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Outlook For Business and Interest Rates

By JAMES J. O'LEARY
Vice Chairman of the Board
United States Trust Company of New York

Forecast made this week of a good recovery in 1971, a percentage point below the Administration's expectations, and of a continuance in the current interest rate uptrend, expresses its approval of current monetary and fiscal policies. The Fed's recent pull-back of its excessive easy money policies, and the present extent of fiscal stimulation, are judged to be wise policies from both a domestic and international point of view. Bullish signs cited include the sizable step-up in housing starts and State-local spending, and the prospects for restored consumer confidence—the key to removing consumer spending inhibitions. By year's end, Treasury bills reaching 5-5½ per cent and high grade bonds yielding 7¾-8 per cent are expected. In 1972, they may likely scale 7-7¼ per cent and 8½-9 per cent, respectively. Should consumer spending strengthen as expected, no need is seen for further fiscal stimulus. If not, then it is suggested that monetary policy remain unchanged and that any increased stimulus come from the fiscal area. To cope with price inflation during expansion, an incomes policy is recommended for the economy as a whole.

The first-quarter estimates of gross national product, showing a total increase of $28.5 billion at an annual rate, provide the basis for cautious optimism that the economy is in the early stages of recovery from the year-long recession which began in the autumn of 1969. As widely expected, much of the increase — probably $19 billion — can be attributed to the resumption of full-scale production by the automobile industry and its suppliers. A smaller portion is attributable to the buildup of steel inventories in anticipation of a possible strike on August 1. The increase is also enlarged by a $2.0 billion Federal pay increase which is reflected in Federal Government purchases. At the same time, however, the first-quarter GNP estimates registered a solid advance in residential construction and in spending by state and local government units. In addition, the pronounced increase in consumer expenditures for durable consumer goods ($10.8 billion at an annual rate) does indicate some recovery in consumer spending and not simply the catch-up in automobile purchases after the GM strike.



James J. O'Leary

On the sobering side, the Federal Reserve index of industrial production — a highly regarded measure of industrial activity — has failed to exhibit the strength which might have been expected in the first quarter. The first-quarter average for the FRB index was 165.2 (1957-1959 equals 100), an improvement over the 162.7 for the fourth quarter of 1970. The first-quarter figure is still well below the 167.9 in the third quarter of 1970.

Some Recent Encouraging Developments

The key to a satisfactory recovery this year and next is the consumer. Inflation, increasing unemployment, the sharp decline of stock prices in the first half of 1970, and other forces led to a severe erosion of consumer confidence from early 1969 through all of 1970. During this period the University of Michigan's index of consumer confidence dropped by 26 per cent. As a result, despite a continued strong flow of disposable personal income, the consumer has held back on his purchases of durable consumer goods and has saved at an abnormally high rate.

The latest Michigan survey indicates that consumer confidence is strengthening and that the consumer is becoming more willing to purchase the "big ticket" items. The March and early April figures on sales of automobiles show a sizeable increase over the corresponding period last year. There seems also to be a pronounced pickup in sales of durable comsumer goods, as shown by recent reports of the big chain stores such as Sears and Montgomery Ward. We may be witnessing the beginning of the increase in consumer spending which economists have been watching for eagerly.

The price picture has been moderately encouraging in recent months. During the first quarter of this year, the consumer price index increased at a low 2.7 per cent annual rate (seasonally adjusted). A flattening out of the prices of "commodities less food" offset a resumed rise in the prices of food, and the rate of increase in the prices of services moderated due importantly to the decline in the cost of financing home ownership. On the other hand, the wholesale price index shot up at a 9.7 per cent annual rate in the January-February period due primarily to a steep increase in the prices of farm products (notably hogs). The rise in March was again moderate. The GNP deflator for the private sector of the economy, after making a technical correction for the changes in automobile production, also showed a modest improvement. The annual rate of increase in the deflator fell from 5.1 per cent in the

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Bank Stocks — quarterly review — including data on 55 banks and bank holding companies and 32 registered bank holding companies — M.A. Schapiro & Co., Inc., 1 Chase Manhattan Plaza, New York, N.Y., 10005

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Estate Planning For The Owner Of An Interest In A Closely-Held Business— edited by Irving Schreiber — based on a Tax Conference of the Tax Institute of C.W. Post College, Long Island University — Panel Publishers, Inc., 45 Glen Cove Road, Greenvale, N.Y. 11548 — looseleaf — $24.50.

Gold Shares — report — Reinig & Co., Inc., 2201 Wilson Boulevard, Arlington, Va. 22201.

Low Coupon Bonds — comparative data on 20 selected issues — Hardy & Co., 25 Broad Street, New York, N.Y. 10004.

Municipals — quarterly report on municipal bond sales — Investment Bankers Association of America, 425 Thirteenth Street, N.W., Washington, D.C. 20004.

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MARK TROUBH
Research Department
Herzfeld & Stern
New York City

Royal Palm Beach Colony, Inc.

O-T-C Symbol	**RBC**
Recent Price	**8½b-8⅞a**
Dividend	none
Yield	none
1970-71 Price Range	11-5
Earns. Per Share (Apr. 31)*	
1969	$0.42
1970	$0.78
1	$1.00
P/E Ratio 1971(E)	8.5

*Assuming full dilution

NOTE: Because of a printer's error, a portion of Mr. Troubh's article did not appear in the version published in our April 22 issue. The complete text follows:

Purchase of Royal Palm Beach Colony, Inc. common shares is recommended for the following reasons:

(1) The company, which makes leisure oriented land sales on a national scale, has now reached a point of reasonable investment maturity.

(2) Royal Palm Beach represents an excellent vehicle for the investor to participate in the rapidly growing leisure oriented land sales industry as well as the housing boom that is just beginning to emerge.

(3) Ability to raise needed capital has been demonstrated over the past twelve months. This is essential to companies in the industry as negative cash flows result in the early years of rapid development.

(4) The company has assured itself of future land inventory requirements through a recent purchase of 17,000 acres in Hernando County, Florida. A proposed merger with Indian Trail Ranch, Inc. will bring in additional acreage in Palm Beach County, Florida.

(5) Application for listing on the American Stock Exchange is expected before the end of calendar 1971.

The Company

Royal Palm Beach Colony, Inc. sells improved land to be used as individual homesites in the state of Florida. It also builds and sells apartments in condominiums in the same geographical area.

The main site of operations is in the Village of Royal Palm Beach in Palm Beach County. Here the company sells improved acreage intended for residential purposes and has also built Greenway Village, a condominium project. Probably the most exciting venture being undertaken by the company, a total leisure oriented planned city, also will be located on this acreage. RBC has set aside in excess of 3,600 acres for a "city of the future." The ultimate population in this city is expected to be between twenty and twenty-five thousand. It will include four golf courses, a number of lakes and fishing ponds, schools,parks, a community cultural center, commercial property, and multi-family and single-family homesites. The company will conduct the building on land sold to customers.

I believe that new cities of the type planned by Royal Palm Beach will become very popular in the decade of the 70's. New federal legislation was enacted last fall to spur this type of activity. The purpose of the legislation is to make greater funds available to development companies at lower rates. For a more detailed discussion of the topic, the reader may wish to consult a **Wall Street Journal** article published Friday, March 5, 1971, on page 26, entitled "Creating Communities".

Other Royal Palm operations include the Fairways Royale, which overlooks the Diplomat Country Club's golf course, the Fairways Riviera, which provides views of the golf course and the Intercoastal Waterway, and the Fairways North and South. These condominium projects are located in the Hollywood-Hallandale section of Broward County. On Florida's Gulf Coast, the company owns 160 acres in Bradenton where a condominium complex that will eventually include about 4,000 apartments is planned. The complex, named Ironwood, will be built around a golf course. A 30-acre site in St.Petersburg will be the location of a 750 unit condominium development. This development will have complete recreation facilities and is near to the Gulf's beaches.

In addition, RBC owns 11,000 acres in Lake County immediately south of the Ocala National Forest. The land, an unspoiled wilderness, will become a travel-trailer resort for families of modest means. Finally, the company has acquired property in North Carolina's Blue Ridge Mountains. This land will likely become an around-the-calendar resort community offering skiing, swimming, fishing, and other sports.

Sales & Earnings

For the nine months ended January 31, 1971, the company reported sales of $27.2 million, net income after taxes of $3.2 million and fully diluted per share earnings of $0.79 on 3,948,754 common shares outstanding. Corresponding figures for the nine months ended January 31, 1970 were sales, $16.0 million — after-tax net, $1.8 million — diluted per share earnings, $0.51—and shares outstanding of 3,945,004. For the full fiscal year to end April 30, 1971, we anticipate per share results of $1.00 vs. $0.78 reported in the fiscal 1970 year. Fiscal 1972 earnings are presently projected at $1.25 per share.

Balance Sheet & Capitalization

As at April 30, 1970, total assets were $39.3 million. Shareholders' equity stood at $12.8 million, or $3.24 per share. The per share amount will, of course, increase by approximately $1.00 at April 30, 1971. The company carried as a liability an amount equal to $3.2 million for the estimated cost of development of land sold. The figure was determined in conjunction with independent consulting engineers.

Conclusion

We find the concept of leisure oriented planned communities to embody one of the most exciting fields of endeavor for the 1970's and consider Royal Palm Beach Colony, Inc. to be an important factor in this growth industry. Americans in the $10,000 to $15,000 per year income bracket want to own land for their own pleasure and for investment purposes. In this light the purchase of Royal Palm Beach Colony, Inc. common shares for intermediate and long-term price appreciation is recommended.

