory of growth through fiscal and penalty tax rates" were rejected.

My interest in H.R. 3863 is bread; for I think this bill is far-reaching in its impact on our national economy, our individual well-being, and the critical nature of our balance of payments. For the purposes of this statement, I wish to look at the underlying theory involved in H.R. 3863. This theory was best expressed in President Roosevelt's Economic Report of 1963, as follows:

"In the past five years, the economy has been consistently out of balance—too little demand to match our supply capabilities... Inadequate demand remains the clear and present danger to an improved economic performance... The source of high unemployment rates in recent years, even in periods of full employment, lies not in labor market imbalances, either in demand or supply, but in goods and services... Accordingly, the President is recommending the major program of tax reduction and tax reform to expand private purchasing power and to reduce private incentives— a program which will thus problem the attack of idle men and machines at its source and provide new vigor to the forces for expansion of the U. S. economy."

This statement goes both to the content and the theory underlying the bill before you, and accordingly, I divide my statement into three parts, the first two dealing with the proposed individual income tax rate structure and the repeal of the dividend credit as included in the bill, and the third part with the theory involved in planning the long-range deficit ever: the theory of growth through deficits.

Position Summarized

In brief, my position can be summed up in a single paragraph:

Tax reduction and rate reform are matters of great urgency. I favor tax cutting as would be accomplished by H.R. 3863, but I do not favor, and I think would not favor, the proposed individual income tax rate structure and the repeal of the dividend credit provision, nor the underlying theory that our basic economic problem

Indeed, the very theory of progress is vulnerable to criticism. One point to be considered is the basic underlying premise of the support of the theory of progress— a point recognized by many but by no means all. The unscientific evidence appears to be lacking on presumptions of equality of sacrifice made, pay, benefits conferred, economic stabilization, economic equilibrium, and Federal revenue needs, all of which are used to bolster the case for the present bill. Unscientific evidence appears to be lacking for the proposition that a wealth tax is a tax on the existence and that the tax is a tax on the excess of the individual's income. Unscientific evidence appears to be lacking that the wealth tax is a tax on the excess of the individual's income.

By carrying through the proposals of the present bill at any time or at one time is amply seen in the history of the income tax since passage of the Sixteenth Amendment in 1913. Originally the rate was high, even for ordinary business, but as a percentage of base it was even higher. In 1929 the top rate was 24.6%. But if the basic principles are not changed, we may find ourselves in such a fiscal position that we cannot meet the needs of the government.

So far as the Federal income tax rate is concerned, the life of 50 years has grown more Topsy, rather haphazardly, with no one at the end of whir and pressure, than Dr. Henry Alfred, then the top rate of 15%, once acknowledged at $10,000 and now the tax for the unmarried individual.

By moving into a discussion of the present bill, I wish to affirm the wisdom of Chief Justice John Marshall's statement that McCulloch v. Maryland "is the power to tax involves the power to destroy." I believe a great amount of destruction of potential capital formation, of individual and corporate ingenuity, and of economic growth, has taken place, although the damage done is not yet clearly apparent.

I stress economic growth throughout this statement, following the President in his tax message to Congress on Jan. 24, 1933, in which he said that the present Federal tax system is the largest single barrier to full employment of our manpower and resources and to a higher rate of economic growth. And I stress the need for finding the structure the maximum extent possible, following another lead from the President in his tax message of Aug. 13, 1962, in which he said that our tax system is a "barrier of weakness of the very essence of the tax burden and the incentive for the additional effort." Part I Individual Income Tax Rate

In criticizing the remaining steepness in individual income tax rates we reach a 70% of taxable income) in H.R. 3863. I wish to point out that there is no reassurance in the upper brackets and much too little in the middle of the brackets. Truly, as other witnesses have already testified, the taxpayer in the upper brackets has the forgotten man in H.R. 3863.

The middle and upper brackets are a great loss to America's capital formation and hence of economic growth. Further flattening the brackets would release capital for investment. This is why, in my testimony before the Ways and Means Committee last March, I supported the Herring-Storer plan, which would reduce the basic percentage rate, less 1% to 20%, and the top rates of 30%, 50%, and 70%, down to 42% over a five-year period.

I subscribe to the theory that the less progression the better. 1

1% 22-38-

We are pleased to announce that Joseph Mathes has been appointed Manager of our Trading Department

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Continued on page 20
Tax-Exempt Bond Market

BY DONALD M. MACKEY

The state and municipal bond market has confirmed the moder-ate trend of strength begun in early December and has ex- tended through the past week. Whereas the Commercial and Fi-nancial chronicle reported a yield average of 3.60%, a week ago, a sample of mid-January high grade municipals has shown an aver-age yield of 3.075%. This reflects a rise of more than half a per-cent in the past two weeks. It appears that the bond market has been given a lift by the Federal Reserve Board's lowering of its discount rate, which has been un-officially reduced to 2.50%. The bond market has also benefited from the fact that the yield curve has been flatter, with yields of municipal bonds being less than those of corporate bonds, which has resulted in a pickup of demand for municipal bonds.

Prices This Time in 1962

Price and yield relationships are presently more favorable than they were a year ago. We have estimated that in the year ending January 1, 1963, the average bond yield was lower than in the year ending January 1, 1962, and that the yield curve was flatter. This is due to the fact that yields on long-term bonds were lower than yields on short-term bonds, which is a reflection of the Federal Reserve Board's efforts to control inflation.

Factors That Might Affect the Current Price Structure

However, there are some factors that might affect the current price structure. One factor is the possibility of a change in the monetary policy. Another factor is the possibility of a change in the fiscal policy. These factors could cause a change in the yield curve, which could affect the price of bonds. Additionally, the possibility of a change in the supply of bonds could affect the price of bonds. For example, if the Federal Reserve Board were to sell bonds in large quantities, this could cause a decrease in the price of bonds.

Larger Issues Scheduled For Sale

In the following tabulation we list the bond issues of $1,000,000 or more for which specific sale dates have been set.

Federal Reserve Bank of St. Louis

The Commercial and Financial Chronicle... Thursday, December 26, 1963

6 (210)

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1964 Inflation Prospects For Countries Abroad
By Paul Einzig

Measures being taken by France and Germany, and possibly Japan, indicate that a strong posture against inflation forces will be maintained. Dr. Einzig is dubious, however, about Italy and Great Britain following suit and sees domestic political troubles tugging at the hand of the Italian government, and British trade union irresponsibility in honoring trade union contracts and in seeking to embarrass the British Government at every turn adding weight to the upward rising price factors in the United Kingdom. The awareness of the British Government to maintain full employment at all costs, he adds, is well known to the labor people who are only too willing to take advantage of it.

LONDON, Eng.—During recent years the business trend in Britain and Italy will be similar to that prevailing in the United States and in the leading Western European countries. The recession of 1962 was on a worldwide scale, and so was the recovery that followed. There were marked differences in degree but the ups and downs of the economies followed the same course. It seems probable, however, that this will be no longer so during 1964.

On the one hand we have France and Germany, and Germany firmly determined to fight the inflation under control. After an orgy of excesses in price before the Wars and again during the 40s' and 50s' French tradition for orthodoxy in economic matters is observed. President de Gaulle is following Napoleon's example in resisting the inflationary and protectionist scheme of orthodox financial control. The French Government is tacking to the prudent course, and it now threatens to get out of control.

Likewise, Chancellor Erhard is determined to live up to his reputation as the author of the German miracle. One of the reasons why he has succeeded is that there exists in Germany that sphere as a bargaining weapon to secure concessions from France in the course of the "Kennedy Round" negotiations. Erhard wants to reduce the German inflationary trend in the case of Italy's relaxation of resistance to inflation has been the result of domestic political troubles which are likely to continue during 1964.

In the case of Britain, however, inflationary prospects are due to the official policy of abstaining from taking any action that would handicap the expansionary trend which at long last has been gathering momentum during recent months. Chancellor of the Exchequer Maudling, by declaring that he did not expect the existing spare capacity of industry to be used up until the end of 1964, indicates that he wants to interfere with that expansion early in the new year.

In theory there should be no reason why inflation should develop so long as industry has still some unused productive capacity. In practice it is dangerous to generalize. Some industries may be already working to capacity, while others are not. This means that a further increase in consumer demand for the goods of industries working to capacity cannot be met in the near future to a corresponding increase in the output.

The "growth hysteria" that has seared upon political opinion, expert opinion and public opinion in Britain as in many other countries. Economic expansion must be achieved at all costs, regardless of its inflationary effect. So long as such a conception prevails, trade unionists cannot reasonably be expected to be impressed by exhortation.

It seems, therefore, that while France, Germany, and possibly Japan, are likely to resist inflation in 1964 Britain and Italy are likely to yield to some degree. As for the United States they seem to be somewhere half way between the two groups. The stiffening of interest rates indicate some degree of resistance but as soon as that resistance will threaten the progress of business recovery, it is likely to be mitigated. On the whole it seems probable that the trend in the United States will be nearer to that of Britain than that of France and Germany.

Prudential Insurance Promotes Four
Promotion of four key investment executives has been announced by the Prudential Insurance Co.

They are
John E. Saylor, promoted to general manager and assistant treasurer in the 33rd floor office of the skyscraper at 630 Park Avenue
Bryan Wilson, promoted to director of banking and assistant treasurer in the 33rd floor office of the skyscraper at 630 Park Avenue
Percy S. Young, Jr., promoted to general investment manager in the bond department
John R. Ericsson, promoted to investment manager in the bond department.

Mr. Saylor had been associate general manager of the treasurer’s department prior to this promotion. He joined Prudential as a trainee in 1947.

Mr. Wilson had been associate director of bank relations and assistant treasurer. He joined Prudential as a mortgage loan appraiser in Detroit, Michigan, in 1947.

Mr. Young, an investment manager, joined the company’s bond department in 1951, following a three-year association with the Pennsylvania Railroad.

Mr. Ericsson, a senior investment analyst, joined Prudential three years ago. Before that, he was a security analyst with Arnold Bernhard & Co., investment advisers in New York.

Shell Investments Limited

Shells & Co. to Admit Partners
Effective Jan. 2, John E. Wolbern will become a partner in Delafeld & Delafeld, 45 Wall Street, New York City, members of the New York Stock Exchange.

Delafeld Co.
To Admit Partner

Effective Jan. 2, Daniel J. Murphy and Junius W. Peake will become partners in Shells & Company, 44 Wall Street, New York City, members of the New York Stock Exchange.

693,100 Shares
Shell Investments Limited

(Warranted under the laws of Ontario)

5½% Cumulative Redeemable First Preferred Shares
(par value $200 per share)

WITH EXCHANGE WARRANTS

The offering of these first Preferred Shares does not represent issuing by Shell Investments Limited or any part of the proceeds of the sale will be received by Shell Investments Limited.

Price $25.75 per share to yield approximately 4.27%
As We See It

Continued from page 1

had there been no second World War and the incredible technological advances resulting in sabotage, help directly or indirectly from that titanic conflict is another and far more difficult question. What the political effect of what President Johnson now has to say will be, we do not undertake to say, but there are other aspects of this whole question of reducing, to say nothing of abolishing, poverty and all the rest throughout the world, facets which must not be overlooked by the public as the politicians had rather not give them due consideration.

The President the other day in later sections of his address referred to the poverty, the hunger and the disease in the world that are now rampant in many sections of the globe, and, by implication at least expressed his determination to alleviate these unfounded conditions, and to do so without imposing foreign rule upon the people thus assisted. No one is likely to be fault with this as a noble ideal toward which the more fortunate peoples should, so far as feasible, strive. No one is likely to deny that in past centuries and centuries more advanced nations (sometimes including our own) have assumed, or at least their governments have assumed, plagiarose attitudes toward so-called backward peoples, particularly if they happened to occupy territory which had minerals or other forms of wealth.

There has been steady growth in recent years of "liberation" of such colonial peoples—mainly in that matter of many who nominally enjoyed full political freedom but who had become economic serfs. The more such developments have progressed, however, the clearer it becomes that mere liberation from foreign restraints or foreign rule often leaves the state of affairs as bad as ever if not worse. People have to be ready to govern themselves before they can profit very much if at all by liberation from their colonial masters. Sometimes at least, as a matter of fact the withdrawal of colonial powers, socialism results in definitely worsening economic conditions, more illness, more poverty and more economic privation in general rather than less.

Mere Aid Not Sufficient

Whatever may be the most desirable international strat-

egy in the face of communist aggression, we had better face the fact that mere aid is nothing; and direct aid does not do more, at most, than to prove a temporary curse from suffering, leaving the victims really no better off. And direct aid in the amounts that would be necessary to make much progress against the suffering of the unfortunate of the world and all the other countries of the so-called advanced world. Unfortunately, the populations of many of these countries are so enormous that aid that can reasonably be supplied from outside makes little or no real impression upon the misery of the peoples that attract the attention and the sympathy of the remainder of the world.

Whether or not we would like it some other way, the fact is that these poverty ridden and diseased stricken peoples must in the final analysis transform themselves into productive beings to cope with their own needs. Technical help they need, but even more they need the training which would enable them to make use of technical help and with regret it be said—a measurable addition to their willingness to serve themselves. The health problems which are so often encountered are, perhaps, a little more amenable to direct solutions from without, but the fact is that a very substantial degree of cooperation is needed in this area also. These peoples have to be taught a great deal, and not infrequently away from tribal superstitions and the like before broad help is possible.