HARRY DELF
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Abraham & Co., New York City

Morton-Norwich Products

The problem of patent expiration of an important drug occurs with all drug companies and really tests the mettle of the management. A good example of adaptation to such a circumstance is Morton-Norwich Products (39 NYSE) which, prior to 1969, was heavily dependent upon a single anti-bacterial drug. Through a constant and intense research effort, a new, more effective and cheaper anti-bacterial drug was developed to replace the lost volume but, more importantly, Morton-Norwich, as the name suggests, took the acquisition route to assure a continued growth pattern. The first big deal was Texize Chemicals which was merged with Norwich more than three years ago. In April of 1969, Morton International was taken over and since then various smaller companies have joined MNP — primarily in the food and cosmetic business. Although many economic advantages remain, Morton-Norwich quickly reaped some benefits, primarily from the coordination of production and merchandising and now the company is on the threshold of some important gains for the next few years. Based on estimated earnings of $2.00 plus per share for the June 1971 fiscal year, up from $1.82 in the prior year, we believe Morton-Norwich offers greater growth prospects at a lower average P/E than most high quality, highly diversified drug-consumer products companies.

In fiscal 1970, sales of $320 million and pre-tax earnings of $40.8 million were accounted for respectively as follows: drugs (ethical and proprietary) and cosmetics, 24 per cent and 56 per cent; household products, 21 per cent and 9 per cent; Food Products, 17 per cent and 10 per cent; specialty chemicals, 10 per cent and no profit; industrial and ice control salts, 7 per cent and 7 per cent; and international operations, 21 per cent and 18 per cent.

The company's drug operations comprise Eaton Laboratories and the Norwich Pharmacal Division. Furadantin and Macrodantin, treatments for urinary tract infections, are the divisions' most important ethical line. When patents on Furadantin expired, prices declined sharply in response to generic competition. But Macrodantin, a

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This Week's Forum Participants

Royal Palm Beach Colony, Inc.; Mark Troubh, Research Department, Herzfeld & Stern, New York City.

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Security Traders Association of New York Annual Dinner at the Waldorf Astoria.

May 3, 1971 (Chicago, Ill.)
International Economic Forum at the Conrad Hilton Hotel.

May 3-4, 1971 (Washington,D.C.)
Investment Bankers Association-Association of Stock Exchange Firms Congressional Meeting.

May 5-7, 1971 (White Sulphur Springs)
Investment Bankers Association Spring Meeting of Board of Governors.

May 11-14, 1971 (Vancouver, Canada)
Pacific Basin Economic Cooperation Council fourth general meeting.

May 12, 1971 (Rochester, N.Y.)
Urban Affairs Conference sponsored by New York State Bankers Association at the Flagship.

May 14, 1971 (Baltimore, Md.)
Baltimore Security Traders Association 36th Annual Spring Outing at the Hillendale Country Club.

May 14, 1971 (New York City)
Down Town Glee Club annual Spring Concert at Town Hall.

May 16-17, 1971 (Cleveland, Ohio)
Financial Analysts Federation Conference.

May 19-20, 1971 (Boston, Mass.)
New England District Investment Bankers Association of America meeting.

May 22, 1971 (Washington, D.C.)
Municipal Finance Forum of Washington seminar on outlook for Federal credit programs at the Urban Institute.

May 21-23, 1971 (Lake Tahoe, Nev.)
San Francisco Security Traders Association Annual Spring Party at Kings Castle Hotel and Casino.

May 24-25, 1971 (New York City)
National Investor Relations Institute Educational Seminar at the Barbizon-Plaza Hotel.

May 23-26, 1971 (Philadelphia, Pa.)
Pennsylvania Bankers Association 77th Annual Convention.

May 23-28, 1971 (Munich)
International Banking Conference at the Bavarian Academy of Sciences.

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How Monetary Policies Will Affect Banking's Growth

By LEONALL C. ANDERSEN*
Vice President
Federal Reserve Bank of St. Louis

St. Louis Federal Reserve banker warns that the promise of vigorous banking growth and profits through the 1970's can turn illusionary if too rapid a rate of monetary expansion is permitted. He also forswears inhibiting interest rate ceilings and selective direction of bank funds into predetermined socially desired areas. New banking trends involving least reliance on excess reserves and asset liquidity, expeditious use of non-deposit sources of funds, and leasing and other profitable innovative banking operation areas are explained. Mr. Andersen prefers allowing a slower rate of expansion to produce relative price stability. In real terms, he says, the results would be more profitable than under expansionary policies. He endorses the Fed's acceptance of monetary aggregates as a monetary goal even though it means more rapidly changing interest rates. The latter creates, he says, more problems and opportunities, and necessitates avoidance of being unduly locked in at low rates especially now that competition is keener and costs have risen.

Since monetary policy has such a great bearing on the course of commercial banking, it is important from the investment viewpoint to have knowledge on this subject. I hope that my analysis will be of use in evaluating the prospects of commercial banking in the 1970's.

I will first discuss the outlook of the 1970's for the various sources and uses of commercial bank funds and will note how Federal Reserve regulations adopted in the interest of national monetary policy might be expected to influence bank balance sheets and earnings. Then, I will discuss in more general terms the influence of monetary policy on commercial banking.

Before proceeding further, I would like to make two general observations about developing trends in banking. First, banking has become more competitive in the past decade. The competition is not only keener among commercial banks, but between banks and other financial intermediaries. I believe that bank competition is likely to be even greater in the 1970's than it was in the 1960's.

Second, the field of banking has broadened greatly in the recent past as to both sources of funds and their use. Many commercial banks have also entered into nonbanking activities. Use of the bank holding company device to expand activities has increased rapidly. These trends toward a wider scope for banking are likely to continue in the 1970's.

Sources and Uses of Funds

Let us now turn to an examination of some possible trends in commercial bank sources and uses of funds. The traditional sources of bank funds have been bank capital, demand deposits and non-negotiable time deposits. In the 1960's banks began to place greater emphasis on other sources of funds, such as CD's, Eurodollar borrowing, and commercial paper. Since reserve requirements are less on these sources than on the traditional ones, growth in these newer sources have contributed greatly to growth in banking. So let us examine the outlook for expansion of these newer sources.

In the early 1960's banks began issuing negotiable certificates of deposit, and security dealers developed a secondary market for large CD's. The volume of CD's increased rapidly, from about $1 billion in 1961 to over $20 billion in 1968. The pattern of growth was abruptly reversed in 1969 when yields on competing assets rose above the Regulation Q interest ceilings that banks were permitted to offer on CD's. After the interest ceilings were relaxed in January 1970 and again in June, and when short-term market interest rates declined, the volume of CD's again increased sharply.

The CD has proven to be an efficient means for banks to obtain funds. Banks have provided a useful intermediary service between large investors and large borrowers, and when given freedom to compete in the market on a rate basis, banks have been successful in attracting funds and investing them profitably.

For purposes of projecting, I am assuming Regulation Q will not again become an obstacle to banks in obtaining CD's, since I see no reason that it should either for stabilization purposes or for allocating available funds. If this assumption is correct, large CD's, and smaller certificates as well, are likely to prove a major and growing source of funds to commercial banks during the 1970's.

The rate of growth of CD's, however, will probably be less in the 1970's than in the 1960's, since the potential of attracting existing funds which formerly flowed through other less efficient avenues is now reduced. Also, as a result of the 1969 experience, both lenders and borrowers are more familiar with alternative channels of funds, which may now give banks more competition in seeking CD's.

Eurodollar Borrowings

Large commercial banks in the United States developed Eurodollar borrowings as another source of funds during the 1960's. Holdings of Eurodollars by large U.S. banks expanded from about $1 billion in early 1964 to a peak of $14.5 billion in mid-1969. The most rapid expansion of Eurodollar holdings by U. S. banks occurred during periods when Regulation Q prevented banks from effectively competing for CD funds and when loan demands were particularly strong. Eurodollar holdings of large commercial banks nearly

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U.S. Forward Dollar Support Emulates U.K.'s Disastrous Experience

By PAUL EINZIG

Our intervening support of the forward dollar to take the pressure off spot quotations is viewed gloomily by Dr. Einzig. The internationally-known foreign exchange expert writes that this practice emulates the disastrous British experience commencing 1964 and culminating with the 1967 devaluation. At best such a tactic works in limited situations and is no solution for a country suffering from basic disequilibria, Dr. Einzig states. Note is taken of our Treasury Euro-dollar and SDR borrowings while still relying on forward support operations. We must not be lulled from rectifying our basic situation, Dr. Einzig warns.

LONDON, ENG. — There have been increasingly distinct indications during the last few months that the United States authorities have definitely adopted the policy of systematic support to forward dollars in order to offset the pressure on spot dollars. In this respect they seem to have drifted into the device which was adopted in Britain soon after the advent of the Labor Government in 1964 and was continued on a gigantic scale for three years — interruptions apart — right until the devaluation of sterling in November 1967. The device utterly failed to save sterling from devaluation and it increased by several hundreds of millions of pounds the eventual loss suffered on the devaluation.

At the time when this occurred I was convinced that this costly experience had taught us all a lesson — that while in given circumstances it may be expedient and beneficial to intervene in the forward exchange market for limited tactical purposes, it is a grave mistake to embark on the policy of large-scale support of the forward rate of a currency which is under heavy and persistent pressure due to basic disequilibrium.

The British authorities heeded the lesson of 1964-67. Although in more recent years intervention of the Bank of England in support of forward sterling was noticed from time to time, it was always on a limited scale and for some limited purpose.