Something Can Be Done

All this is, of course, not to say that nothing can be done or that nothing ought to be done to correct the situations to which many of the so-called advanced nations have addressed themselves. As far as I can say that (as President Kennedy often said, and as President Johnson now repeals) some of the countries now largely rehabilitated and often the least to take much interest in these affairs. Certainly it is not to deny that the United Nations should concern itself with these problems. What it does imply is to avoid the work which is cited by the President is really "a journey of a thousand miles." The problems presented by vast hordes of human beings far more ill-fed, ill-housed, and ill-clothed than many of us can imagine will be with us for many a decade, and quite probably centuries, to come. The journey will have to be taken at the time, as the President has well said.

Meanwhile the impression must not be given either to ourselves or to those in need of help that we have any cure-all, or that we can do more than help them help themselves. And we shall have to expect that many of these peoples will view every step taken with deep suspicion as possibly leading to their enslavement or at the very least interfering with their internal affairs. It is very well for the President to set out goals in glowing terms. It is more important that we take a realistic approach to all these matters that have do with improving the world.

Federal Reserve's
50th Anniversary

On Dec. 23, 1913, 50 years ago, President Woodrow Wilson signed the Federal Reserve Act. The bill, HR 8727, had passed the House on Sept. 18 and, in what was an unusually long session of Congress, passed the Senate on Dec. 18. After more than 80 years since the termination of the central banking function of the second bank of the United States, the country was again to have a central banking system.

The Federal Reserve Act grew out of the Aldrich-Vreeland Act of 1913, which provided for the creation of a Monetary Commission to study central banking in other countries and to submit a report and recommendations to Congress. Early in 1911, the findings of the Commission and its recommendations for a central banking system were being studied. There was widespread agreement with the Aldrich plan for a central banking system. One major stumbling block remained, which the Aldrich bill was defeated on this issue in Congress in 1912.

Need for Flexible Currency

This objection was overcome in a bill prepared in 1913 by Representative Carter Glass, the new Chairman of the House Banking and Currency Committee. He proposed a regional system of banks. The powers of the future Federal Reserve Board and the Federal Reserve Banks were debated and studied intensively by Congress in the summer and fall of 1913. But, with agreement on the need for a "flexible currency," the new decentralized system of regional banks incorporated in the future Act, discussions began to center on some of the particulars of the new system.

As for the public, and for Congress, there was some little doubt that a central banking system in some form had to be erected. Fifty years ago, the only thing that remained to do was to build the existing system upon its legal framework. On Dec. 23, 1913, the bill became law. On May 12, 1914, the Federal Reserve Banks opened their doors for business.

With Roose, Wade

TOLEDO, Ohio — Charles E. Andrews has been added to the staff of Roose, Wade & Company, Toledo Trust Building.

DON'T MISS IT!

The 1964

"Annual Review & Outlook"

Issue of

THE CHRONICLE

Will Be Published January 23rd

★ The 1964 "ANNUAL REVIEW & OUTLOOK" Issue will present the opinions and forecasts of the nation's banking and corporate leaders on the probable course of the nation's economy in the year ahead.

★ Get your business perspective on the new year's possibilities from the banking and corporation leaders who manage the country's industries.

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2—What are the major problems that the various industries face in 1964?

3—What is likely to happen to prices and values of securities in 1964?

4—What impact will the Administration's and Congress's foreign policies and domestic program have on business conditions in 1964?

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★ Do not miss the opportunity to advertise your Firm, Corporation or Bank in this composite cross-section of America's most competent business and financial opinion which will appear in the January 23rd issue.

Regular advertising rates will prevail for space in this issue.

THE COMMERCIAL AND FINANCIAL CHRONICLE
25 Park Place, New York 7, N. Y. REctor 2-8570
**Why the Economic Uproar Will Not Abort Itself in 1964**

Continued from page 1

Inventories on balance for the last eight quarters. Therefore, how can I reconcile an inventory rise with eight quarters with the statement we are not going to achieve the balance of this year or in 1964? In this way: if you will ex-

amine outright the 1964 figures, at retail today you will find that at the current level, it is the volume in the entire postwar period, with the exception of the second half of 1947, and inventories at the retail level now are at the same po-

int in 1953-1954, which were in the first half of 1947. At that time, you will remember, the problem was not one of excessive inventories; it was the result of an all-manufac-

turing increase—so not excessive inventories.

You may then ask what about manufacturers? Are manufac-

turers carrying the finished goods inven-


tories for the retailer? The an-

swer, to a certain extent, is no; retailers are backing inventories to the manufacturers and are in-

venting a nice profit, but it is historically at the level which has never indicated any trouble. I think you will find that in the months of finished goods inven-


tories advancing relative to sales of man-

ufactures, as far as I know, there is any noticeable effect on the in-

ventory level. This is confirmed from this analysis that the American economy is not over-

inventoried, but rather that it is under-inventoried.

Let me turn to the second major area that has caused concern in the past year, the area of capital investment. As dis-

cussed in the July issue of this magazine, Capital Outlays to Rise 5%.

The survey indicates increases that are already anticipated in 1964. The biggest increases are taking place in manufacturing. Durable goods manufacturing anticipates a 15% increase, non-durable goods manufacturing an increase of 7% in all-manufac-


turing we have an indicated in-

crease of 5%.

Let me read you the increases anticipated by major industries in their capital expenditures for 1964, as compared to 1963:

- **Iron and steel** +29%
- **Primary nonferrous metals** +26%
- **Electrical machinery** +12%
- **Motor vehicle manufacturers** +12%
- **Food and beverages** +12%
- **Paper & allied products** +22%

From this survey you can conclude that in 1964 will be at an all-time record and that most of the in-

creases will be in basic and major industries.

The overall results for the year 1964 for capital expenditures are quite optimistic, but the anticip-

ated quarterly pattern is not quite as optimistic.

From the first quarter of 1963 to the fourth quarter of 1963, we estimate that private capital ex-

penditures will have risen 10%. We do not believe that American industry will be able to sustain the ele-

vated level that we indicated last September, or that is now indicated, but it is on the same lev-

el as that in the fiscal 1963 budgetary level.

On the other hand, the rate of the rise will be about $5 billion, or $4 billion less than originally anticipated.

From the first quarter of 1964 to the fourth quarter of 1964, we anticipate a 5% increase in fourth quarter, in second quarter, in 1963 capital expend-


tures, which would be from $41 billion to $44 billion.

As you well know, economists like to say that the rate of in-

crease in capital expenditure will decrease in 1964.

"Either/Or in '64"

Let me turn from that to the reason why I see "Either/Or in '64". Let me tell you that label is either we will get a tax cut, which is 1963, or the Federal Government will engage in pump-prim-

ing. In our organization we take a rather dim view of the fiscal situation that file's in the face of some re-

cently indicated facts on Federal spending for the present fiscal year, and responsible public officials.

The Administration's position is that the Federal Government will not reverse the trend of spending will be 5 billion and $7 billion in 1964. We be-

lieve that this position hinges im-

portantly on whether there is a tax cut. If there is no tax cut, we believe the Administration will face an increas-

ing of about 1.5 million people and they will take the position that since that number is growing, it is the obligation of the Federal Government to follow compen-

sation fulfill its tax promises and expand the economy.

Anticipates Increased Federal Spending

It may not be a surprise, but the fact of the matter is that the fiscal 1964 budget will probably be about $8 billion less than the fiscal 1963 budget and that the fiscal 1965 budget has been reduced from about $3 billion to $6 billion over fiscal 1964. As a practical matter, therefore, the budget increases of about $4 to $5 billion in Federal spending during calendar 1963 and about $5 to $6 billion in calendar 1964. The House Ways and Means Committee has indicated on the Tax Cut makes quite clear that these increases have already been taken care of.

This means to me that we should not look for any cut in defense, any cut in tax rates or in stabilization in the coming year, and that those economic forecasts to rely on Federal spending or a moderate downturn are likely to be highly inaccurate. Today, on an individual point, therefore, we do not think you will have any downturn in economic activity in 1964 as a result of a downturn in government spending.

I have now covered three areas of the economy which I think provide a recession in 1964. In the areas of inventories we look for no liquidation, in capital investment, a modest growth in 1964 over 1963, and in Federal Government spending a rise of about $5 billion, I do not turn now to the consumer.

**Consumer Confidence is High**

The consumer has been the weak link in the powerhouse of economic growth since the post-

war period. Economic may come and economic cycles may change, but consumer confidence and spending on more spending money. Just prior to Cuba, it looked as though consumer confidence had reached a very low point. Following the resolution of the Cuba crisis, the index of consumer confidence rose to an extremely high level. Since then, it has continued to rise. The index for March was 128.6, reflecting a record level of consumer confidence. At the present time is this in-

dex is within 2 to 3% of where it was after Cuba and I do not need to go into what the com-
Loewi Co. Staff Appointments

MILWAUKEE, Wis.—William L. Liebman, President of Loewi & Co., Incorporated, has announced the appointment of Donald R. Bukowski as the firm's new Assistant Manager of the Research Department. The appointment has been made effective Nov. 1.

Donna H. Bickel has been named Assistant Manager of the Research Department. She has been with Loewi Co. since 1963.

The Funds Report

Commonwealth Stock Fund reports that at the close of the Oct. 31, 1964 fiscal year, the net asset value was $1,139,497,358, or $16.82 per share, valued as of Sept. 30, 1964, as compared with $1,139,497,358, or $16.82 per share, valued as of Sept. 30, 1963, in the prior fiscal year.

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Natural Gas Regulation: Dilemma or Promise?


Commissioner Woodward scores the Commission for excising its jurisdiction and interest in natural gas in regional areas which it controls. He proposes that natural gas be regulated in these areas.

The rough edges of regulation turn up in our normal, everyday practices, and often without pattern. I have attempted to spot the unsatisfactory regulation whenever I see a situation which I believe may adversely affect the future of the industry and which it would be the purpose of the Commission to prevent. In making such judgments, I have not made any serious attempt to go beyond what the law provides, such as prohibiting intra-state sale of gas delivered in interstate pipes, and to make doctrine a substitute for a genuine principle and the profit incentive system, such as leasehold sale which is not a sale in interstate commerce.

I am the third member of the Commission to address the International Association of America in the short two years since the majority shifted from that association to that of the new one. There has been sharp change in the Commission's regulations during this period, in its organizational relations, its methods of operation, its philosophy, and its regulatory direction.

Honeymoon is Over

By Washington standards, this is a short honeymoon period. In fact, the press in recent weeks has been carried away with the theme that the honeymoon is over. We have had time to study the industry's problems and to seek solutions. Two years ago Commissioner Swadler described the regulatory directions he hoped the Commission would follow, and last year Commissioner O'Connor commented on the Commission's record in its first year. Today I am going to take a new tack at the old-aged hand in the hope that I consider some of the rough edges of regulation, looking at the industry's problems, which seem to defy unosaceous answers. I cannot offer any instant solutions to these problems. "Instant"—one thing regulation certainly is not. I do hope to give some thought and discussion in the some of the cloudy, gray areas of disagreement where all is not black and white and where many wise-knowledgeable men find contradictory solutions.

We can start with the premise that we are all in harmony on the goal we are pursuing policies that will promote dynamic energy industries which will seek out, produce, transport, sell and distribute natural gas to the public, at natural gas at price levels high enough to provide incentive to both low and low consumer, to protect the consumer and encourage him to use more of this fuel. We recognize, I hope, that the wise use of a depleting natural resource requires both business practices in regulation which can achieve this goal and an assurance that the public will remain prosperous in the years to come, warming our homes in the winter, cooking our food, heating our water, lighting our patios, fueling our industries, and performing numerous other miracles as technological breakthroughs bring about new ways to utilize this wonder source of energy.

We have come a long way down this road—sometimes, I think, despite ourselves. Mistakes have been made both by the regulators and the regulated. Disagreements do often mean that there is a logical doubt. Sometimes it seems that there are as many disparities in the natural gas industry as there are between the two. For the last twenty years the industry has looked hopefully to the Federal Power Commission for understanding, for leadership in moving toward the ultimate goal I have just described. Although I do believe there is eventually that there is no panacea, that the problems have to be solved one at a time.

A Dissonant Member

The Commission during the past two years has faced up to many of the most serious and basic regulatory problems of our generation, and numerous others must be solved in the near future. The people who have read my dissents know that I have not always agreed with the solutions reached by the majority. I believe the Commission must proceed with such a way as to encourage rather than discourage enterprise, and in some of its actions I feel that the barriers are set up blockades rather than advance the cause of the public's welfare. I believe the public interest will suffer in the long run.

While the need for Federal regulation is recognized, there is a danger that under-regulation, private initiative will be killed, revenue will not be allocated in the most efficient manner, and the overall cost of service will be increased.

The Federal Power Commission's decisions have a strong influence on the growth of the natural gas industry, but on the entire economy of this nation. We are now moving into a regulatory era which holds out promise to the industry that whether we are laying down a series of decisions which could actually prove to be a progress as it presents only a choice between unsatisfactory solutions.

One fact that is still in the main road now, I caution only that we are walk in a high road of past and must tread carefully. We must avoid the now-pay-later philosophy, whereby we might achieve temporary lower prices of immediate benefit to the consumer, but be litled, moralized, and litigated, and all over again with any lectoring by me on this subject. I am only that I am in full agreement with most officers of the Commission that area pricing—while no panacea—serves to prevent the hopeless effort of a solution of this aging problem and will in the long run bring some order out of the chaos which now prevails and which has endured during all of the years of the industry.