Presumably this was what the Federal Reserve Bank had in mind when towards the close of 1970 and in the early months of this year it began to support the forward dollar in order to divert selling pressure from the spot dollar. But it is the impression of the market that the American authorities are under strong temptation to emulate the British method in spite of the disastrous outcome of its application.

No doubt it is tempting to mitigate the pressure on the spot dollar by buying dollars for forward delivery. It obviates the necessity of parting with gold or foreign exchanges and it reduces the extent to which foreign Central Banks have to accumulate unwanted dollars to prevent the spot rate from declining below its minimum support point. Since the Bundesbank and other Central Banks are becoming increasingly reluctant to increase further their excessive dollar reserves, the new strategy — or rather the increased application of an old strategy — may have been welcomed even from their point of view.

British Lesson

Human memory is at times amazingly short, and official quarters in New York and Washington do not appear to remember the lesson taught to Britain by the experience of wholesale support of forward sterling. The Labor Government adopted that policy to be able to eat its cake and keep it — to buy political popularity by lavish public spending and expansionary policy without paying the price to the full extent in the form of a corresponding pressure on spot sterling leading to loss of reserves and increase of external short-term indebtedness. Mr. Wilson and Mr. Callaghan were firmly convinced that, thanks to the conjurer's trick of forward operations, pressure on spot sterling to an extent of many hundreds of millions of pounds would vanish into thin air.

History seems to be repeating itself. The Washington authorities have adopted an expansionary policy in disregard of the escalating wage inflation, in order to improve business in good time for next year's election.

Thanks to the artificial firmness of forward dollars, less money was withdrawn from New York to the Western European financial centers, in spite of their higher interest rates, than would have been withdrawn otherwise. Although those holders of dollars who expected a devaluation of the dollar transferred their money to Frankfurt, Zurich, etc., without covering the exchange risk, it was not profitable to those who did not expect a devaluation to transfer their money with the forward dollar covered on favorable rates because of artificial official support of the rate.

But this device has not altered the basic situation which is determined by the fact that, instead of trying to correct the fundamental disequilibrium resulting from rapidly rising American wages, the United States is giving the utmost encouragement for wages to increase even faster. Sooner or later those forward contracts will have to be met, and it would be unwarranted optimism to expect that by the time they will mature the American balance of payments would become more favorable.

Although the disequilibrium is also thought to be shielded by the use of SDR's and Treasury borrowing in the Euro-market, to a large, if unknown extent, it is shielded by means of official American support to the forward dollar rate. To that extent the American authorities and American public opinion are lulled into a false feeling of security, just as the British authorities and British opinion were in 1964-67.

Sooner or later the realities of the situation will have to be faced. That evil day might be deferred for a little while with the aid of official support to forward dollars. But, as the British experience had conclusively proved, speculators will be the sole ultimate beneficiaries of its postponement.

Associated Madison Companies, Inc.

Annual Report
Available On Request

Associated Madison Companies, Inc.
845 Third Avenue
New York, N. Y. 10022

Anchor Crowth To Acquire Westminster

ELIZABETH, N.J. — The shareholders of Westminster Fund, a $55 million capital exchange fund managed by Anchor Corporation April 28, 1971, approved the propose acquisition of all the assets of the Fund by Anchor Growth Fund, another fund in the Anchor Group.

Shareholders of Westminster Fund will receive shares of Anchor Growth Fund in exchange for their shares based on the relative net asset values of the two funds at the close of business on Friday, April 30th.

After the acquisition, total net assets of Anchor Growth Fund will be approximately $600 million. Other funds in the $2 billion Anchor Group include Anchor Capital, Income and Venture Funds and Fundamental Investors.

CORPORATE FINANCING

By BRUCE WHITING

Last week bond dealers continued trying to answer the question: How far down is down?

Since late March, bond prices have sagged steadily and dealer losses on inventory holdings have risen accordingly. After each sizable drop, optimists have predicted a turnabout triggered by investors rushing to buy the latest bargains. The buying wave still hasn't developed. The turnabout still hasn't taken place. And prices that may have seemed like bargains two weeks ago seem terribly steep at this point.

During the five-week decline and fall, utility issues have plunged six to seven points — or $60 to $70 for a $1,000 issue. Last week's daily losses, like previous drops, were small and inexorable, with most outstanding issues giving up ⅛ to ½ point every 24 hours. Exceptions to the general rule were found in newer issues which came to market one day, were forgotten by the next day, were released from syndicate price restrictions the third or fourth day and proceeded to drop a couple of points.

Minnesota Power & Light Co.'s 8 ⅛ per cent bonds, for example, were priced last Thursday, April 22, at 101.413 to yield 8 per cent in 2001. Most Wall Street observers expected the single-A rated issue to fare well, if only because the 8 per cent yield seemed to represent a major step back by dealers and therefore a major concession to buyers. The $23 million package failed to generate much buying interest. By Monday the underwriters decided to take another step back and drop their original offering restrictions. The securities plunged about two points, sinking to a level where buyers were able to get an 8.20 per cent yield for their bonds.

When It Pays to Sit Tight

The Minnesota Power issue is instructive. First, it points up the rewards investors have reaped recently by simply sitting on their hands and waiting for new issue prices to drop.

Second, it suggests how completely bond dealers have miscalculated buyer attitudes by expecting an 8 per cent yield — a new round number — to work magic among portfolio people. Third, it hints at the all pervasive nervousness that has marked the shell-shocked bond community lately. A few months ago, new issues, no matter how poor the initial receptions, were held at syndicate offering levels for at least two weeks, and usually more, as dealers awaited good news from Washington, or elsewhere, to help them sell the bonds. Over the past week, the rule of the road has been to cut and run before a bad situation gets even worse.

This skittishness seemed to reach a peak earlier this week when two issues totalling $250 million were taken from Wednesday's (April 28) docket and transferred to next week's calendar. The last minute postponements of a $200 million issue of General Motors Acceptance Corp. 22-year debentures and a $50 million issue of Northern Indiana Public Service Corp.'s 30-year bonds provided some relief from the steady price erosion. But it was only a temporary reprieve since both packages are due to sell next Tuesday, May 4.

Treasury Financing Rumors

The desperate dodging reflected fears about the Treasury's plans for refunding $8.4 billion of Government notes maturing May 15. Dealers and traders worried that a new intermediate Government issue would be included in the refinancing package, siphoning off money that might have gone into the corporate bond market. The Treasury's release of its plans late yesterday is covered elsewhere in this issue of the **Chronicle**.

Immediately prior to the key announcement, oddsmakers in the investment banking community guesstimated that there was a 75 per cent probability that the Treasury wouldn't include an intermediate-term issue in the refunding proposal, a restraint taken to avoid possible repercussions in the corporate, municipal and mortgage markets. There was something like a 25 per cent likelihood that the Treasury would seize its first opportunity in recent years to undertake debt extension through a bond offering of some sort, the oddsmakers said.

Whatever the immediate influence the Treasury decision has upon securities prices, most observers are convinced that lower bond prices and higher yields are in the offing. Short-term interest rates have been climbing steadily over the past month or so, and often enough these changes eventually translate into more costly long-term borrowing. The recent developments made the headlines last Thursday when Chase Manhattan Bank initiated a round of prime rate increases by raising the fee it charges on loans to bluechip borrowers from 5¼ per cent to 5½ per cent. The Chase move followed on the heels of a sharp rise in fees the bank was paying for its own borrowing — to attract one-year certificates of deposit banks were offering 5¼ per cent in April, versus 4½ per cent in March.

The prime rate hike was the first since the June 9, 1969, rise of a full percentage point to 8.5 per cent. It probably won't be the last this year, as James O'Leary observes in the article starting on the cover page of this issue of the CHRONICLE. Some observers foresee a 6 per cent to 6½ per cent prime rate by the end of 1971.

The potentially sharp and sudden changes in bank and bond rates could make bond market leveraging especially risky over the next few months. For some time now, however, the spread, or differential, between bank borrowing charges and yields available on new long-term securities has created money-making opportunities for the speculatively inclined bond buyer. The Garvin Bantel Corp., bond brokers at 120 Broadway, New York City, N.Y., is offering a thumbnail outline of leverage operations, with several examples of leverage possibilities.

Along with higher bank rates, Treasury bill yields have been on the escalator recently. Three month bills — leading trend indicators for the money market — were yielding 3½ per cent a

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few weeks ago; they're yielding about 4 per cent at present; by year's end they're expected to be offering returns in the 5¼ per cent to 5½ per cent range.

Savings Flow Turning Point?

Among other things, the higher short-term rates expected later this year threaten to stem, and perhaps reverse, recent record dollar flows into savings institutions. A few days ago Bryce Curry, president of the Federal Home Loan Bank of New York, sounded a warning about this looming shift. At the same time, another savings executive said he'd received tentative reports indicating savings flows are declining. "Perhaps this is the turning point," the executive said.

Long range implications would include a slowdown in money entering the bond market from state-charted S&L's; an increase in returns on mortgages which could lead pension fund managers to put more money into these loans and less into the bond market; and a pick-up in debt sales by Federal agencies like the Home Loan Bank.

In sum, advance signals seem to suggest that down is even furher down for the bond markets in 1971.

Delafield Childs Formed In NYC

Delafield Childs, Inc. has been formed with offices at 770 Lexington Avenue, New York City, to conduct a securities business. Officers are Walter B. Delafield, chairman and president; George L. Childs, Jr., chairman of the executive committee and secretary-treasurer; Terence C. Flood, and Francis R. Essing, senior vice presidents; and Kemp Fuller, Jr., vice president.