However, the Commission's solutions to some of the other intractable problems of the industry are not so clear-cut to me. My general regulatory philosophy is to prevent the Commission from entering the jurisdiction where there is strong doubt that the power exists. Carried a step further, I believe in the regulatory program which will encourage industry growth and not one which will inhibit it with a pattern of decisions which lays down a series of barriers to progress, forcing the industry to move slowly and cautiously instead of boldly, as it should. The Commission, within the limits of the Natural Gas Act, must follow a course which will stimulate the industry on a realistic basis, not retard it by making it fearful that its plans and programs will be stopped by a new regulatory device.

Separate Return on Well-Mouth

For example, the problem of providing the incentive necessary to attract capital to the natural gas pipeline, and where sales and cash flow activities is an area of disagreement among many knowledgeable persons. The pipeline, as well as producers, must be encouraged to explore for new gas, and the Commission's recent reversal of a long established pattern of separation of returns, may be of real interest to me. Almost a year ago, in my dissent to the Commissioners' order in El Paso Natural Gas Company rate case (Opinion No. 566), I said that it was not without some reason of return on well-mouth must be allowed. Failure to include an adjustable incentive rate, I said, "will not only have a reflecting effect on the parties involved to bring about substantial agreement over the structure of the natural gas industry in this country. I cannot conceive of any reasonable solution in this situation, backing back on administering a law, just because he personally did not agree with it. However, the framers of the Natural Gas Act, I might have written party, matters which are not within our jurisdiction. There is a subtle danger inherent in the regulatory process. The danger that under-regulation, private initiative will be killed, revenue will not be allocated in the most efficient manner, and the overall cost of service will be increased.

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San Diego Gas & Electric Company

San Diego Gas & Electric, with annual revenues of nearly $100 million, serves electricity and gas to approximately 900,000 customers in San Diego and adjacent areas. Electricity contributes about 30% of the company's revenues. The company has nearly one-third while revenues from steam service are negligible. Citrus fruits and grapes are the principal farm products in the area where many of the customers are located. Residential sales are also important. Residential sales contribute 43% of electric revenues, commercial and industrial 49%, agricultural 3% and miscellaneous 5%; residential and commercial business accounting for nearly 70% of the company's revenue.

The company has enjoyed excellent growth with revenues increasing from $36 million in 1963 to nearly $100 million currently. Share earnings in the past decade, while somewhat irregular, have increased from $1.05 a share in 1954 to $1.25 for this year; and dividends have increased from 90 cents per share in 1954 to the present rate of $1.28. The price of the common stock during the past 13 years has increased from 10 to an approximate high of 40 in each of the past two years.

The company is planning for continued rapid growth. On the basis of long-range population increases in population and in the use of electricity, it plans to spend some $714 million over the next 20 years for its electric system during the years 1964-83, which will include purchase of 60 new electric plants of only $264 million at the end of 1962. For the year ending June 30, 1963, the company's income from operations was $33 million, and for the two following years, $35 million and $37 million, respectively.

The company plans to install four new electric generating units through 1964, each rated at 100,000 to 500,000 kw each and totaling about 3.3 million kw. Four new electric plants and six additional steam plants, four conventional steam plants and six nuclear power plants, are under construction. The company has planned with Southern California Edison to build and operate an atomic power plant of near 400,000 kw capacity, on land formerly used as part of Los Angeles Municipal Airport. Construction is expected to begin as soon as various regulatory agencies have approved the plans. Another special project would be a large natural gas storage plant, which would be financed and owned by a local Government agency. The company is in contract on a basis with San Diego.

The company now has four steam plants with total capacity of 951,000 kw; and a 210,000 kw unit with a capacity of 230,000 kw. Peak load in 1962 was 700,000 kw. It is expected that further steps will be taken to replace existing California Power Pool with other electric utilities, thus providing for greater interchange of power.

The 1962 construction program of the company was $22.5 million, and by sale of 560,000 shares of common stock through a 1-for-8 rights offering in Oct. 1962, the 1963 requirements are being taken care of through bank loans, with permanent financing postponed to 1964. Early this year the company refunded 375,000 shares of $1.12 preferred stock through private placement of an issue of 92 cents preferred.

The company obtains its gas supply from Southern Counties Gas, a subsidiary of Pacific Lighting Gas Co., California gas company, for a year contract for 215 million cf of gas daily, an increase of 10 cf to add to the company's gas sales, and is able to generate about 90% of its power output. Some irregularity in earnings has resulted from the fact that in California the utilities are not allowed to adjust their electric rates for changes in the cost of gas used as boiler fuel; thus in years when gas prices have risen, as in 1963, the company has been able to pass on the extra cost. Rate of return at time of rate hearing was set in Sept. 1961 was allowed by the commission to offset higher fuel rates and keep the margin on the diminishing return. In 1962 the return on rate base was 6.4% for the company's earnings and 6.11% in the gas division.

The company recently received a favorable decision of the California Public Utilities Commission, which will be a guide to rate making in the state. The company's rate of return would be that of Pacific Lighting Gas Co., which has over a 50% ownership in the company's gas business, and is considered to be the major competitor of the company. The company will be able to retain the present rate of return, and the commission will reduce the rate of return if there is any indication of an increase in earnings.

The company's earnings for the year ending Dec. 31, 1963, are estimated at $2.15 a share compared with the 1962 earnings of $2.16 a share. There is no material change in the company's present rate schedule, earnings are expected to continue in an up-trend during 1964.

The stock has been selling recently at 29% a share with a high of 37% in 1963 range of 40-35. Based on the current dividend rate of 1.25, the stock yields 3.6% and sells at 17 times earnings. The latest figure indicates a selling level on an industry average around 20.

BOSTON, Mass.—(McConnell Co.)—John R. Law has become associated with McConnell Co., 211 Convent St., Boston, Mass. Mr. Law formerly was with Glore, Forgan & Co. and prior thereto was a district manager for National Bank of New York Trust Co. Bank of America Securities

Bank of America's Advances Two

SAN FRANCISCO, Calif. — Two senior executives have been elected to Bank of America's Management Committee by the bank's Board of Directors. The new members are C. Blair Sutherland, Senior Vice-President in charge of business relationships, and C. L. Spencer, Vice-President and Cashier.

Their election was announced by Rudolph A. Peterson, President of the bank and Chairman of the management committees.

Mr. Sutherland, named head of business relationships a year ago, has overall responsibility for the bank's major client and correspondent bank relationships, bulk sales development, advertising and public relations.

Before assuming his present post he was in charge of statewide real estate and Timeplan lending and commercial loan activities in northern California. He held this responsibility at San Francisco National Bank from January and was named Senior Vice-President four years ago. A native of Ohio, Mr. Sutherland has been a banker for 21 years in Los Angeles offices before moving to the head office in 1955. Active in business and professional organizations, Mr. Sutherland is Vice-President of the San Francisco Chamber of Commerce.

Mr. Baumhefner, as cashier, has overall responsibility for deposit operations, time loans, investment and government securities operations. He has been Vice-President and cashier for the past seven years.

Joining the bank in San Francisco in 1950, Mr. Baumhefner has handled southern division responsibilities in the Cashiers Department at Los Angeles and San Francisco, and moved to the head office in 1955 as assistant to the cashier.

He is active in San Francisco commercial organizations and is a member of the finance committee of the U. S. Chamber of Commerce.

Hirsch & Co. Honors

Yale Cooper, Co-manager of the 1182 Broadway, New York City office of the New York Stock Exchange, member firm of Hirsch & Co., was honored by a gathering of associates in the company and his friends from around the country, marking his 25th anniversary with the investment firm.

Mr. Cooper joined Hirsch & Co. on Dec. 23, 1938, as a messenger. He advanced within the company while studying at New York University and Columbia College, and was made Co-Manager of the 1182 Broadway from Oct. 1950. While handling a wide number of phases in the investment business, he has specialized in the supervision of mutual funds and investment trusts.

The money and capital markets continue to move pretty much in the lower reaches of the normal range in which they have been in during the immediate past. The money available for the purchase of short-term Government securities is still large but it is not generating too much demand, as banks have been forced to use the money that would be available to try to keep short-term rates high enough to offset the large volume of payments problem as much as possible, while at the same time efforts were made to keep long-term rates from going up to levels that would be detrimental to the economy. This most likely means that the Federal Reserve Banks will continue to make purchases or sales of Government securities all along the lines from the shortest maturities depending upon conditions as they develop.

The Federal Reserve, working along with the Federal Reserve System, is tailoring its debt management policy so that it also coincides with the money management program of the Federal Reserve Banks.

Emphasis on Short-Term Borrowing

The new money raising and refinancing operations of the Treasury for the foreseeable future are expected to be taken care of largely through the sale of short-term issues. These offerings of offsetting Treasury issues are in line with the monetary policy of knowing these rates on the firm will have to be made very broadly by such actions, which, if and when they should take place.

Future Monetary Policy

It is evident that the monetary authorities are going to keep near-term interest rates in a competitive range of 5.8% to 6.0% as much help as is possible to balance payments problem which is being taken off the dollar and our gold holdings to some extent. This kind of environment, along with the foreign exchange deals which have been worked out with Central Banks in other free monetary centers, together with use of the International Monetary Fund with gold and other world monetary centers.

Smithers Issues Statement on Aerospace Corp.

In response to a number of issues regarding the New York Stock Exchange and Wall Street, New York City, has clarified its business relationship with the Aerospace Corp., formerly known as Chippendale Aerospace, of El Segundo, Calif.

Aerospace, in a press release dated Nov. 2, 1963, announced that F. S. Smithers & Co., a member of the New York Stock Exchange, has entered into an arrangement with Aerospace in which leases for aircraft will be placed by the investment firm with private investors, if such leases meet the essential business criteria.

F. S. Smithers & Co., a member of the New York Stock Exchange, is a comprehensive investment banking firm whose services range from the public underwriting of municipal bonds to investment banking for private investors. Additionally, the firm is active in providing financial services for others and for its own account.

With J. B. Maguire

Boston, Mass.—Clement W. Deasy is affiliated with J. B. Maguire & Co., Inc, 31 Milk Street.
The capital structure for the converted bank remains the same.

The Florida National Bank at Key West, Key West, Florida, a Second National Bank of Florida First National Bank at Key West.

The Comptroller of the Currency James J. Saxon on Dec. 18 announced preliminary approval of applications from the Florida National Banks in Florida, at Miami, with the title, First National Bank, with an initial capitalization of $400,000, and at Boynton Beach, with the title, First Bank and Trust Company, Boynton Beach, with an initial capitalization of $500,000.

The Comptroller of the Currency James J. Saxon on Dec. 17 approved the conversion of the bank of Auburn, Alabama, into a National Banking Association, which bank was operated by its present management under the title, First Bank and Trust Company, National Association.

The capital structure for the converted bank remains the same.

The Federal Reserve Bank of St. Louis
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In Your Business You Need—

HOW TO SELL SECURITIES

By JOHN DUTTON

This 60-page booklet—available exclusively from us—is designed to help you increase your business through modern, proven investment selling techniques. Its 25 chapters are full of practical and proven selling and promotional ideas. John Dutton drew it from the best of his popular weekly columns in The Commercial and Financial Chronicle. You'll learn about

- Obtaining a client list
- The initial sales approach
- The final sale
- The various categories of investors—and their accounts. These are defined and you're told how to develop each of them to their maximum potential
- Techniques you can use to analyze—on your own—the relative attractiveness of various securities and their vital balance sheet items

In 1001 ways this booklet can help you be a better salesman and run a more profitable selling operation. Your own copy will be rushed to you immediately on receipt of your order.

**Security Salesman's Corner** by John Dutton

Investor Types (Concluding Article)

Sooner or later you will run into the little old lady who starts out by admitting that she doesn't know anything about investing. For a while she will be content to consult with you and abide by your advice that she should invest in the most conservative manner that she can afford to lose. All of this begins to read a bit. Then one day she will call you on the telephone and ask you what you think of some stock that she just read about in a financial publication. Later on she may even take an advisory service and by now she is starting to talk investment like an old pro around the boardroom. Possibly she has some good ideas, but others based upon a very superficial approach to her investment situation just don't fit into her portfolio.

Respect Their Opinions

When an intelligent person gets the "stock bug" and they have time to read and study, you should respect this sound approach to investment. At no time discourage anyone in this pursuit of knowledge but listen patiently and when they have good ideas, or crib them from others, by all means listen. There isn't any person I have ever known that can't learn something by listening when it comes to business, the business of money making, companies, the market, or individual securities. Never try to talk down a person who is devoted to their stock all means in your power retain the dignity and unbiased position of a friendly and experienced advisor.

Some salesmen are afraid to admit that an amateur who has a goodly number of investments might have information that could counter some of their own pet ideas. This is wrong—Listen—consult—and never try to upstage any person with an intelligent study of securities—whether they are men or women investors. There is always too good a possibility that they can second guess you—and sooner or later they will. So ride along and help them to make the best decisions possible.

The Bargain Hunters

The fellow who always wants to "buy for less." There are those who have a congenital compulsion to buy a bargain. If they go into a store to purchase a standard article they haggle with the salesman. If they are buyers or their office or business they think they have to obtain a price concession or they haven't made a good trade. They are the kind of people that might give a thousand dollars to a worthwhile charity but if you offer them a block of bonds to yield 3¼% they want them on a 3.00 basis. If you give them an order to buy or sell a stock it is usually a list of stocks or a price where it might ordinarily trade.

The human desire to grab a bargain was clearly illustrated the Friday the market broke when President Kennedy was assassinated. The next Monday our office had many orders at prices a point or two below the Friday closing. Of course, none of these orders were executed. I presume this was duplicated all over the country that one man who is extremely successful in business who has a tax exemption from me call and me: "Do you execute orders in stocks?" I replied—'Oh, mighty poor salesman when I had been doing business with him for about three months and I had never told him that I would be glad to buy his stocks for him. He then said: "O.K. buy me 500 Telephone," at a price that was three points under the Friday close. Naturally, I didn't argue with him but dutifully placed his order; good for two days, and he went merrily on his way—sans Telephone.

The Salesman's Hedges

There are various stages of this desire of people to try and chisel off a point, or half point on some bonds, or a block of stock. In its more flagrant form this compulsion to drive a hard bargain can best be handled by expecting the buyer to always ask you to cut price if he is a buyer, or "up it" if a seller.

When working as principal it is ethical, in my opinion, to QUOTE a price that is slightly above or below where you may trade, or that if you get into a hassle you can do business at a price that is fair to the buyer and to your firm, as well as your self. This does not mean quoting fictitious markets, or markets not related to a fair and reasonable markup that a dealer must enjoy in order to properly conduct his business. But it does give you an opportunity to trade with this type of individual on the only basis that he will trade—... and your competitor just do the same. Your time and your work are valuable. You cannot change markets or make secret concessions to anyone. If the bond market a 3.50% yield for a particular kind of security, is a 3.50% yield.

There are no bargains in the securities markets unless you go to an auction sale of items that the public have not evaluated—John Doe's money and Richard Roe's money are all the same in this business. Anyone who thinks their account is so valuable that a dealer in securities has to cut prices just for them is in for a rude awakening because this business is not conducted that way.

If you tried to educate habitual chiselers you could talk to them until you ran out of words and they would not change. So if you replace them—QUOTE THEM THE PRICES THAT THEY CAN USE AS A TARGET FOR THEIR PROPOSALS and you will find that you will fill their orders AT THE CORRECT RETAIL OFFERING PRICE. This naturally does not apply to all second-hand stocks. The market is open from 10 to 3:30, five days a week, and they can place their open orders at prices they choose just as long as they are realistic. Sometimes their GTC orders are completed just sure you check with them regularly so that they are reminded of their liabilities in case lightning should strike.

[John Dutton is the pen name of a registered representative employed by a large NYSE member firm.]


John L. Tierney, Jr., has become associated with Edward D. Jones & Co., 101 Fourth Street, members of the New York Stock Exchange and other leading exchanges, as a registered Representative and will service individual and institutional accounts. Mr. Tierney was formerly with White & Company, Saint Louis.

Burr Named in Fund Drive

R. Peters Burr, a partner in F. S. Mosley & Company, has been named Chairman of the Investment Bankers Committee of the Business and Professional Division of the 84th Annual United Hospital Fund appeal in Manhattan and The Bronx. His appointment was announced today by John E. Thilly, Chairman of the Division. Mr. Thilly is Senior Vice-President, Dillon, Reed & Company; Fred L. Hayes, Vice-President, Dillon, Reed & Company, Inc.; Ralph Robnolwer, Jr., partner, Hornblower & Weeks; Charles F. Morgan, a partner of Morgan, Stanley & Company; Reynolds & Co.

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Commercial and Financial Chronicle
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Gentlemen: Enclosed is our check for $20, please send me 12 months (32 issues) of The Commercial and Financial Chronicle plus a FREE copy of "How to Sell Securities"—a big saving of $6 over the single copy price.

Name
Address
City
State

Dutton, John E. Hutton, W. E.
Pendleton, George H.

Seebeck, Robert F.

Blanche Noyes, partner, Hemphill, Noyes & Company; Robert F. Seebeck, a partner of Smith, Barney & Company; and Frederick S. Winham, a partner of G. H. Walker & Company. They will attempt to reach their quota of the Fund's $83,000,000 goal by seeking the solicitation of contributions from executives and privately-owned firms in the investment banking field. The money raised will be distributed among the Fund's 78 member voluntary hospitals according to the amount of free and below-cost care they will give the medically needy this year. Last year 1,067,500 such cases were treated.

Joins W. E. Hutton

BOSTON, Mass. — George H. Pendleton has joined the staff of W. E. Hutton & Co., 73 Federal Street. He was formerly with Morgan, Stanley & Company; Reynolds & Co.
The State of TRADE AND INDUSTRY

An encouraging picture of the economy's progress and prospects unfolded in the month of December, according to the monthly analysis of the economy by the First National Bank of Chicago.

According to the Bank's December monthly publication "Business and Economic Trends," the "assassination of President Kennedy on Nov. 22 stunned the world and, to a large extent, the month's economic activity in the United States to a virtual halt. One should not, however, misinterpret the retrenchment. The event of this nature and magnitude to be without repercussions, and the trends and figures indicate an interruption in the pace of business. The news of power has been smooth and remarkably swift. This, together with the early indications of resiliency of the American economy to withstand jolts, a hallmark which this nation should be proud of, should permit the basic underlying strengths in the economy to reassert themselves and the upward trend in activity to be reestablished.

"Over-all business activity has been good as production, sales, new orders, and the like showed October increases, which in some cases were substantial and in others almost negligible. The output of the nation's factories, mines and utilities rose by 1.7% in December, the first month in 1963 in which automobile production. Car output in November and December is estimated at 747,000 and 727,700 units, respectively, bringing automobile output for the year to 9.7 million, only 3% short of the record 7.9 million units of 1955.

"Slight increases were reported in new orders, deliveries, and unfilled orders which, in effect, indicated several consumer goods and of industrial and farm machinery as well. Utilization rates of industrial capacity, as measured by the proportion of time that facilities were working, continued at the record high levels of last year. The backlog of orders for all durable goods in December was estimated at 8% above a year ago.

"Sales also rose in October. Manufacturers' sales increased 1% but remained below last year's record level of last year. Retail sales, although about 7% above a year ago, had the increase was not as sharp as that of the beginning of the year. New orders for steel climbed during the month, continuing a generally upward trend from the low levels of last year. The backlog of orders for all durable goods in December was estimated at 8% above a year ago.

"Interest Rates Register Gains In 1963

Interest rates rose in most sectors of the U.S. economy and capital markets during the first ten months of 1963. Although it was still too early to assess the long-term impact of the assassination of Kennedy, the performance of interest rates in the last ten months has led analysts to predict gains in interest rates in the next few months and a rise in interest rates possibly a substantial increase upward.

"The rise in interest rates in 1963, compared with the patterns in 1962, when long-term rates declined generally and short-term rates registered only small gains. Better business news in 1963 compared with 1962, and a rise in inflationary pressures dissipated some of the earlier uncertainty of the economic outlook. The economy was strengthened by the right shift in monetary policy. Security offers were consistently exceeded in volume, prices diminished large, and the rate of growth in time deposits showed a marked increase.

"Interest rates on short-term obligations advanced almost as much in the first four months of 1963 as they did in the first four months of 1962. The business optimism encouraged by the continued expansion of economic activity, the enforcement of Federal Reserve policy, including the rise in money rates, the effect of the Kennedy tax cut, contributed to the post-March rise in interest rates."

Bank Clearings Advance 3.4% in December

Bank clearings, compiled and published by the Chronicle, in the Dec. 21, rose 3.4% in dollar volume above the year-ago period. They reached their highest level since the end of December in 1962 compared to $277,949,020 in the 1962 week. This was expected because of the trend to-week-to-week increase in retail sales for the period ending Dec. 14.

"Our comprehensive summary for some of the principal money centers follows:

<table>
<thead>
<tr>
<th>City</th>
<th>Index of Clearings</th>
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<tbody>
<tr>
<td>New York</td>
<td>213.5 (1997=100)</td>
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<tr>
<td>Philadelphia</td>
<td>213.5 (1997=100)</td>
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<td>Chicago</td>
<td>192.1 (1997=100)</td>
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<td>St. Louis</td>
<td>212.0 (1997=100)</td>
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<td>Cleveland</td>
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<td>New Orleans</td>
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<td>Kansas City</td>
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Holidays to Curtail Steel Activity:
First Quarter Looks Good

Steel orders, shipments, and production in the first quarter of 1964 because of the Christmas holiday, and the early decline in the year, Steel magazine said today.

"From all indications, steel demand will be at least as good in the first quarter as it has been in the last three months. The market will probably be stronger than it was in the early part of 1963. It doesn't seem likely that we will see a strike hedging it got then, but it will have a broader base."

"Auto and truck production trends indicate an expected build-up of two million or more in the first quarter in an effort to boost dealer inventories to normal levels. Structural fabricators are forecasting unusually strong demand for plates and shapes to be used in Midwest building projects. Railroad carbuilders have fat order books. Machinery manufacturers have big backlogs. Thanks to automakers, appliance firms and other producers of consumer durables — all of whom await the final Christmas holiday bookings are on a par with last month's or slightly above."

"December shipments may equal or exceed last month's. Despite their holiday cutbacks, steelmakers will produce about 8.9 million ingots this month (vs. 7.5 million ingots produced in December). This is expected to deliver 118 million tons that Steel magazine industry paid last week."

"In the scrap market, the yard over the holiday season. Steel's price composite on the primegrade, which has been dropping in steelmaking held last week at $37 a gross ton for the second week.

"Auto Steel Shipments Second to 1935 High

Steel shipments to the automotive industry will be the highest in history this year, Steel magazine predicted, the U.S. steel industry shipped 66 million pounds of steel to makers of autos, trucks, trailers, buses and automotive parts, who will account for 22.2% of steel shipments to all markets. Automotive shipments will be total last year by 11.5% and be second only to those of 1955, when automobiles and their suppliers took 187.5 million tons of steel and built a record breaking 10.3 million cars and trucks, the second highest in history."

"The total shipments of finished steel mill products in 1963 will be placed at 176 million tons —largest since 1959."

"With end - of - year demand higher than expected earlier in the year, this year's production of over 106 million tons will far surpass last year's output (98.3 million tons) and be the largest, too, that of 1957 (112.7 million tons).

May All Errors Be So Erroneous

Business this year is shaping up for one of the best years ever, forecasters expected, Steel magazine said in its Dec. 23 issue. "The forecast for 1963 was that business would slip downward until mid-July. The forecast for the second half was a trend until the latter part of the year. The forecast for 1964 is that steel plants will report steady gains were registered in the first half, and a record high will be maintained in the second period.

By July, said forecasters, output (as registered by the Federal Reserve Board's index) would be around 115. Instead it soared to 123 in February for March is the sort of mistake businessmen enjoy.

What about 1964 business? Forecasters believe it will substantially improve over 1963 business.

Demand for Steel Continues Unabated

Steel demand is still going up in the second quarter, Iron Age magazine reported. December shipments will be up 10% to 15%. Steel industry will bring another increase of from 5 to 10%.

"The steel and metalworking weekly said that on the basis of predictions for the first half of 1963, production will increase to about 5 to 6% higher than the current rate. It will then level off as the Federal in stable or stabilize and possibly become more. Certain of the predictions for 1963 are an annual rate of 106 million tons. If this first half predictions of 56 million ingots were met, the yearly rate will be a rate of 112 million tons will have to be reached — probably sometime in February or March."

"Iron Age said some mills are reviving their first quarter predictions upward. These are based on current orders now coming in for January and February delivery. A company's production report shows January orders are running from just "bust" to as much as 10 to 15% above January deliveries. Some major steel users who had placed their January orders are now exercising their supplemental buys, as occurred in December."

"Looking ahead, there are some significant factors to keep in mind, both positive and negative. First, production is expected to hit the average or higher or average level for the year in the first quarter. This is a time when consumption is normally at a seasonally low level. These winter months, linepipe, tinplate, rebars, plate, structural, standards, structural ties, and channels are at their slowest rates of production."

"But, at the same time, this underscoring the top-heavy dependence of the current market on the steel and non-steel industry, to a lesser extent, appliances. Any falloff in auto sales could result in a drag of the market, and a trend for the future. This steel industry has its friends focused on the effects of a possible indication of any trend—either up or down."

1963 Car Output One Million Under 1962

Car and truck production in the U. S. during 1963 now leads 1962 car output by more than 1,000,000
Now the...
Managing Profit Sharing Funds for Investment Goals

Continued from page 3

all the factors involved in each specific plan, but one of the most important consideration should be the nature of the industry and the circumstances that surround the company itself. For example, the case of a growing company in an expanding industry, those that may be kept from that of a mature one whose earnings are subject to cyclical fluctuations, but with a preponderance of relatively youthful, career-minded employees, are viewed differently from one with a majority of management who are more concerned with financial security than the company's future growth.

Alternative Fund as a Compromise

One way of solving this problem is to set up two funds, one holding the company's own stock and the other being a general investment fund, from which the company's employees can be given the choice as to how his funds shall be allocated. This, of course, involves a number of practical difficulties and a great deal of administrative work, which is too much to expect in its entirety. Hence, it does allow the possibility of such a plan and to some extent to overcome the difficulties that are presented by the requirements of employees in different age groups.

It would be appropriate at this point to mention a very important consideration regarding the profitability of a profit sharing plan. This is the degree of stability and to the fund. The contributions form the income of any fund, and as the investment manager has to work within the frequency of his flow of contributions there is likely to have an important bearing on the size of the contributions. Of course, there can never be any certainty regarding a company's income or any other factors to consider, hence, the amount of its contributions to the fund. However, there are certain basic considerations, such as the nature of the industry and the degree of stability of the company's profits, which can be used as a guide to the fund. The contributions are level, and with periods when there is a slow down, the particular attention must be paid to the provision of liquidity to meet this eventuality.