Mr. Delafield and Mr. Childs were formerly officers of Walter B. Delafield & Co. Mr. Flood was officer of Morgan Ostiguy & Hudon, Ltd. Mr. Essing was with Drexel Harriman Ripley, Inc. and Mr. Fuller was with Oppenheimer & Co.

Form Peltason Rosenthal Co.

ST. LOUIS, MO. — Peltason, Rosenthal & Co. has been formed with offices at 7733 Forsyth Boulevard to engage in a securities business. Officers are Richard B. Rosenthal, president and treasurer, and Charles M. Peltason, executive vice president and secretary. Mr. Peltason was formerly an officer of White & Company, Inc. Mr. Rosenthal was an officer of Scherck, Stein & Franc.

Uris Buildings Corporation

By IRA U. COBLEIGH, Economist

We hear a great deal about the transfer of corporation headquarters from the big city centers to campus offices in the suburbs. For example, such significant companies as Pepsico, Lone Star Cement, Stauffer Chemical, General Telephone and IBM have moved their executive suites from mid-town New York to more sylvan suburban surroundings. The arguments advanced for this outward migration have been rising rents, high costs, delays and inconveniences of commuting, high prices of lunches and taxis, city dirt and noise, muggings and robberies, parking difficulties, and school deterioration. While these problems do exist and have, no doubt, motivated some corporate departures, there exists a rather strong suspicion that top level executives with homes in White Plains, Greenwich, Stamford, or Evanston may prefer to have their offices nearer home; and on occasion they are sufficiently dominant in company decision-making to relocate the executive suites.

Advantages of Urban Office Buildings

The arguments for "staying put" in city skyscrapers, however, are powerful. Modern central offices are clean, comfortable, functional, and attractive places in which to work. Moreover, most of the essential adjunct corporate services — banking, legal, accounting, engineering, advertising, printing, employment (for full and part time personnel), office equipment and repair, and maintenance facilities — are all swiftly and accessibly available in the big cities; posh city luncheon clubs also animate the social lives of corporate officers. No urban transportation is more rapid and efficient than the subway. Accordingly, it would seem that the trend of big businesses away from the metropolis appears as a minor or fringe phenomenon and should not disturb, in any major way, the long range growth of city centers, nor the continued building of sleek new sykscrapers therein.

Investors are well aware that over the years, the ownership of a well located office building has been an excellent investment for tax-shelter, income and capital gain. Most individual investors attracted to this kind of realty, however, lack the millions of dollars required to own a big building, or the substantial funds needed to become a member of a buying syndicate. The next best thing available is the purchase of stock in a well managed company that invests in these structures. Such a stock is Uris Buildings Corporation common, listed on NYSE and currently quoted at around 21.

Uris Buildings

Uris Buildings owns, or has equity interests in, 16 ultra-modern office properties with about 13½ million of rentable space. Of these buildings, 12 are on prime Manhattan locations; eight are fully owned; two hotels and an office building 50 per cent owned; and five are under construction, with all these expected to be ready for occupancy by July 1, 1972. The Uris formula is to acquire the land or leasehold, finance and build the selected structure, rent it under long term leases to responsible and top-credit tenants, and to retain the building as an investment, rather than to sell for capital gains. This must be a good system because Uris Buildings Corporation, since formation in 1959, has built, and filled with tenants, some of the finest office properties in America — No. 2 Broadway, 60 Broad Street, 111 Wall Street in downtown New York; 320 and 245 Park Avenue, 850 Third Avenue, and 1290 and 1301 Avenue of the Americas in mid-town Manhattan; the New York Hilton Hotel, plus the Washington Hilton. Uris is not unresponsive to the exurban drift. It is constructing a two-phase complex in Rockland County, New York, and a hotel in Stamford, Connecticut.

Manhattan Building Construction

Of all the cities in the nation, the most aggressive in office building construction is New York. In 1970/71 about 39 million square feet of new office space will have been completed. Right now some 10 million square feet of this space is believed unrented. The extent of this vacancy has inspired alarmists to suggest that mid-town Manhattan is a trouble spot with (as of July 1, 1971) possibly 8 per cent of all office space in the city vacant. We do not accept this theory and it seems more probable that the vacancy rate in Manhattan by mid-1972 will not exceed 2½ per cent. Moreover, such vacant space as may then exist will be concentrated among older buildings or ill conceived new ones. If this conjecture is right, then strong companies with well located properties, should prosper.

We would expect Uris Buildings Corporation to expand its earnings significantly in the next two years, both on a net and cash flow basis. Its construction program is aggressive, and Uris seems to have the ability to secure long term contracts for its space at rates of $9 to $10 per square foot in 1971, although these rates are down $3 or $4 a foot from peak rental prices reached in 1968.

Uris has gone right ahead building new structures, and solicited new tenants to fill them, even though pessimists contend that square foot rates are still in a declining trend.

It is generally recognized that a building should be 70 per cent rented in order to break even. This rate has already been reached with respect to Uris's new building at 55 Water Street, New York (upon conclusion of lease with N.Y. Stock Exchange for 250,000 sq. ft.). Most mortgage lenders want to see a building 60 per cent to 70 per cent (or more) rented before they are willing to arrange a permanent mortgage. By that criterion Uris is now positioned to get long term financing on 55 Water Street.

Recognized Leader

Investors are coming to recognize Uris as the obvious leader in its field. It builds its own properties to rigid standards of quality and architectural excellence, and is consistently able to attract blue chip tenants. While realty companies report net earnings per share as do other corporations, analysts attach much greater importance, in this industry, to cash flow. To illustrate, for the fiscal year ended 9/30/70, URB reported a per share net of 56 cents but a cash flow of $1.99. For the current fiscal year, a net of about 60 cents and cash flow of $2.20 have been projected. Cash flow of $3.75 to $4 is a possibility in 1973 assuming the bringing of tenancy in the new buildings up to 100 per cent. At the present price of $21 URB sells at only 10½ times cash flow, with a 40-cent cash dividend. (The highest multiple of price to cash flow in the 1960 decade was 16). On the basis of capitalized total cash flow and, from that figure, deducting mortgage debt the equity of URB might be currently expressed at around $24 a share. By either of these analytical soundings, we might conclude that URB common at 21 is not overvalued.

Capitalization

At the end of the last fiscal year, URB reported total assets of $400 million against which there stood $310 million in first mortgages, $2.8 million in corporate debt, followed by 7,600,000 shares of common stock and 500,000 warrants, each entitling the holder to purchase 2.122 shares of common for $12.50 until May 1, 1975. The common is listed on NYSE, and the warrants on AMEX.

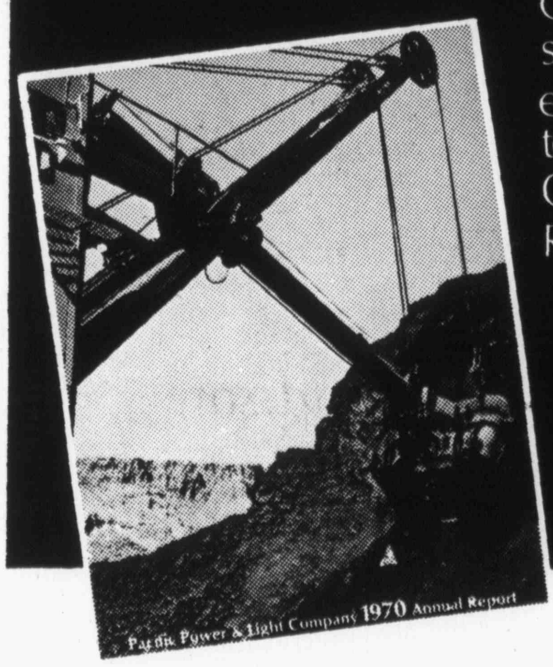
The Uris record is pretty impressive. For the 1960 decade, cash earnings rose at the rate of 18 per cent annually, compounded; and the company has accounted for 15 per cent of all the new office space built in New York, since the end of World War II. The company is conservatively financed with some $15 million in cash or equivalents on its balance sheet, and apart from mortgages, a very small corporate long term debt. Hidden from view is the steady appreciation in value of Uris's fine portfolio of office structures due to the inflation, and the fact that each year it costs at least 5 per cent more to put up a new building. If Uris needed money in a hurry, it could easily get higher mortgages on its older depreciated structures; and institutional investors and real estate trusts would love to buy some of the Uris properties at prices substantially in excess of their original costs. Uris looks like a stock with a risk-reward ratio strongly slanted in favor of reward.

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Copies of the 1970 Annual Report and a 1960-70 Statistical-Financial Summary are available upon request from 920 S.W. Sixth Avenue, Room 1307, Public Service Building, Portland, Oregon 97204

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TAX-EXEMPT BOND MARKET

By WILLIAM J. RILEY

Bond markets, since our last report, had further problems. First of all, a rise in the prime lending rate a week ago, April 22nd, when the Chase Manhattan Bank was the first to increase their rate by ¼ of 1 per cent to 5½ per cent. This was the first such raise since June 9, 1969 when it went from 7½ per cent to 8½ per cent. More significantly for the current market scene, it was the first reversal in posted key interest rates since the rapid decline that began last October which produced the spectacular rise in bond prices. The Chase Manhattan Bank, in explaining the recent move, pointed out that money market rates in the past month had advanced to leave the prime rate out of line. Treasury Secretary John B. Connally, in a strongly worded statement, expressed the Administration's displeasure with last week's increase.