A company whose earnings are closely related to the business cycle presents another problem because there is an additional contribution to the fund. Conversely the smaller contributions, or perhaps no contributions at all, would be provided when the market is depressed and the most attractive investments are available. The steady, regular, modest contributions of a company's own stock in the portfolio, in other words a larger than average holding, it essential that this be communicated to the plan members. It is most important that the employees be informed and kept constantly informed of the amount of the company's own stock in the fund.

Factors Affecting Investment Policy

Turning now to the general question of what the employee must make of his fund account in determining his investment policy. These may be divided into two classes:

(1) The basic objective of the plan and its subsidiary provisions regarding the nature of the contribution.

(2) Intangible factors.

It should be noted that the basic objective common to all profit sharing plans is the same. Profit sharing is an incentive to work, and it is up to the management to ensure that the employee is given the proper incentive. However, of prime consideration is whether the profit sharing plan is the only vehicle for providing such benefits or is part of an overall retirement program with employees, and so forth. A plan whose fund members are not subject to the same kind of earnings pressure as the stock market and who have a good relationship with the management, may be more readily to a heavy investment in a small number of companies in which wide fluctuations in the value of the fund are likely to have damaging effects on employee goodwill.

The Basic Diversification of the Portfolio

I have some dealings with the question of the company's own stock and discussed some of the factors that have been considered in determining the most appropriate investment policy for the treasuries of the many variations in plan details it is impossible to present an investment policy which can be applied to all funds. However, I think that the basic formula for a policy can be arrived at by first examining the nature of a typical fund and then deciding upon the most suitable diversification and the major investment groups to achieve these objectives.

Investment strategies of a typical deferred profit sharing plan fund may be summarized as follows:

(1) Proportion of the maximum benefits for retired employees. The deference of a degree of stability to the fund.

(2) Satisfactoriness of liquidity requirements. The objective of providing re -quity benefits, assuming that the age of the members is fairly even, lends itself to a two stage approach. This does not mean that every investment must be made in a way that will lead to the exclusion of shorter term holdings. However, most experienced investors have found that over a long period of time the most satisfactory overall performance is obtained of their investments in longer term funds. Therefore, advantages of less attractive shorter term opportunities. An important emphasis should be placed on investments offering long term attraction.

Superior Long Term Results

Based on historical evidence, the most satisfactory long term investment performance is given by common stocks as opposed to fixed income investments. Statistics available show that from 1879 to 1962 the total return on a broad cross-section of common stocks, compounded annually, 4% compound, roughly 5% compound, and 2.5% from capital appreciation. Over the same period of time the return on a broad cross-section of common stocks, fixed income investments was 4.4% per annum. In the years from 1912 to 1962, the total return on a similar cross-section of common stocks, compounded annually, again showed a return of 5.5% per annum on fixed income investments.

There can be no guarantee that future experience will duplicate past. However, if one accepts the premise that the economy of this country will continue to grow on a long term basis, the usual pattern of long term fixed income investments is likely to yield a relatively stable growth in the level of corporate profits, there is a reason to think a policy giving a greater preference of common stocks as the means of achieving the most satisfactory rate of return. This argument is valid except for the account inflationary trends in the economy. Although efforts have been made to date to meet this inflation, there is considerable historical evidence for believing that increased government spending, particularly in the growing economy, some degree of continuing inflation must be expected. It would be unwise to assume that the position of corporate bonds with this length of maturity would probably become unattractive. We have, however, also been a sacrifice of yield to make this worthwhile, but opportunities may be sought to use the share capital or other form of security to provide a return of capital during the period when the heavy benefit payments have to be made.

Having determined the amount that corporate equities are needed to satisfy the stability and liquidity requirements of the plan, he problem of setting up the portfolio of. Of course this portfolio will not be subject to meeting changes in circumstances and as an added requirement needs to be kept in mind that the liquidity reserve will usually be declining in any event the ratio of reserves to fixed income investments will have to be reduced to the amount of new contributions. Therefore, stock purchases at the expense of fixed income investments.

The Selection of Investments

I shall now turn to the question of the choice of investments for the deferred profit sharing fund. In the assumption that the most suitable portfolio for the vast majority of plans which will have a strong emphasis on equity investments, I shall deal first with the possibility that the employee will retire or otherwise become entitled to benefits at the lower end of the scale of payments. In the larger plans members not receiving benefits, it may be argued that the fund shares in the product of the success of the company. I am thinking mainly in terms of issues which offer investment attraction on a long term basis.

The selection of any stock must be based on thorough research and should take into account economic and industry conditions, the stability of management, financial soundness, a record of earnings and earnings outlook. A realistic estimate of earnings is particularly important in the case of the small company. The prospects for earnings improvement must be sufficiently attractive to justify the purchase of common stocks. This question should be regarded as being of far greater importance than the mere change in market levels. Attention must be paid to the price-earnings ratio on the market level, but a mistake in timing will usually, in the case of such stocks be less costly than a mistake in the judgment of the worth of a stock. If there is Baldwin, it may be argued that to secure shares that are not subject to changes in the fund there may be a reduction in the number of other stocks that may be taken of market decline. The selection of investments to purchase share quantities of the stock at lower prices.

Although I am referring to
growth stocks as long term investments this does not mean that they should be considered as permanent additions to a portfolio regardless of changes in circumstances. The performance of the economy and the prospects affecting its earnings outlook must be followed very closely and, if it is felt that due to economic or technological factors the prospects for a particular group of stocks are not fundamentally strong, a prudent strategy would be to sell these stocks and purchase others which appear to be more soundly based.

Worthwhile Speculative Investments

At certain stages of the business cycle, the characteristics of pronounced cyclical may offer interesting opportunities. Speculative investing of a short-term pattern. However, investment in such issues introduces the problem of forecasting future economic conditions and the likely timing usually involves, these holdings should be limited to short periods of speculative plays. Similarly, from time to time "special situations" may offer short-term speculative opportunities. While one should avoid issues of a speculative nature, when the prices are high and the market sound the downside risk is limited, there is no reason why advantage should not be taken of such opportunities.

There may also on occasions be a place in a portfolio for companies whose earnings are fairly stable without showing any particular cyclical character. Such issues normally sell at a lower price-earnings multiple than growth stocks and higher than the above average yield based on a well secured dividend, thus providing security of income against market declines. They may therefore be useful when opportunities for the purchase of growth or cyclical issues at attractive prices are limited.

Before leaving the subject of equity investments I want to emphasize the need for caution when buying stocks which appear to be overvalued. It is the tendency of investors to overvalue stocks when the outlook is promising. The price of a stock may rise rapidly, and it is sometimes difficult to sell before the peak is reached. It is therefore important to be wary of investing in stocks which are overvalued.

The quality of the management is an important factor to consider. The ability of the management to operate the business efficiently and effectively is crucial to the success of the company.

(2) Corporate Bonds and Mortgages

I now come to the investments which are often considered to be an element of stability into the portfolio. To compensate for the absence of dividend yields, U. S. Government bonds are often held by investors. These bonds are considered to be of a high quality and carry a relatively low risk compared to other investments. However, it is important to consider the current interest rate environment when deciding on the appropriate combination of bonds and stocks in a portfolio.

The security of the bonds is determined by the creditworthiness of the issuer. The credit rating agencies provide a rating for each bond, indicating the likelihood of default. Investors should carefully consider the credit rating before investing in any bond.

(3) Short Term U. S. Govern- ment Issues and Commercial Paper

The most suitable investments for satisfying near term liquidity requirements are the issues of the United States Government, agencies, or good quality commercial paper. Investors should be aware of the current interest rate environment and the potential for capital gains or losses associated with these investments.

As an example, the yield on a popular short-term investment in the form of a commercial paper is currently around 1.75%. This is a good investment option for investors looking for a low-risk, high-return option.

New Individual Dealer

AMITYVILLE, N. Y. — Burton E. Mason is now conducting his investment business as an individual at 201 Bayview Avenue. He was formerly a principal of the Suffolk Group, Inc.

Fahnestock to Admit

Fahnestock & Co., 65 Broadway, said it had been given an assurance by the New York Stock Exchange that it will be admitted to the firm effective Dec. 31.

With Coven Co.

Bernard Weinsten, D. E. Maurice Moretti and Harry Graham have joined Coven Co., 45 Wall Street, New York City, as representatives of the New York stock exchange. The firm was formerly known as the New York Stock Exchange branch of Fahnestock & Co., 45 Wall Street, New York City, and was formerly known as the New York stock exchange branch of Fahnestock & Co., 65 Broadway, New York City.

*At address by Mr. Stiff, before the 19th Annual Conference of the National Association of Mutual Funds, Los Angeles, California.

**Continued from page 2

The 2% average increase for the

Net earnings, as reported to shareholders, rose from $278,000, in 1957, to $315,000, or $1.51 a share in 1962 on the

Certain adjustments should be

Securities may have some

A careful planning of

The SECURrrY LIKES BEST...

continued from page 2

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The SECURrry LIKES BEST...
Charging the Tax Bill to Accomplish Its Growth Goal

Continued from page 5

national income and Federal revenue.

Furthermore, gradualism tends to blur into a theory of equalization or semi-equalization, and is, of course, an exactly, a redistribution of wealth. But re-distributive or redistributive-minded department of distributive justice differing from the standards of our market economy: the market knows least and govern ment knows best. But what is our market economy or the American people, constantly and voluntarily adjusting the incomes of each and every one of us, financially rewarding those who produce more and financially penalizing those who produce less? This democratic market system, this Incidentally the means by which, I am convinced, we have become the rich free people in all the world.

The Russians Say to Know Better

Even the Russians seem to be coming around—deviating sharply from the Marxist-Leninist concept of from each according to his ability and to each according to his need—on the road of free market Economics, official periodical of the Soviet Institute of Economics, deviates from the path of 'Murrinin' and explains in an article:

The many years of experience in the organization of social labor under socialism show that equalization of income is consistent with the interests of the development of socialist production... In order to provide returns for additional effort and encourage the absorption of products... the principle of personal material incentives well as the principle of personal moral incentives... It is necessary to give the workers the right management of the right to raise the sales of the persons showing maximum productivity, skill and conscientiousness... At the same time it is necessary to improve the system of personal material incentives, technical, and office personnel.

Yet while the Russians seem to have learned the lesson of incentive remuneration—of additional return for additional effort—the phrase is the President's, as cited earlier. And the President's way back to the opposite direction: toward less return for greater effort. For, despite the large-scale and high-technology bill, the bill before you increases the rate of progression between the lower and top rates. The combined effect of proposed rate and structural changes in 1963 provides a reduction of tax liability of 38.3% to the lowest bracket, decreasing to 26.2% for the $3,000 to $5,000 bracket, 16.4% in the $5,000 to $10,000 bracket, 15.1% in the $10,000 to $20,000 bracket, and 12.6% in the $50,000 and up bracket. Plainly, tax relief at the lowest bracket is far better than three times that of the highest bracket. Indeed, some 1.5 million taxpayers presently in the lowest brackets of taxable income are to receive a tax cut. This is, of course, not to say that each citizen has a share in our political direction of a tax cut and a share in the cost of democracy.

At any rate, discriminatory treatment exists, for example, in the upper brackets. An ideal formula is, I believe, short-sighted, for in the long run equal progression is the only formula that has stood the test of history. However, we have not even begun to realize the advantages of such a system. In sum, while a flat rate may be the ideal, I believe that a realistic goal of the Committee should be a flattening curve of graduation, with a maximum rate of 36%.

Part II

Dividend Credit Repeal

In his 1963 Tax Message to the Congress, the President recommended repeal of both the $50 exclusion and the 4% credit. The $50 exclusion has cost us $1 billion to $1.5 billion per year, and we have to repeal the di vision of capital gains. I believe dividend credit should be restored. Discrimination against equity investment and hence against capital formation—exists because dividend income is the only income in which the individual and corporate income tax structure is of so little degree of discrimination. The main thing to keep in mind, of course, is the impact of this on our investment climate. Investment is the key to growth and hence discrimination against investors amounts to discrimination against growth. The proposal to raise taxes on $50 to $100 dividend exclusion would cost the Treasury an estimated $70 million to $100 million, but return the dividend credit as it now stands could raise some $700 million to the Treasury. Hence we see that the investor group would be better off under the former proposal. Clearly this makes investment less attractive and therefore is a hindrance to the progress of advancing economic growth —or improving the investment climate of our economy for new jobs.

Repeal of the 4% dividend credit would tend to have one other disturbing effect on the investment picture: This is the fact that the high corporate tax rates have encouraged long-term corporate capital formation because the expense of equity financing largely because of the full deductibility of interest is lower. In that sense, the present credit has not apparently corrected the disproportionate share of capital in the total economy, and this is probably attributable to the relatively low corporate taxes owed to investors. (Canada, in contrast, has a dividend tax equal to 20% of the credit.)

In sum, the 4% dividend credit should be restored in H.R. 3630.

Part III

The Theory of Growth Through Deficits

As cited in the introduction to this paper, the President and his Council of Economic Advisors through their program of tax re-
still had over $10 million unemployed. In any event, it reflects the fact that in 1959, and has never been
11.3% in 1956, and has never been
9.1%. Economist George J. Stigler of the University of Chi-
the Federal Reserve System. In his book, Capital and Rates of Return
Man to maintain steady growth in Manufacturing Industries, pub-
which he teaches in the Economics Research, that there is a close relationship between rates
in manufacturing has not unquestionably contributed to the investment lag, to slower eco-
quences of persistent debt monetization. In fact, as the dollar has fallen, so has the
valued upon Brazil to stop inflating its currency and credit and to place a lid on its movements.
**Dollar Intergy**

Our own balance of payments problem turns in part, I believe, on the speculation that the
trend is towards maintenance of its purchasing power in the face of continued inflation. To be sure, there has been an appearance of stability in our price level in recent years and the appearance of stability in our balance of payments in recent weeks. I believe steadiness in our gold reserve, after a loss of $7 billion, is traceable to the numerous swap transactions and arbitrages arrangements which we have concluded with the sterling area and the International Monetary Fund.

And I believe the relative steadiness in our price level is still being maintained partially in the face of the fact that our easy money policy and large budget deficits have helped keep up the purchasing power of the dollar. Though I am aware that the inflationary effects are seen mostly in Western Europe. But I know that John Exter, Senior Vice-President of the First National Bank of New York, and formerly a Federal Reserve System official has said of the Bank’s efforts: 'The paradox is that easy money has been so fickle. It has increased lo long periods of high interest and banc ing systems, not our own. As long as we are in the process of securitization and securitization is not ready to bear the burden of the

In the world of the form of payments declines, it has run into 'the reserves' (a term used in financial circles) and the form of payments surpluses, so the whole of our $7 billion gold loss since 1957, plus perhaps $15 billion in dollars that other central banks have willingly absorbed, has flowed from us to them.

**Our Experience**

So all this is a steady rise in price level and these surpluses may well be illusory. A red flag is up. Our gold stock as of last December is only $15.6 billion. But this amount does not include $207 million owed to the IMF. This leaves us with a real balance of $14.4 billion, and this is the security we have to "fix" the Federal Reserve System against Federal Reserve note and deposits legalization. So, in effect, we have but $2.8 billion of gold to cover more than $250 billion of our Federal Reserve System dollars. Perhaps this was the reason why the French Senate in Paris recently indicated support for a revised system of interna tional monetary cooperation and a change in the world’s balance of payments problems and most especially our own. This, in my opinion, requires a new proposal to substitute immediate monetary cooperation for proposed interest equalization tax, simply drains the pothole.

The point I wish to make is to express the opinion that the
series of tests, which probe his abilities of balancing national standards, personal leadership and social sensitivity. The results, measured in light of the personal and business experience, indicate his ability to come up with consistent and practical answers.

To qualify as a registered representati ve, the candidate is required to pass a comprehensive series of examinations given by the New York Stock Exchange. After graduating, he is assigned one of the firm's offices, frequently the firm's headquarters.

Michael Morales, who will be working out of the Honolulu office, considers his recent training "an important stepping stone to my future. Taking the course in New York City this past January, I was exposed to the financial world, and made aware of its dynamic operations. This is certainly to be one of my most valuable experiences."

**Predicts Advancement in Japanese Public Relations**

Rapid growth for public relations and advertising in Japan is predicted Dec. 13 by Eizo Takeda, partner of Standard Advertising, Inc., Tokyo. He predicts the 1961-62 fiscal year will be a high growth period for both the sales and advertising of communications techniques.

Mr. Takeda's firm, which eng ages in both public relations and advertising, has been in Japan for only four years and until recently emphasis has been mainly on publicity. Mr. Takeda said: "The role of counselling is not yet as far advanced as in the United States but there is a growing realization of what public relations can actually do to gain support of a company's business policies, or to help win acceptance of a product. I believe that one of the best ways to further public relations in Japan is to encourage the public to appreciate the role of advertising, marketing and sales promotion."

Standard Advertising is founded in Tokyo in 1957 by Ken kichi Oki, who holds a B.S. degree in Business Administration from New York University. Mr. Takeda has been with publications in Tokyo, and he has been with Tokyo Broadcasting Systems, and Tokyo Advertising Co., Sanyo Electric Co. and The Bank of Tokyo.

**Dudley-Anderson-Yutzon**


In addition to its New York headquarters, D-A-Y has regional offices in Washington, Atlanta and Los Angeles, and associated offices in 39 other key cities in the U.S. and Canada. Other foreign representatives are in London, England; Paris, France and Brussels, Belgium.

**Trust Co. of Ga.**

To ERECT BUILDING

ATLANTA, Ga.—An office building in Atlanta containing 56,000 square feet of floor space is now under construction for the Trust Company of Georgia. Charles E. Whattle, president, announced that the directors had authorized planning for the $1.5 million building which will be located on 40,000 square feet of land area in the block bounded by Lenox Avenue, Prince Street, Auburn Avenue and Equitable Place. The bank owns another 40,000 square feet to the east of this block.

Only half of the 50,000 square foot area was needed for the new building. The rest will be devoted to landscaped open space as part of a plan to improve the beauty of Atlanta.

Architects have in mind a building of 20 stories or more. The first floor will contain about 25,000 square feet each, and the upper floors will be in the form of a tower with 10,000 square feet per floor. Abreu & Williams is working on the preliminary plans. Mr. Whattle said: "Our direc tors are planning the Trust Com pany of Georgia as a real asset to Atlanta. This will be a beautiful building, one of the finest in the city. Atlanta is a flexible at this time but we are sure that the Atlanta will be a structure of which all Atlanta can be proud."

Speaking of the present building, completed in 1901, Mr. Whattle said: "It dis appointments to greatly think of demolishing a fine old building which has been such a part of the history of Atlanta. All of us at the Trust Company have much affection for the building. We are grateful for the magnificent structure if it were possible to keep it and at the same time have here all of the new methods of development of the property."

The new structure which we pro vide for the Trust Company will be the same as the original building. We are confident that our new building will merit the admiration of all and room be available for a treasured part of our skyline."

In order to provide complete bus iness wiring during the construction period, the Trust Company plans to move its offices into the present garage. This structure will be comfortably equipped with carpeting, heating, air-conditioning and electrical ceilings. Bank officials believes that these quarters will be ideal for the present and future use of all tenants while construction is under way.

**To be Corporation**

As of Jan. 1, the partnership of Selden & de Cueva, 63 Wall Street, New York City, members of the Trust Company of Georgia, will be dissolved, and a new corporation Selden & de Cueva,Formation, will be formed. Officers will be Melvin Selden, President and Treasurer, and John de Cueva, Exchange member, Vice-President and Secretary.
Natural Gas Regulation: Dilemma or Promise?

Continued from page 12

The Commission in recent months has been forced to make many decisions which reach to the fundamentals of regulation. In each case where I saw a pattern emerge which I feared would discourage incentive, I have dissented. Incentive is a basic ingredient in our free enterprise system, and regulation cannot be based upon it. It cannot be a substitute for interpretation of the laws which tend to smear rather than nourish life and which are essential to our national well-being.

Helds Leasehold Sale Was

I saw a shade of this pattern in a case revolving around a gas field in Minnesota. The Commission held that acquisition of natural gas in the form of a leasehold was a right which company from producers was subject to its jurisdiction, and was not subject to the State. I saw here an assertion of jurisdic-
tional authority on the basis of an assumption which is contrary to our tradition in the common law and its interpretation in a complete reversal of its own position which had been affirmed by the courts.

This leasehold sale was not a sale in interstate commerce. Actual control and only rights and interests in real property located wholly within the boundaries of a state of Louisiana. I see here one more example which could destroy the rights of parties to contracts hereafter deemed subject to federal court decisions meaningless. The Commission in my view went even a step beyond misapplication of the statute, by further attempting to force the parties to register the sale. The Natural Gas Act is the only source of federal law in this area of industry, and there is nothing in that statute which confers such a right in a state and any possible jurisdiction. The FCC cannot, by decree, force a meeting of the minds of the parties to a case. I dissented, too, to the Commission's attempt to impart retroactive effect to its finding that the transaction is not sale in interstate commerce and necessity. Under the statute, the Commission must make findings of present or future, rather than past, public convenience and necessity.

Intra-State Sales

Another area of concern to me has been the assertion of jurisdiction over some natural gas sales which were both made and consumed within the boundaries of a state—questionably intra-state. While it has been accepted—more accurately, it has been ignored—that there is a federal statute which excludes such sales from federal jurisdiction, the Commission has considered the sales which clearly did not involve commerce between any point in a state and any outside thereof, as spelled out in the statute, but only commerce between two points in the same state. In enacting the Natural Gas Act, Congress intended the reach of the Commission's power, but also specified the distance over which this power was not to extend.

That the Natural Gas Act does not authorize the extension of interstate commerce is clear from the Act itself and from judicial interpretations thereof. It is seriously troubled by a decision as to the limits of that commerce, which will fit a particular circumstance and falls to give effect to court de-
tinction over three administrations. The natural gas industry must have control of a watchful eye on the future for when giant generating stations can produce vast amounts of power, the present interstate market will be submerged.

The case in point, of course, is the Commission's opinion No. 391 involving Montana-Dakota Utilities Co. and several gas producers, where it was held that there was a loss of identity of the interstate gas because it was commingled with an interstate stream. Clearly, the fact that the gas was purchased from the gas in the main line and metered after any point of commencement of the interstate element was ignored. The state of North Dakota. Both law and fact support the common assumption that the commingling of gas does not convert the gas to an interstate transaction. I take the common sense ap-
pearance that if the sales are resale of gas which has been transported in a gas stream and not from the gas to be sold under the intrastate stream, then the Commission is in the same pipeline as interstate gas. Any contrary holding runs against the doctrine of the common law as well as to twisting the law to achieve an end which the law was never intended to reach.

Here are a few of the re-

regions where I fear that regulation will be required in the future for the new complex of production, transmission and dis-
tribution facilities which reaches nearly every major market area in the United States. The three distinct segments of this industry—producer, pipeline, and dis-
tribution—have competing and should work as a whole, not at cross purposes, if they are all dedicated to the same interest of the public's.

Accommodating Cross Purposes

The industry must remember that the history of the future does not rest entirely on the shoulders of the regulators. The natural gas industry is now a highly developed complex of production, transmission, and dis-
tribution facilities which reaches nearly every major market area in the United States. The three distinct segments of this industry—producer, pipeline, and dis-
tribution—have competing and should work as a whole, not at cross purposes, if they are all dedicated to the same interest of the public's.

The regulatory decisions of the future will determine the way in which will help the natural gas industry succeed and overcome its present strong position as an important energy source. Natural gas integrated industry programs and wise regulatory policies, will contrib-
ute to the betterment of the nation's energy needs for many more decades. It is not an easy course and sometimes one which is it one which is full of challenge and opportunity in furthering the national interests.

Checking Up on Refunds

In a related vein, the Commissi-

ion's recently completed survey of large rate cases and local distributing companies have disposed of a long rate case in which it was decided that the company which we steered the line in moving into this area. I disagree. The Federal Power Commission, in our 1958 order, forced mandamus in opening in an pipeline rate case back in 1960. The Commission disposed of about 100 pipeline rate cases, ordering refunds of $42 million. We would be dere-

ict in our duty if we were not to continue our search for refund dollars.

Our first survey, carried out in cooperation with the National Association of Railroad and Util-

ities Commissions, covered re-

funds made by pipeline companies to distributors in 35 states and the District of Columbia between July 1961 and November 1961. The results of these survey, either completed or in progress, have traced refund dollars in interstate natural gas sales.

The results of these surveys have spotlighted for public atten-

tion instances of manufacturer-distributing utilities have or have not passed on to their customers the full amount of rebates received from their interstate pipeline suppliers. The wide press and radio coverage of these findings and the state-by-state, utility-by-utility interpretations of the public image of the interstate pipeline utilities who felt their rate regulation and federal jurisdiction are fully jus-
ified. However, the justification for the retention of refunds was something our study did not cov-

er. On the other hand, community relations were enhanced for those utilities which flowed through most or all of their refunds.

In instances where the utilities were justified in retaining their refunds, their side of the story ap-

If we allow our opinions to be overruled by newspaper articles, we are not/incontrovertible case has been made. Our study supports the facts, and we are convinced that this public attention in the long run will be harmful to the in-

industry and the consumer.

In all our planning, policy-

making, with the consumer's in mind, we must face that none of us must lose sight of the fact that the consumer is the key to the industry's development. He is the one who becomes disillusioned by intro-

industry squabbles and loses faith in the future of the industry. Our help will fail when prevented.

The consumer must be unequiv-

The consumer must be un-


Stabler, Herrold

Join P. R. Firm

C. Norman Stabler and Charles H. Herrold have joined the staff of Welldorf, Thomson & Co., Inc., 120 Third Avenue, New York City, public relations counsel, as vice presidents, it was announced by Mr. Stabler.

Mr. Stabler is well known in the business-financial community as business counsel for the New York financial herald of the National Bank, and author. He was asso-

associated with the Herald Tribune until 1960 when he joined Lazar Fried, investment banker and public relations counsel. He is author of the book, "How to Read the Financial News," to soon be republished by Harper & Row.

Mr. Herrold was previously asso-

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The Commercial and Financial Chronicle
Thursday, December 26, 1963
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 ended on that date, or, in cases of quotations, as of that date:

**BANK DEBITS — GROUP OF THE FEDERAL RESERVE SYSTEM**

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<th>Month of November</th>
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**RANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK**

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**TOTAL LIABILITIES (IN MILLIONS)**

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**NEW YORK STOCK EXCHANGE**

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**NEW YORK STANDARDS AND INDICATORS**

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**Timely Words**

"The availability of liquid resources should not be such as to promote, or encourage countries to tolerate, the continuance of basically unsound domestic or international positions in the guise of temporary fluctuations. The basic dilemma is clear.... If adequate resources are not available, or automatically, or nearly automatically, their usefulness in times of trouble may be problematic; but, to the extent to which they are automatically available, they may present a temptation to refrain from the necessary corrections of policy." — Reginald Maudling, British Chancellor of the Exchequer.