Another problem for the bond market was the impending announcement of the Treasury's plans to refinance about $8.4 billion Government obligations coming due in May. This announcement was scheduled for Wednesday afternoon, yesterday, April 28th. The bond columns of the newspapers, market letters and advisory services were full of speculation and opinions as to the probable alternatives that the Treasury would choose. It was fairly well agreed that the Treasury would not be able to avail itself, in the current difficult market background, of the opportunity to issue longer term securities, made possible by recent Congressional action permitting it to exceed the 4¼ per cent ceiling on securities due in more than seven years.

Until the terms of the Treasury's refunding offer were made known late yesterday, the entire bond market was obliged to operate in a tentative and cautious fashion. It was fortunately not a big week in new financing as the week before had been, but there were plenty of old bonds around and there were plenty more lined up for the future. Prices thus gave ground, all along the line. (Details of the Treasury financing will be found elsewhere in today's issue.)

Californian Disappointment

In the Tax-Exempt division of the bond market, State of California, general obligation water bonds of the week before, exerted the greatest supply pressure. This $100 million offering of April 21st, designed at the time to be a bargain, failed to achieve even a half-way mark in sales. Two days later, on Friday, a smaller group took out the remaining longest maturities due 2010-2020, amounting to about $28 million at down 10 basis points from original list less ½. On Monday the syndicate voted to cut the remainder, also about $28 million bonds, by 20 basis points.

Remnants of other smaller and older syndicates were freed from syndicate restrictions over our weekly reporting period. Cuts in some cases where the market slide had been compounded by two weeks or more change, ran from as much as 50 to 70 basis points, a costly process for the underwriters.

Just on the basis of technical action alone, after such extensive losses as the past three weeks have witnessed, the Tax-Exempt Bond Market appeared to be ready for at least a rally with any encouragement from the Treasury announcement.

Light Calendar

The week's calendar of new long term State and Municipal issues added up to a relatively light $281.5 million, according to the **Daily Bond Buyer,** compared to the previous week's revised total of $412.9 million. The week's list included several issues of important size.

Hesitant Buyers

On Tuesday, April 27, an issue of $45 million New York Job Development Authority, state-guaranteed bonds, was won by a syndicate headed jointly as follows: **First National City Bank, Bankers Trust Co., Morgan Guaranty Trust Co.,** and **Lehman Brothers,** on a bid of 100.7199 for 5.10 per cent bonds, a net interest cost of 5.03 per cent. Reoffering was made from 2.75 per cent for the March 1, 1972 maturity to 5.60 per cent for 1991-1992.

The issue is rated double-A by Moody's and triple-A by Standard & Poor's. The offering scale represented a substantial cheapening of price and sweetening of yield, but first day sales were only about a third of the loan. The hesitancy of buyers was apparent.

Philadelphia Headliner

The headliner yesterday was the City of Philadelphia, Pa., with $48,625,000 bonds.

Philadelphia, having some of the typical current cost and budgetary problems of urban centers, is rated Baa-1 by Moody's and BBB by Standard & Poor's. The winning syndicate was headed by **First National City Bank, Lehman Brothers, Halsey, Stuart & Co., Blyth & Co., Philadelphia National Bank,** and **Morgan Guaranty Trust Co.**

There were two parts to the loan: $10 million Issue Number 1 Bonds were bought at a net interest cost of 7.5210 per cent and the $38,625,000 Issue Number 2 Bonds at a net interest cost of 7.2519 per cent.

Reoffering ranged from 4.00 per cent for the July 1, 1972 maturity to 7.50 per cent for 7½ per cent bonds due 1990-1995. The 4 per cent bonds, due 1996, were offered to yield 7.65 per cent. The 7.50 per cent yield bonds were oversubscribed immediately. Overall syndicate results were not available at press time.

Sharp Pickup In Forward Supply

The forward supply has mounted rapidly just in the last 24 hours. Florida has just announced $70.5 million general obligation bonds for sale on May 11. The bonds will provide for an east-west expressway in Orlando and will be payable from revenues as well as by the State's full faith and credit.

Connecticut will take bids on May 11, also for $100 million general obligation bonds. The 30-day visible supply, as tallied by the **Daily Bond Buyer,** yesterday was $1,303.9 million.

$156 Million Negotiation on May 11

This does not yet include $156 million New York State Housing Finance Agency bonds planned for a negotiated offering on May 11. Syndicate managers will be **Kidder, Peabody & Co., Inc., Lehman Brothers, Smith, Barney & Co., Inc., W.H. Morton & Co., Inc. (division of American Express Co.), First National City Bank, Morgan Guaranty Trust Co.,** and **Chase Manhattan Bank.**

Floating Supply, as measured by the **Blue List** total, has receded moderately to $772 million.

Sharp Rise in Yield Index

The **Chronicle's** 10-bond average plunged by 18 basis points, that is, rose in yield, to 5.67 per cent versus 5.49 per cent week ago. This was an unusually sharp and sensitive revision for our index.

STATE AND MUNICIPAL BONDS

	Maturity	— Yield % — April 21 Week	Apr. 28 Week
Baltimore, 6.25s	1988	5.40	5.50
California, 4.60s	1988	5.00	5.50
Connecticut, 4.50s	1987	4.80	4.90
Detroit, Michigan, 5.80s	1989	6.30	6.30
Los Angeles, Calif., Dept. of Water and Power, 4.90s	1989	5.00	5.10
Massachusetts, 5.50s	1988	4.90	5.00
New York State, 4.60s	1986	4.90	5.10
New York City, 7.00s	1988	6.85	6.90
Public Housing Authority, 6.00s	1989	4.75	4.90
Philadelphia, 7.50s	1989	7.00	7.45

Average: April 21 - 5.49%; April 28 - 5.67%

*Mr. Riley is associated with Laidlaw & Co. Inc., New York City.

Dirs. Named

MILWAUKEE. WIS — Newton Fund Shareholders have elected two new Directors at the annual Shareholders' Meeting. Elected to the expanded Board of Directors were Warren P. Knowles and James E. Grootemaat.

Mr. Knowles is Chairman of the Board of Inland Financial Corp., the parent of Newton & Company, the investment adviser to the Fund. He served as Governor of the state of Wisconsin for the period 1965 through 1970 and prior to that time was a State Senator.

Mr. Grootemaat is President of A.L. Grootemaat & Sons, Inc., a Milwaukee-based firm specializing in mortgage loans, property management, insurance, real estate and land development. A.L.Grootemaat & Sons were co-developers of Juneau Village and are now managers of this and other apartment complexes in Milwaukee.

Newton Fund is a growth mutual fund, managed by Newton & Company, a Milwaukee-based investment counseling firm, and distributed by B.C. Ziegler and Company of West Bend, Wisconsin. It is registered for sale in 27 states, including Wisconsin, Minnesota, Michigan, Missouri, Illinois, Iowa and Indiana.