"Any improvements that might be thought out for our international monetary system should there be always room for improvements — should not be concentrated on the question of how best to finance balance-of-payments deficits, but also on the even more important question of how to provide sufficient incentives for curing them." — Ludwig Westrick, Delegate from Germany.

Timely words of warning, these, uttered at the recent annual meeting of the International Monetary Fund in Washington. We can only hope that they gained and will hold the attention of the "Group of Ten" now engaged in seeking to determine sound policies for the future in this difficult field of international finance.
Securities Now in Registration

NOTE — Registration statements filed with the SEC since the last issue of the "Chronicle" are now carried separately at the end of this section "Securities Now in Registration." Dates shown in parentheses alongside the name of the issuer indicate the date of the registration statement. Exceptions reflect the expectations of the underwriter but are not, in general, firm offering dates. Also shown under the caption "EffectiveRegistrations" are those issues which became effective this week and were offered publicly.


Deuterium Corp. Sept. 17, 1963 filed 1,200,000 common with attached warrants to purchase an additional 120,000 shares to be offered for subscription by stockholders of the basis of two new common shares for each three common shares now outstanding. Price—$5. Business—For general corporate purposes. Proceeds—For general corporate purposes. Office—309 Lexington Ave., New York. Underwriter—None.

Domino Helicopters, Inc. April 19, 1963 filed 100,000 common to be offered for subscription by stockholders on the basis of one new share for each five common shares now outstanding. Proceeds—For general corporate purposes. Office—309 Lexington Ave., New York. Underwriter—None.


Evershine Funding Corp. March 28, 1963 filed 240,000 common. Price—By amendment (Max. $5.50). Business—A holding company for the purpose of acquiring, developing, and operating profitable enterprises. Proceeds—For new sales offices, advances to distributors and dealers. Office—315 Wilshire Blvd., Los Angeles. Underwriter—To be named. Note—This registration will be withdrawn and then refiled.
**NEW ISSUE CALENDAR**

**December 26 (Thursday)**
Life Insurance Co. of Kentucky

**December 28 (Monday)**
Savin-Charles of the Ritz Inc., Limited (Goldman, Sachs & Co. and White, Wedd & Co.) 900,000 shares

**January 6 (Monday)**
Continental Western Inc. (Smith, Barney & Co., Inc.) 30,000 shares

**January 7 (Tuesday)**
Imperial Gold National Corp. (P. W. Brooks & Co., Inc.) 1,400,000 shares

**January 14 (Tuesday)**
Narragansett Electric Co.

**January 15 (Wednesday)**
Chillfield RR.

**January 20 (Monday)**
Bayside Corp.

**January 27 (Monday)**
Israel American Diversified Fund, Inc.

**February 3 (Monday)**
Flexib Co.

**February 25 (Tuesday)**
Southern California Edison Co.

**March 10 (Tuesday)**
Poletown Edison Co.

**March 11 (Wednesday)**
Califana Oil Co.

**March 18 (Wednesday)**
Bancorpid Inc.

**March 25 (Wednesday)**
Florida Power & Light Co.

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**Hobam, Inc.**

**Continued on page 26**

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**Farmbest Inc.**
Nov. 18, 1963 filed 9,653 common; also $240,000 of re-tailed debentures—For general corporate purposes.

**Fedeco Corp.**
Oct. 25, 1963 filed 20,000 common, of which 17,000 are to be offered by company and 2,500 by a shareholder. Price—By amendment (max. $15). Business—Design and manufacture of specialized electrical devices.

**First Western Real Estate Investment Trust**

**First Mortgage Investors**
Nov. 20, 1963 filed $10,000 of senior debentures and $4,000,000 of senior debentures both to be offered in units of two senior debentures and one $10,000 of junior debentures ($50 per unit). Business—A real estate investment trust.

**First Western Mortgage Investors Inc.,**

**Florida Citrus Industries Sunset Groves, Ltd.**

**Flexib Co.**
Dec. 3, 1963 filed 150,000 common, of which 100,000 will be sold by company and 45,000 by certain stockholders. Price—At-the-market

**Fratr American**
Nov. 20, 1963 filed $25,000,000 of equipment trust certificates—For development of electric utility systems.

**First National Bank of St. Louis**
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Life Holding Corp.


Life Insurance Co. of Kentucky (12/26)


Livingston Oil Co. (1/13-17)

Dec. 6, 1963 filed 50,000,000 of which 750,000 were previously offered. Proceeds—By amendment (max. $15). Business—Production of oil and gas and petroleum properties, and the processing of crude oil and natural gas. Proceeds—For drilling expenses, working capital, and other corporate purposes. Underwriter—Stanley & Staws, Inc., Bids—Jan. 7 (11 a.m. EST) in Room 1050, 145 W. New York. Information Meeting—Jan. 3 (2 p.m. EST).

Nordran Corp.


Northern Telephones Co. (1/7)


Northern States Life Insurance Co.


Northwest Natural Gas Co. (1/8 & 4)

Nov. 17, 1963 filed 1,000,000 common shares for sale. Proceeds— weren’t specified. Proceeds—For the purpose of obtaining capital. Underwriter—Leham Brothers, N.Y.

Nuclear Science & Engineering Corp.


Nuveen Tax-Exempt Bond Funds Series 6

Federal Reserve Bank of St. Louis

Effective Registrations

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

Consumer Cooperative Association

$9,000,000 of 5% convertible debentures due 1973 offered for subscription by stockholders of record Nov. 26 on an unlimited basis. Bids will expire Dec. 23. Price—At par. Business—A holding company for United Investors Fund Corp. and United Investors Life Insurance Corp. of Minnesota. 

United Investors Corp.'s (Minn.)

July 31, 1963 filed $200,000,000 of 6 1/4% convertible debentures due 1973 being offered for subscription by stockholders of record Nov. 20 on an unlimited basis. Bids will expire Dec. 23. Price—At par. Business—A holding company for United Investors Life Insurance Corp. of Minnesota and United Capital Life Insurance Co. of Minnesota. Proceeds.—To increase capital. Address 603 First National Bank Bldg., Minneapolis, Minn.—None.

U. S. Controls, Inc.

Aug. 6, 1963 filed $218,000 of 6 1/4% debentures due 1973 and warrants to purchase 13,000 shares of stock to be offered for public sale in units of one $100 debenture and 15 warrants each. Sale for cash. Price—To be determined at time of sale. Proceeds.—To manufacture of heating equipment and automatic control equipment. Address—110 East 42d St., New York, N. Y.—None.

United Variable Annuities Fund, Inc.


Urethane of Texas, Inc.

Feb. 7, 1963 filed 11,700,000 shares of Class A and 250,000 common stock to be offered in units of one share of each class. Price—$0.35 per unit. Business—Manufacture of urethane foam products, etc. Proceeds.—For working capital. Office—1250 S. Olive St., Los Angeles, Calif.—To be named.

Valley investors, Inc.


Warner-Ley Warding Co. (1:13:17)

Dec. 18, 1962 filed 15,000,000 shares of stock to be offered for subscription by stockholders of record Nov. 25 on an unlimited basis. Bids will expire Jan. 22. Price—By amendment (max. $22). Proceeds.—For construction. Office—229 East St., N. Y.—None.

U. S. Transmission Corp.

Sept. 16, 1963 filed 1,162,507 shares of stock to be offered for subscription by holders of the capital stock and 6 1/4% convertible subordinated debentures due 1977 of U. S. National Bank & Trust Co. for public sale. Proceeds.—To finance construction of transmission for each U. S. Natural gas holder. Price—At par. Business—To carry on the natural gas gathering system in the south central part of Wyoming. The gas to be sold initially, will be purchased from U. S. National Bank & Trust Co. and guaranteed to generate all the power expenses approved by U. S. Natural gas holder for its program. Proceeds.—For construction, working capital, and other corporate purposes. Office—Chicago, Ill.—None.

Western Transmission Corp.

Sept. 16, 1963 filed 1,162,507 shares of stock to be offered for subscription by holders of the capital stock and 6 1/4% convertible subordinated debentures due 1977 of U. S. National Bank & Trust Co. for public sale. Proceeds.—To finance construction of transmission for each U. S. Natural gas holder. Price—At par. Business—To carry on the natural gas gathering system in the south central part of Wyoming. The gas to be sold initially, will be purchased from U. S. National Bank & Trust Co. and guaranteed to generate all the power expenses approved by U. S. Natural gas holder for its program. Proceeds.—For construction, working capital, and other corporate purposes. Office—Chicago, Ill.—None.

Wisconsin Real Estate Investment Fund

Nov. 9, 1963 filed 50,000 shares of beneficial interest, of which 34,000 shares are to be offered to stockholders on the basis of one share for each two shares held and the remaining 6,000 shares to the public. Price—To stockholders, $10.25; to public, $1. Business—A diversified real estate investment fund. Proceeds.—For investment. Address—Marine Plaza, Milwaukee, Wis. Underwriter.—Brown & Co., Milwaukee.

William Penn Racing Association

March 6, 1963 filed $1,000,000 of 6% sinking fund debentures due 1968 offered for subscription by class A non-voting common shares to be offered in units of one $100 debenture and one common share. Proceeds.—For construction. Price—To be determined at time of offering. Business—Has been licensed to conduct harness racing with pari-mutuel betting. Proceeds.—For debt repayment and working capital. Office—Penn National Center Plaza, Philadelphia, Pa. Underwriter.—Stroud & Co., Inc., Philadelphia.

Prospective Offerings

American Telephone & Telegraph Co.

Nov. 29, 1963 the company announced that it will offer Common Stock and a preferred six percent cumulative preferred stock at $2 per share by the company, without underwriting.

Greater Nebraska Corp.

2,000,000 common shares of stock to be offered at $2 per share by the company, without underwriting.

ATTENTION UNDERWRITERS!

Do you have an issue you're planning to register? Our Corporation News Department would be happy to let you know about it so that we can prepare an item similar to the following one:

Would you telephone us at E2570 or write us at 25 Park Place, New York, N. Y., 7, N. Y.?
Consumers Power Co. Oct. 7, 1963 the company stated that it had postponed and may withdraw a plan to issue $25,000,000 of additional mortgage bonds. Earlier, the company said that it planned to sell $20,000,000 of mortgage bonds to raise $50,000,000 of external funds for the development of their new plant at St. Clair, Michigan. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.; White, Weld & Co.; Shields & Co. (jointly); Morgan Stanley & Co., Salomon Brothers & Huntington Bancorporation-Merrill Lynch, Pierce, Fenner & Smith (jointly).

Control Data Corp. Sept. 1, 1963 it was reported that the company plans to sell $35,000,000 of debentures in the U.S. during the fiscal year ending March 31, 1964. It is expected that the debentures will be sold by Dec. 31, 1963. Underwriters—First Boston Corp. (jointly); Lehman Brothers Blyth & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith (jointly).

Federal Reserve Bank of St. Louis

Virginia Air Chute Co., Inc. Nov. 11, 1963 it was reported that the company plans to file registration statement with the SEC in the near future for an initial public offering of 600,000 convertible debentures due 1975 to be offered for sale to the public through a number of accounts that will be utilized for the manufacture of seat belts, business machine parts and parachute harness products for the military, government and industrial markets. Office—1315 Versailles Rd., Lexington, Ky. 40503.

Japan (Government) Feb. 28, 1963 it was reported that the government plans to sell $50,000,000 of its $500,000,000 of debentures in the U.S. during the fiscal year ending March 31, 1964. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.; White, Weld & Co.; Shields & Co. (jointly); Morgan Stanley & Co., Salomon Brothers & Huntington Bancorporation-Merrill Lynch, Pierce, Fenner & Smith (jointly).

Kansas City Power & Light Co. Oct. 16, 1963 it was announced that the company plans to sell $52,000,000 of first mortgage bonds in January 1964. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.; Blyth & Co.—First Boston Corp. (jointly); Lehman Brothers Blyth & Co.—First Boston Corp. (jointly); Equitable Securities Corp.—Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co.—Shields & Co. (jointly).

Laclede Gas Co. Dec. 20, 1963 it was reported that the company plans to sell $50,000,000 of first mortgage bonds due 1963. Address—1633 Locust St., St. Louis, Mo. 63103. Underwriters—First Boston Corp. (jointly); Lehman Brothers Blyth & Co. (jointly).

Florida Power Corp. Dec. 18, 1963 it was reported that the company plans to sell $12,000,000 of first mortgage bonds due 1963. Address—30 Rockefeller Plaza, New York, N.Y. 10020. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.; First Boston Corp. (jointly); Halsey, Stuart & Co.—First Boston Corp. (jointly); Lake, Dacy & Co.—First Boston Corp. (jointly); Wear, White & McAlister—Lehman Brothers (jointly); Blyth & Co.—Lever Bros.—Lehman Brothers (jointly); Drexel & Co.—First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith—Lehman Brothers (jointly); Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co.—First Boston Corp. (jointly); Cowen & Co.—First Boston Corp. (jointly); and a number of other investment banks.

Philadelphia Electric Co. Sept. 24, 1963 it was reported that the company is considering the sale of $50,000,000 of first mortgage bonds in the near future. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.—First Boston Corp. (jointly); Cowen & Co.—First Boston Corp. (jointly); Morgan Stanley & Co., Salomon Brothers & Huntington Bancorporation-Merrill Lynch, Pierce, Fenner & Smith (jointly); First Boston Corp.—Drexel & Co. (jointly); and a number of other investment banks.