LARGER ISSUES SCHEDULED FOR SALE

APRIL 29 (THURSDAY)			
Berrien Co., Mich.	1,800,000	1972-1985	2:00 p.m.
Birmingham-North Medical Clinic, Ala.	18,000,000	1975-1999	
Carraway Methodist Medical Center - Lessee revenue bonds with syndicate managed by Eastman Dillon, Union Securities Co., Inc., Merrill Lynch, Pierce, Fenner & Smith Inc., Saolomon Brothers, and Herbert J. Sims Co., Inc.			
Clay Co. School Board, Fla.	1,500,000	1972-2000	1:00 p.m.
Harris Co. Water Control and Improvement Dist. No. 109, Tex.	1,765,000	1972-2001	11:00 a.m.
Jackson Tp. School Dist., N.J.	2,590,000	1972-1991	8:00 p.m.
Madison, N.J.	3,715,000	1972-1991	8:00 p.m.
North Castle, etc. Central School Dist. No. 1, N.Y.	4,375,000	1972-1999	11:30 a.m.
Otego, etc. Central School Dist. No. 1, N.Y.	3,200,000	1971-1994	11:00 a.m.
Perinton Central School Dist. No. 1, N.Y.	7,130,000	1972-1995	
Salina, N.Y.	3,401,000	1971-1999	11:00 a.m.
MAY 3 (MONDAY)			
Muskogee Municipal Authority, Okla.	1,300,000	1972-1991	7:30 p.m.
Rock Island, Ill.	2,250,000	1973-1991	1:00 p.m.
Van Dyke Public School Dist., Mich.	13,400,000	1972-2000	8:00 p.m.
Ventnor City, N.J.	1,862,000	1972-1996	8:00 p.m.
MAY 4 (TUESDAY)			
Amigoland Utility Dist., Tex.	1,295,000		Noon
Bullitt Co., Ky.	1,500,000		10:00 a.m.
Detroit, Mich.	11,525,000	1972-1986	11:00 a.m.
Greece Central School Dist. No. 1, N.Y.	1,410,000	1971-1986	Noon
Manchester, Tenn.	1,350,000	1971-1994	7:30 p.m.
Marysville School Dist. No. 25, Wash.	2,500,000	1973-1991	11:00 a.m.
Massachusetts Health and Educational Facilities Authority	12,000,000	1972-1981	11:30 a.m.
Natchitoches, La.	1,300,000	1973-2000	11:00 a.m.
New Hampshire Higher Education and Health Facilities Authority	7,500,000	1975-2004	
Perth Amboy, N.J.	6,450,000	1972-1991	8:00 p.m.
MAY 5 (WEDNESDAY)			
Amsterdam Enlarged City School Dist., N.Y.	2,580,000	1972-1980	11:30 a.m.
Ansonia, Conn.	2,040,000	1972-1991	11:30 a.m.
Anthony Wayne Local School Dist., Ohio	1,065,000	1972-1986	Noon
Apple Valley, Minn.	2,259,000	1972-1991	7:30 p.m.
Cerritos, Cal.	1,400,000	1972-1995	10:00 a.m.
East Providence, R.I.	4,500,000	1972-1994	11:00 a.m.
Hamilton Co., Ohio	7,350,000	1972-1991	Noon
Huntsville Hospital Building Authority, Ala.	5,500,000	1971-1996	11:00 a.m.
Minnesota (State Of)	7,500,000	1972-1991	10:00 a.m.
New Britain, Etc. Dist., Conn.	1,900,000	1972-1990	11:30 a.m.
Sacramento Municipal Utility Dist., Cal.	40,000,000	1974-2011	10:00 a.m.
St. Clair Co. Public Building Commission, Ill.	10,000,000	1974-1991	11:00 a.m.
Tuscaloosa Housing Authority, Ala.	5,145,000	1973-1992	1:00 p.m.
Washington Suburban Sanitary Dist., Md.	20,000,000	1972-2001	11:00 a.m.
MAY 6 (THURSDAY)			
Erie Co. Water Authority, N.Y.	11,800,000	1972-2001	11:00 a.m.
Kenton, Ohio	1,375,000	1972-1989	Noon
Southwest Dubois Co. School Building Corp., Ind.	3,820,000	1974-1993	1:00 p.m.
West Chester Area Joint School Authority, Pa.	5,985,000	1972-1996	8:00 p.m.
MAY 7 (FRIDAY)			
University of North Dakota	1,380,000	1973-2010	10:00 a.m.
MAY 10 (MONDAY)			
Bowling Green Electric Plant Board, Ky.	1,250,000	1972-1991	4:00 p.m.
Minneapolis - St. Paul Metropolitan Area, Minn.	14,000,000	1973-1990	
Rossford Exempted Village School Dist., Ohio	1,125,000	1972-1986	Noon
Sandy Valley Local School Dist., Ohio	1,600,000	1972-1991	1:00 p.m.
Texas (State Of)	30,000,000	1979-1998	
Tomball Ind. School Dist., Tex.	1,000,000	1972-1991	7:30 p.m.
MAY 11 (TUESDAY)			
Bristol, Tenn.	3,360,000	1972-1991	2:00 p.m.
Chicago Park Dist., Ill.	12,000,000	1972-1981	9:30 a.m.
Connecticut (State Of)	100,000,000	1972-1991	
Falls Church, Va.	2,100,000		
Florida (State Of)	70,500,000	1974-2008	
Haverhill, Mass.	1,152,000	1972-1976	11:00 a.m.
Jefferson Co. Drainage Dist., No. 7, Tex.	7,090,000	1986-1993	11:00 a.m.
Kirksville, Mo.	1,150,000	1972-1987	7:00 p.m.
Minneapolis Special School Dist. No. 1, Minn.	4,500,000	1972-1981	11:30 a.m.
New Castle Co., Del.	5,735,000	1971-1998	
New Jersey Educational Facilities Authority	3,700,000	1972-2009	1:00 p.m.
Ridgewood, N.J.	1,805,000	1972-1991	8:00 p.m.
Toledo Area Regional Transit Authority, Ohio	3,000,000	1972-1981	1:00 p.m.
MAY 12 (WEDNESDAY)			
Brown Co., Wis.	7,500,000	1972-1990	1:30 p.m.
Issaquah School Dist. No. 411, Wash.	1,900,000	1973-1991	11:00 a.m.
Kansas City Unified School Dist. No. 500, Kan.	8,000,000	1972-1991	10:00 a.m.
Linwood, N.J.	1,031,000	1972-1996	8:00 p.m.
Moorestown Tp., N.J.	1,280,000	1972-1991	2:00 p.m.
New York State Housing Finance Agency	156,000,000	1972-2002	
State University construction revenue bonds with syndicate managed by Kidder, Peabody & Co., Inc., Lehman Brothers, Smith, Barney & Co., Inc., W.H. Morton & Co., Inc. (Division of American Express), First National City Bank, Morgan Guaranty Trust Co. of New York and Chase Manhattan Bank.			
Summerfield, Etc. Water Commission, Ill.	1,626,000	1974-2011	1:30 p.m.
University of South Carolina	5,000,000	1973-1992	Noon
MAY 13 (THURSDAY)			
Clearwater, Fla.	7,300,000	1972-1991	Noon
Grandview Heights City School Dist., Ohio	1,980,000	1972-1994	1:00 p.m.
Lincoln Parish, La.	3,000,000	1973-1996	10:00 a.m.
Wolcott, Etc. Central School Dist. No. 1, N.Y.	3,780,000	1972-1985	2:00 p.m.
MAY 17 (MONDAY)			
Albuquerque, N.Mex.	8,000,000	1971-1986	Noon
Bernards Tp. School Dist., N.J.	2,395,000	1972-1991	8:00 p.m.
South Plainfield School Dist., N.J.	9,600,000	1973-1992	8:00 p.m.
MAY 18 (TUESDAY)			
El Paso Ind. School Dist., Tex.	4,500,000		5:00 p.m.
Indiana State University	2,700,000	1973-2010	Noon
Louisiana Stadium and Exposition District	113,000,000	1975-2001	10:00 a.m.
Oak Harbor School Dist. No. 201, Wash.	2,400,000	1973-1986	11:00 a.m.
Penfield, N.Y.	2,340,000	1972-1996	3:00 p.m.
Union City, Tenn.	1,250,000	1973-1991	1:00 p.m.
Rancho Water Dist., Cal.	3,200,000		
Summit, N.J.	2,020,000	1972-1991	8:30 p.m.
Vancouver, Wash.	3,000,000	1972-1991	1:00 p.m.

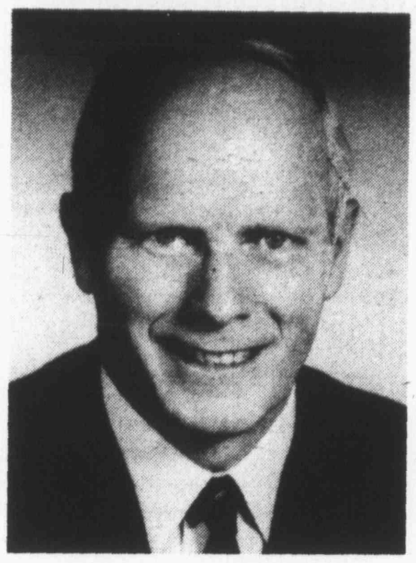
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Award to T.E. Beplat

Tristan É. Beplat, senior vice president, Manufacturers Hanover Trust, New York, has been awarded the Golden Heart Presidential Award of the Philippines, highest honor a Philippine President can confer on a civilian of any nationality.

The award was presented by President Marcos at ceremonies in Malacanang recognizing Beplat's "lasting contribution and continuing interest in fostering the economic development of the Philippines."

Mr. Beplat also was cited for "actively promoting the strengthening of Filipino-American economic and financial ties." As president and a director of the Philippine-American Chamber of Commerce, Mr. Beplat has been instrumental in bringing together important Filipino government and business officials and U.S. business leaders to promote mutual understanding.



T. E. Beplat

Mr. Beplat was responsible for negotiating and arranging in February, 1970, the restructuring of $240 million short-term credits and $120 million new short-term credit facilities to the Philippine Government through a consortium of 29 banks — for which Manufacturers Hanover was agent bank and leader of the consortium — and the Federal Reserve Bank of New York.

In 1961, Mr. Beplat spearheaded the organization of the first American consortium for the extension of international credit facilities to the Central Bank of the Philippines. In 1968, he negotiated the $40 million standby credit to the Central Bank which financed the accelerated economic development program of the first Marcos administration.

He was one of the original organizers of United States banks which provided standby credit in support of the decontrol program of former President Diosdado of the Philippines. Mr. Beplat was also cited for his "vision and initiative" in making Manufacturers Hanover Trust Company the first United States bank to open a representative office in the Philippines (November, 1961).

Davies Sr. V.P. Of Greenwich

GREENWICH, CONN. — Robert S. Davies has been elected Senior Vice President of Greenwich Management Company, President Edmund A. Hajim has announced.

Greenwich Management Company is an investment management firm which supervises the portfolios of The Growth Fund of America, for which Greenwich assumed responsibility in July 1969 shortly after the management company was founded, and The Income Fund of America, which began operations in December 1970.

Greenwich Management Company is a member of The Capital Group, Inc.

Mr. Davies, who will continue as Secretary of Greenwich Management Company, joined the firm in July 1969 as a Vice President, after 11 years with Hamilton Management Corporation where he was Vice President (Legal) and a Director. He held the same positions with Hamilton Funds, Inc. and Alexander Hamilton Life Insurance Company. Before that, he was Securities Commissioner of the State of Colorado.

R. W. Pressprich Appointments

R.W. Pressprich & Co., Incorporated, 80 Pine Street, New York City, members of the New York Stock Exchange, have announced that David C. Clapp, Louis F. Dow, Jr., Allen P. Miller and Peter Woll have been elected senior vice presidents of the firm.

Edward Braniff, Francis X. Corcoran, Edward F. Downs, Thomas King, Michael J. Lounsbery, Robert L. Potts and Benjamin E. Wolff have been named vice presidents.

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

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DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

It is understood that the firms mentioned will be pleased to send interested parties the following literature.

Continued from Page 2

Paper Industry — review with individual reports on **Union Camp Corp.** and **Mead Corp.** — Reynolds & Co., 120 Broadway, New York, N.Y. 10005. Also available are chart analyses of **Newmont Mining** and **Gulf Oil.**

Premium Bonds, Par Bonds And Discount Bonds — report on yields — Salomon Brothers, 1 New York Plaza, New York, N.Y. 10004.

Profits From Penny Stocks: A Guide to Selecting Winners at the Bargain Counter — John D. Love — Penny Press, 608 North Guadalupe, Redondo Beach, Calif. 90277 — paper — $3.50.

Publishing Industry — analysis with individual reports on **Crowell Collier & Macmillan, Esquire, Inc., Gannett Company, Houghton Mifflin, Meredith Corp., Scott, Foresman & Co., New York Times Co.** and **Times Inc.**, — Merrill Lynch, Pierce, Fenner & Smith Incorporated, 70 Pine Street, New York, N.Y. 10005.

Puerto Rico Ports Authority — annual report — Puerto Rico Ports Authority, San Juan Puerto Rico.

Put & Call Options — a four booklet kit explaining Put and Call Options — Filer, Schmidt & Co., Inc., Dept. C, 26 Broadway, New York, N.Y. 10004.

Real Estate Review — new national quarterly journal for the real estate and allied professions — articles in first issue include Suburban Housing: A Program for Expanded Opportunities; Construction Lending at Large Commercial Banks; Real Estate Limited Partnership and Other Joint Ventures; Future of the Mortgage Trust Industry; etc. — Subscription information from Warren, Gorham & Lamont, 89 Beach Street, Boston, Mass. 02111; editorial inquiries: Professor Norman Weinberg, Real Estate Institute, 1 Fifth Avenue, New York, N.Y. 10003.

Selected Stocks — data on 25 issues which appear interesting — Moore & Schley, Comeron & Co., 2 Broadway, New York, N.Y. 10004.

Water Problems — a summary of environmental studies by investor-owned electric utility companies — Edison Electric Institute, 750 Third Avenue, New York, N.Y. 10017.

Worldwide Pollution Control — discussion in current issue of "Business in Brief" — Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, N.Y.10015. Also in the same issue are a discussion of two concepts of **Containing Inflation** and the **Wholesale-Retail Mix In Banking.**

* * * * * * *

American Hoist & Derrick Company — analysis — Piper, Jaffray & Hopwood, Inc., 115 South Seventh Street, Minneapolis, Minn. 55402.

American Water Works—report — J.J.B. Hillard, W.L. Lyons & Co., 545 South Third Street, Louisville, Ky. 40202.

Barclay Industries Inc. — comments — Hoppin, Watson & Co., 55 Broad Street, New York, N.Y. 10004.

Beech Aircraft Corp. — analysis — Argus Research Corporation, New York (sample copies available from firms using Argus Research services). Also available are reports on **Scott Paper Co., Wheeling-Pittsburgh Steel, American Airlines, Dresser Industries** and **Raytheon Co.**

Berg Enterprises, Inc. — analysis — Drysdale & Co., 61 Broadway, New York, N.Y. 10006.

Briteshine Corp. — analysis — Cotzin, Woolf & Co., 340 Main Street, Worcester, Mass. 01608.

CPC International — comments — E.F. Hutton Company, Inc., One Battery Park Plaza, New York, N.Y. 10004. Also available are comments on **Whirlpool, Carolina Freight Carriers, Rollins International, Honeywell, CTS, U.S. Leasing Real Estate Investors** and **Smith International.**

Calgary Power Ltd. — chart analysis — Wills, Bickle & Company Ltd., Box 32, Toronto Dominion Centre, Toronto 1, Ont., Canada. Also available are chart analyses of **Jefferson Lake Petrochemicals of Canada, Texaco Canada, Westcoast Transmission Co., Western Pacific Products & Crude Oil, Woodward Stores, Zeller's Ltd.** and **Roman Corp.**

Canadian Pacific Railway — report — Moss, Lawson & Co., Limited, 48 Yonge Street, Toronto 1, Ont., Canada. Also available are reports on **Northern & Central Gas Corp., ATCO Industries, Ltd.** and **Zeller's Limited.**

Catalina Savings & Loan Association — report — Far Western Securities, Inc., 199 North Stone Avenue, Tucson, Ariz. 85701.

Central Banking System — analysis — Dirks Brothers Ltd., 7 Dey Street, New York, N.Y. 10007. Also available are analyses of **Multimedia, Inc., Security Life and Accident Insurance Co., Federal National Mortgage Association, First Virginia Bankshares Corp.**, and comparative data on **Insurance Companies.**

Certain-Teed Products Corp. — analysis — Hornblower & Weeks-Hemphill, Noyes, 8 Hanover Street, New York, N.Y. 10004. Also available are comments on **Pacific Petroleums, Standard Oil of Indiana** and **Phillips Petroleum.**

City Investing — report — Peter P. McDermott & Co., 42 Broadway, New York, N.Y. 10004.

Computer Equipment Corp. — analysis — Sutro & Co. Incorporated, 460 Montgomery Street, San Francisco, Calif. 94104.

Felsway Corporation — analysis — Josephthal & Co., 120 Broadway, New York, N.Y. 10005.

Georgia International Corporation — analysis — The Robinson-Humphrey Company, Inc., 2 Peachtree Street, Atlanta, Ga. 30303. Also available are data on **Columbus Mills,** and **Malone & Hyde.**

Gerber Products Company — report — A.G.Becker & Co., Incorporated, Two First National Plaza, Chicago, Ill. 60670.

Going Public — volume 1 of a new Securities Law Series written by Gerald J. Robinson and Klaus Eppler of the New York Bar treats in depth all three major considerations involved in making the decision to go public —business and underwriting aspects, regulatory aspects and the SEC; and tax aspects. The book is designed to aid compliance with federal and state laws regulating securities and to orient the advisor to the business going public as it passes through the going public process. The volume in loose leaf format will be kept up-to-date by supplements and revisions as required — Clark Boardman Company, Ltd., 435 Hudson Street, New York, N.Y. 10014 — $27.50 (offered with 15-day trial examination).

Gray Drug Stores — report — Shearson, Hammill & Co., Incorporated, 14 Wall Street, New York, N.Y. 10005. Also available is a report on **Horizon Corp.**

Gulf Oil — comments — Oppenheimer, Newborg & Neu, 120 Broadway, New York, N.Y. 10005.

Handleman Company — analysis — Watling, Lerchen & Co., Ford Building, Detroit, Mich. 48226.

Homestake Mining — report — Eastman Dillon, Union Securities & Co., 1 Chase Manhattan Plaza, New York, N.Y. 10005.

International Seaway Trading — report—Filor, Bullard & Smyth, 26 Broadway, New York, N.Y. 10004. Also available are comments on **Union Oil Of California.**

Killearn Properties — report — A.G. Edwards & Sons, Inc., 1 North Jefferson, St. Louis, Mo. 63103.

Londontown Manufacturing Co. — analysis — Schweickart & Co., 2 Broadway, New York, N.Y. 10004. Also available is a report on **Ludlow Corp.** and comments on **Milton Bradley Company** and **Baker Oil Tools.**

Manifold Business Forms — analysis — Walston & Co., Inc., 77 Water Street, New York, N.Y. 10005.

Roper Corporation — analysis — Dean Witter & Co., Incorporated, 14 Wall Street, New York, N.Y. 10005.

TDK Electronics Co. Ltd. — report — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York, N.Y. 10006. Also available is a report on **Fujitsu Ltd.** and comments on the **Japanese Camera Industry.**

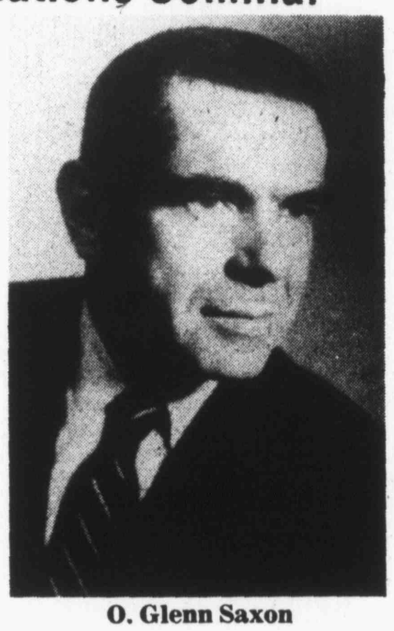
Vulcan Materials Company — report — Cohen, Simonson & Rea, Incorporated, 111 Broadway, New York, N.Y. 10006.

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Nat'l Investor Relations Seminar

"Basic Investor Relations Practices" will be the subject of the first Educational Seminar to be presented by the National Investor Relations Institute, May 24 and 25, at the Barbizon-Plaza Hotel in New York. O.Glenn Saxon, Director of Corporate Communications of The Singer Company and President of the Institute, announced that the program for the Seminar has been completed by William E. Chatlos, general chairman for the event. Mr. Chatlos is a principal of Georgeson & Co., New York City.

In addition to many members of NIRI, guest speakers who will participate in the general sessions, panels and workshops include Richard A Cantor, President of Cantor Management Associates; John F. Childs, Senior Vice President, Irving Trust Company; George W. Coombe, Jr., Assistant General Counsel and Secretary, General Motors Corporation; John W. Corcoran, Executive Vice President and Director, Donaldson, Lufkin & Jenrette, Inc.; Arthur V. Corr, Director of Educational Services, National Association of Accountants; Herbert A. Einhorn, Partner, Aranow, Brodsky, Bohlinger, Benetar, Einhorn & Dann. George Ingram, Jr., Executive Vice President, U.S. Plywood-Champion Papers; Alan B. Levenson, Director, Division of Corporation Finance, Securities and Exchange Commission; Robert D. MacMurdy, President of the New York Society of Security Analysts; George E. Morris, Secretary, RCA Corporation; John J. Navin, Corporate Secretary and Senior Counsel, International Telephone and Telegraph Corp.; E. Stanley Peck, Jr., Assistant Vice President, Securities Division, American Stock Exchange; W. Stewart Pinkerton, Staff Reporter, The Wall Street Journal; William Placek, Director of Executive Presentations, the Singer Company; James C. Sargent, Partner, Whitman & Ransom; John Westergaard, President of



O. Glenn Saxon

Equity Research Associates; Louis A. Whitehead, Hornblower & Weeks-Hemphill, Noyes; and Arthur Zeikel, Chairman of the Board, Standard & Poor's/InterCapital, Inc.