Potomac Edison Co. (3/10/64) Oct. 16, 1963 it was announced that the subsidiary of Allegheny Power System, Inc., plans to sell $12,150,000 of first mortgage bonds due 1965. Address—1315 Pennsylvania Ave., Washington, D.C. 20004. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.—First Boston Corp. (jointly); Cowen & Co.—First Boston Corp. (jointly); Morgan Stanley & Co., Salomon Brothers & Huntington Bancorporation-Merrill Lynch, Pierce, Fenner & Smith (jointly); First Boston Corp.—Drexel & Co. (jointly); and a number of other investment banks.

Public Service Co. of Colorado Dec. 13, 1963 it was announced that the company plans to sell $55,000,000 of 30-year first mortgage bonds in April, 1964. Address—500 16th Sts., Denver, Colo. 80202. Underwriters—(Competitive). Probable bidders: Merrill Lynch, Pierce, Fenner & Smith—Eastman Dillon, Union Securities & Co.—Harriman Blyth & Co.—Merrill Lynch, Pierce, Fenner & Smith—Lehman Brothers (jointly); Kidder, Peabody & Co.—White, Weld & Co. (jointly); Blyth & Co.—Lehman Brothers (jointly); and a number of other investment banks.

Rochester Telephone Co. May 3, 1963 it was reported that the company announced plans to sell $15,000,000 of 30-year first mortgage bonds in the near future. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.—First Boston Corp. (jointly); Blyth & Co.—First Boston Corp. (jointly); Liberty Bank & Trust Co.—First Boston Corp. (jointly); and a number of other investment banks.

San Diego Gas & Electric Co. Sept. 10, 1963 it was reported that the company announced plans to sell $50,000,000 of first mortgage bonds due 1966. Address—510 Sixth Ave., San Diego, Calif. 92101. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.—First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith—Lehman Brothers (jointly); Kidder, Peabody & Co.—White, Weld & Co. (jointly); Blyth & Co.—Lehman Brothers (jointly); and a number of other investment banks.

Sears, Roebuck & Co. Dec. 14, 1963 it was reported that the company announced plans to sell $40,000,000 of 30-15 mortgage bonds in the near future. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.—First Boston Corp. (jointly); Blyth & Co.—First Boston Corp. (jointly); Liberty Bank & Trust Co.—First Boston Corp. (jointly); and a number of other investment banks.

Southern California Edison Co. (2/25/64) Dec. 18, 1963 the company stated that it was considering the filing of a registration statement for the sale of $25,000,000 of first mortgage bonds due 1966. Proceeds—To repay bank loans and finance construction of electric plant. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.; Blyth & Co.—Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith (jointly); and a number of other investment banks.

Other Tel. Pow. Co. Oct. 16, 1963 it was reported that the company plans to sell $10,000,000 of 30-year first mortgage bonds in the near future. Proceeds—To repay bank loans and finance construction of electric plant. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.; White, Weld & Co.; Shields & Co. (jointly); and a number of other investment banks.

Pacific Tel. Co. June 19, 1963 the company stated that it will need $856,000,000 of capital during the years 1964 through 1968 to finance its $13,250,000 expansion program on a 1-for-1.5 basis. Proceeds—To increase capital. Address—Main and Water Sts., Roanoke, Va. 24014. Underwriters—To be named.

Pennsylvania Power & Light Co. Oct. 16, 1963 it was announced that the company is considering the sale of $75,000,000 of bonds in the period 1963 through 1967. The proceeds will be used for construction and the retirement of $80,000,000 of maturing bonds. Location—Allentown, Pa. Underwriters—To be named. The last sale of debentures in the company was made on June 19, 1963. Underwriters—(Competitive). Probable bidders: Halsey, Stuart & Co.—First Boston Corp. (jointly); Cowen & Co.—First Boston Corp. (jointly); and a number of other investment banks.

Other Tel. Pow. Co. Dec. 13, 1963 the company stated that it is considering the sale of $30 to $40,000,000 of common stock early in 1964. Proceeds—To help finance its $75,000,000 expansion program on a 1-for-1.5 basis. Address—Main and Water Sts., Roanoke, Va. 24014. Underwriters—To be named.

Aug. 12, 1963 the company stated that it is considering the sale of $30 to $40,000,000 of common stock early in 1964. Proceeds—To help finance its $75,000,000 expansion program on a 1-for-1.5 basis. Address—Main and Water Sts., Roanoke, Va. 24014. Underwriters—To be named.

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Southern Pacific Co. (122)

Southwestern Public Service Co.

Texas Power & Light Co. (120)

Valley Gas Co.
In 1963, the company reported that it is considering the sale of $15,000,000 of 20-year first mortgage bonds in the period June to November, 1964. Officials—For further information, contact: First Boston Corp., New York.

Wisconsin Public Service Corp.
November 1963. It is considered that the SEC is studying a plan under which Blackstone Valley Gas & Electric Co. would sell its entire 400,000 shares holdings of Valley Gas to stockholders of Blackstone and Eastern Utilities Associates, the latter’s parent price—at book value. Underwriters—(Competitive). Probable bidders: Kidder Peabody & Co.; Stone & Webster Securities Corp.

Vornado, Inc.
Nov. 20, 1963. It was reported that a registration statement covering the offering of up to 186,000 common shares held by Sidney H. H. Hain and M. J. Hain, Vornado, Inc., underwriter—To be named. The last offering of stock by Vornado was underwritten by Bache & Co., New York.

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Wm. Miller in Legal Aid Drive

Gen. Bond & Share Branch
DENVER, Colo. — General Bond & Share Co. has opened a branch office at 1615 California Street and 1745 Market Street, for handling mutual fund sales. Mr. Sharp was an officer of Schmidt, Sharp, McCabe & Co., Inc.

Hay & Co. Branch
CAMBRIDGE, Ohio — Hay and Company has opened a branch office at 827 Wheeling Avenue and has the direction of Edward A. Hay.

New Branch Office
COQUILLE, Ore.—Mutual Fund Associates, Inc. has opened a branch office at 914 West 16th Street, under the management of Arthur R. Fletcher.

With Public Secs
FALL RIVER, Mass.—Lionel C. Parades and Harold M. Eisenberg are now connected with Public Securities, 1100 Broad Street. Both were formerly with Security Flannors Associates.
"Those who desire to make gifts of securities or money to minors and other law incompetent persons, as a means of deferring the payment of the gift, must attend to the act of the Board of Governors of the Federal Reserve System for a new law to the effect that the board of the Federal Reserve Bank of St. Louis has been authorized to make such an act.

NYSE Receives Interim Report in Haupt Case

The Board of Governors of the New York Stock Exchange at its meeting on May 12, 1964, received an interim report of the Special Committee on Expense Reimbursement appointed by the Chairman on November 29. The report presents the findings of the Special Committee, which has made a comprehensive study of the expenses incurred by the Exchange in connection with the liquidation of Haupt & Co. and has been accompanied by a ruling of the Internal Revenue Service, obviating any charge on the Exchange.

The report of the Committee was unanimous and approved by the Board. The plan which the Committee adopted, which the Board would have the right to adopt subject to approval by the Committee on odd-lot dealer business done on the Exchange and approved by the Committee, would provide that the Exchange will bear all costs and expenses incurred in connection with the liquidation of Haupt & Co.

Pointing out that the public confidence which the Exchange has enjoyed in the past has been reflected in the advice that it has been given by the Committee, the Board has decided to adopt the plan of the Committee, subject to the condition that the Exchange will bear all expenses in connection with the liquidation of Haupt & Co.

The exchange itself will also bear part of the costs of the liquidation, and the Board has decided that it will bear the costs of the liquidation.

Rosenthal & Co.

To Admit to Firm

Rosenthal & Co., Wall Street, New York City, members of the New York Stock Exchange, have been admitted by the Board, on the recommendation of the Special Committee appointed by the Board.

With Hirsch & Co.

Wilbur Blythe, Bernard W. Teitelbaum, and A. E. Hirsch, New York City, have been admitted by the Board as new members of the firm of Wilbur Blythe & Co., New York City.

The Board of Governors of the New York Stock Exchange, at its meeting on May 12, 1964, received the report of the Special Committee on Expense Reimbursement appointed by the Chairman on November 29. The report presents the findings of the Special Committee, which has made a comprehensive study of the expenses incurred by the Exchange in connection with the liquidation of Haupt & Co. and has been accompanied by a ruling of the Internal Revenue Service, obviating any charge on the Exchange.

The report of the Committee was unanimous and approved by the Board. The plan which the Committee adopted, which the Board would have the right to adopt subject to approval by the Committee on odd-lot dealer business done on the Exchange and approved by the Committee, would provide that the Exchange will bear all costs and expenses incurred in connection with the liquidation of Haupt & Co.

The exchange itself will also bear part of the costs of the liquidation, and the Board has decided that it will bear the costs of the liquidation.

Rosenthal & Co.

To Admit to Firm

Rosenthal & Co., Wall Street, New York City, members of the New York Stock Exchange, have been admitted by the Board, on the recommendation of the Special Committee appointed by the Board.

With Hirsch & Co.

Wilbur Blythe, Bernard W. Teitelbaum, and A. E. Hirsch, New York City, have been admitted by the Board as new members of the firm of Wilbur Blythe & Co., New York City.
WASHINGTON AND YOU

WASHINGTON, D. C.—Congress has just ended the longest peace-time session in history. It will reconvene on Jan. 7, and presumably will not prorogue again in 1964, as it did in 1963, until late in the year or at least recess for awhile in July and August because of the Republican and Democratic National conventions.

As the first session of the 88th Congress inevitably to an end there was much speculation among the political professionals about the 1964 session which foams as a spirited one as does almost every election year sessions have a little more zip and zing.

The general consensus is that if President Lyndon B. Johnson is successful in his bid for the White House he will either remain in as President, or be in a position to run as Vice-President. If he loses, he will at least be able to campaign against "the Kennedy, Congress and corruption."  

Democratic senators seeking re-election feared they would "run against the Senate," and there were signs that even President Kennedy might be obliged to "run against Congress," the Committee said.

"This lack of Congressional momentum was not due to the lack of quality or lack of concern on the part of individual members," said the National Committee.

The most urgent matters of the radical and right are almost all weeded out and, man for man, the 88th Congress is better equipped than any other to finish the legislative business.

Why were they taking so long? All Presidents do it.

Although there would not be much concurrence among Washington journalists, as there was on the veto of all the other
two sessions of the special report presented by Johnson to the Advisory Board of the NCE, the reasons for the asserted Congressional failure include:

No Mandate From Voters

First, the lack of popular consensus: there was no call from the voters clear enough to frustrate the New Frontier's issues into hard political demands. The singular exception to this was civil rights, but that call came from both directions.

Second, the Democratic leader's inability to crack the whip. In the House, John McCormack had not developed the line up and rapport which were the source of Speaker Rayburn's power to forge major goals; and in the Senate, Majority Leader Mike Mansfield was amiable and well liked but much disregarded as Senators floated in their private orbits.

Third, the Southerners had dropped anchor. A deliberate slowdown was organized on all Congressional business; not just civil rights. Unrelated bills were sidetracked to be held as hostages for later bargaining to weaken the civil rights bills.

Finally, the Committee pointed out, the fact that even this expected a long session removed any sense of urgency, and the whole tempo decelerated. Much gets done in Congress when members are forced to list the work of adjournment, but this time there was no wall.

There is some logic in the NCE's contentions that the political fortunes of Lyndon Johnson are inextricably locked with the fortunes of Congress.

Johnson's "New Image"

"This is a made-to-order situation—for an expert political technician to be in the White House at a time when the unfinished business of the country lies locked in the legislative breach," said the special report. "Congressmen identify with Johnson; they feel comfortable with him and most members want him to succeed.

"There are internal changes in Congress and there are also changes in Lyndon Johnson. The new President can't go home again—and in the largest sense this liberates him."

"There are signs that Johnson regards some of his old Texas ties as baggage no longer required—that the connection between winning precincts in San Antonio and Harlem is more important to him.... Johnson's connection to a standard bearer is essential to him if he is to win next year. He was not able to develop any significant support from metropolitan areas in his bid for the (presidential) nomination in 1960. In fact, Democrats in these states regarded him as the leader of the intra-party opposition. To the labor, civil rights and other groups, so important to the democratic party in these states, Johnson was always more of a whipping boy than a leader."

"Johnson's recognition of this fact has been evident from the first hours of his presidency... Johnson does not have to worry about what to do, but only to do it, and do it well. For this, he needs Congress, during the next months and in the election itself."

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

COMING EVENTS

IN INVESTMENT FIELD


J. R. Brownell With C. C. McCune & Co.

DAYTON, Ohio—John R. Brownell, Jr. has become associated with C. C. McCune & Co., Inc. Brownell, for many years an officer of Grant Brownell & Co.

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CRONICLE'S Special Pictorial Section: J. R. Brownell

Apr. 22-23-24, 1964 (St. Louis, Mo.) St. Louis Municipal Dealers spring party at the Chase Plaza Hotel and Glen Echo Country Club.


May 23-24-25, 1967 (Boston, Mass.) National Association of Mutual Savings Banks 47th Annual meeting at the Hotel America.


April 8-9-10, 1964 (Houston, Tex.) Texas Group Investment Bankers Association Annual Convention at the Shamrock Hilton Hotel.

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