Topics of the sessions include ground rules of investor relations practices; current problems of corporate management in relation to shareholders and investors; functions of bankers, brokers, analysts and exchanges; disclosure and accounting trends. There will be a panel on consumerism and the investment community and workshops on the investor relations programs of small and large companies.

Mr. Saxon characterized NIRI as a national society of executives engaged in investor relations, dedicated to improving communications between management and corporate ownership, present and potential. "NIRI has an overall commitment to the preservation of a free and open market, based upon a working conviction that our country is most prosperous and secure when every citizen has an ownership stake in its future," Mr. Saxon said.

Registration for the NIRI Seminar is available through the Institute's national office at 2011 Eye Street, N.W., Washington, D.C. 20006.

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THE MARKET AND YOU

By WALLACE STREETE

Wall Street makes more sense every day.

The reality of profit and loss is beautifully pure and simple, especially when viewed in the context of the 1 plus 1 equals 3 world outside the financial community.

In politics, men play on the fears and frustrations of some and the egos of others. Very little of substance is ventured, yet expectation of huge gain lures largely little men into areas beyond their depth where oftentimes the good of the Republic is merely a slogan ill served.

The nation childishly sizes upon the smash of a ping-pong ball across a table in Peking as proof that the eagle and the dragon can do business. Maybe so. But the fact that so many are so eager to embrace a former adversary sharpens the already clear image of an up-tight society all to ready to buy any elixir from unctious medicine men.

But enough of this unwinding, lest politicians and other "leaders" feel the pinge of conscience that "makes cowards of us all" and withdrawn even further from the field of reality.

Dow's Ping-Pong Performance

Speaking of ping-pong, the Dow industrial average over the seven trading sessions ended this past Tuesday exhibited about as many changes of direction as any aficionado of the celluloid sphere whacket could wish.

The Dow's staccato of "up, down, down, even, up, down, up" was far from the relatively flat plateauing the indicator has done periodically during its five-and-a-half month climb. But as a pause it will have to do. The market action indicates a buildup is taking place for decisive crash through the Dow's 950 level.

First quarter earnings reports are not the gory reading most anticipated and the heretofore stingy consumer is being psyched and coaxed out of his caution by just about every government official and economist who can afford a speechwriter. If repetition can win the battle of the economy, it's won.

New Record For Construction Contracts

The monthly economic omens appear to be turning positive with one of the latest bits of bullish news provided by the construction contract index.

In March, according to the F.W. Dodge division of McGraw-Hill, contracts for future building reached $6.38 billion, up 6 percent from the year-ago month and the first time that contract value topped the comparable 1970 month.

"With the help of March's strong surge, the cumulative value of new construction started in 1971 has been brought within less than 1 percent of last year's opening quarter, a three-month period that was easily the best that 1970 had to offer," said Dodge's chief economist George A. Christie.

However, "contracting for industrial plants was still substantially below last year's high level," Christie pointed out. "In manufacturing, where there is a big overhang of excess capacity, the best that can be said is that the March-to-March contracting decline was only half as large as it has been for the past several months. Although that's an improvement of a sort, industrial construction is bound to be the softest of all the building markets this year."

Big Housing Month

March was another big housing month with residential contracts totaling $2.72 billion, up 38 percent from the like 1970 month. Compared with a year ago, the value of one-family contracts was ahead 51 percent while apartment commitments advanced 21 percent.

The March total of nonbuilding construction, at $1.45 billion, was 26 percent below the year-ago pace, Christie said, but since March 1970's value was exceptionally high, the current level is about on a par with recent months.

Negative Factor

Only one category of nonbuilding construction — highway contracting — is presently running below expectations, the economist noted. He explained that the Department of Transportation is once again holding back on federal highway aid money for the "ostensible purpose of reducing inflationary pressures."

And there's good vibrations emanating from the Big Board's futures playing statisticians.

Volume on the senior circuit could average 19 million shares daily in 1975 and 27 million in 1980. This compares with some 6.2 million shares in 1965 and 11.6 million last year.

Mr. Haack's computerphiles also crank out word that the average daily number of transactions will reach 32,000 in 1975 and 34,000 five years later. In 1970, NYSE action churned at an average of 29,786 deals daily.

All of which makes a lot of sense. The dollars come later.

(The views expressed in this article do not necessarily at any time coincide with those of the 'Chronicle'. They are presented as those of the author only.)

Sproules Heads Boston Clearing

BOSTON, MASS. — The Board of Governors of the Boston Stock Exchange has announced the appointment of Joseph J. Sproules as president of the Boston Stock Exchange Clearing Corporation.

In his new position, Mr. Sproules is responsible for the planning and implementation of a new marketing and operational system for the Clearing Corporation, a subsidiary of the Boston Stock Exchange.

Prior to his new position, Mr. Sproules was a vice president of Dominick & Dominick, Incorporated, where he has been employed for the past nine years. Previous to that he was with A.C. Allyn & Company, a Chicago-based brokerage firm.

This advertisement is not an offering. No offering is made except by a Prospectus filed with the Department of Law of the State of New York. The Attorney-General of the State of New York has not passed on or endorsed the merits of this offering.

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PUBLIC UTILITY SECURITIES

By JOHN D. O'KEEFE

Public Service Company of New Mexico

Despite a denial for an increase in electric rates by the New Mexico Public Service Commission, this power and water utility was able to record substantial earnings growth during 1970, namely $1.81 per share compared to $1.67 in 1969. This amounted to an 8.4 per cent increase. Similarly, Public Service of New Mexico experienced kilowatt hour sales last year which were 7-8 per cent above 1969. Part of the above mentioned gains can be attributed to a spurt in new electric customers in the service area. During 1970, the company added 5,799 electric customers, or an increase of 4.5 per cent. The customer growth for the previous five years had been in the 2 to 2.5 per cent range. Although relatively small compared to other utilities, the company presently has more than 135,000 electric and 14,500 water customers in its territory.

1971 Outlook

The company's management expects kilowatt hour sales to follow the trend of the past year during 1971, and increase approximately 7 or 8 per cent. The forecast is based on new industry entering the service area, especially in Albuquerque. New Mexico is fast becoming a popular motion picture production site. Land development and tourism, stimulated by the state's pleasant climate, will also add to the system's electric load.

In order to meet the estimated 1971 demand for electric service, management hopes to have its partly owned Four Corners Plant units 4 and 5 operating at full capacity. During 1970, the availability of these units was curtailed by start-up problems. However, since the first of the year, the availability of units 4 and 5 have been 84.6 per cent and 94.2 per cent, respectively. They should be running at rated capacity for continuous operation for the remainder of the year. This will make a considerable difference in production costs, since a kwh unit at Four Corners was produced at 1.66 mills during 1970, compared to the most efficient gas-fired plant cost of 3.24 mills per kwh.

Construction and Financing

Public Service of New Mexico has budgeted $24 million for construction purposes this year. The largest component of the estimate is $14.4 million to be spent in 1971 on the first unit of the San Juan Generating Station. This new unit will be jointly owned by Tucson Gas and Electric and the company; will be rated at 345 megawatts; and should be completed by June, 1973 with a total cost of $73 million. Public Service's share is $36.5 million. The fuel to be used will be coal obtained from a subsidiary, Western Coal Co., also jointly owned. The company plans to increase this station's capacity to at least 1400 megawatts and possibly to 1700 megawatts in the future. The balance of the 1971 construction budget is for normal extensions and improvements to service. For the five-year period, 1971-1975, building expenditures are estimated at $112 million, including $25 million for the second unit at the San Juan Plant, needed by 1975 or 1976.

Management has a policy of trying to maintain capitalization ratios of at least 30 per cent common, not more than 15 per cent preferred, and not more than 55 per cent debt. Over the next two years, the company will require almost $45 million in new money to meet its construction needs. To finance this amount, the company plans the sale of $15 million of bonds later this year and also about $10 million of some type of equity financing. The balance will be raised in 1972 through the sale of more bonds. This program should enable acceptable capitalization ratios to be maintained.

Regulation

The company had requested an electric rate increase of $3.6 million from the State Commission, which was denied in March, 1970. In its decision the Commission established an allowable rate of return on the fair value of the company's property at not less than 6.75 per cent. The company has appealed the decision to the courts, since it does not believe the Commission's rate of return standards are adequate today. To date the court has not rendered a decision.

The common stock currently sells for about $22 per share or 12 times 1970 earnings. The annual indicated dividend of 90 cents provides a moderate yield at this price.

Public Service Company of New Mexico common is traded over-the-counter.

Mr. O'Keefe is associated with Pershing & Co., New York City.

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General Health Services Sells Debs, Common

Hornblower & Weeks-Hemphill, Noyes, New York, as manager of the underwriting group, announces the public offering of $10,000,000 of General Health Services, Inc. 6 per cent convertible subordinated debentures due April 15, 1991, and 393,000 shares of common stock. The debentures are priced at par plus accrued interest, and the stock at $23 per share.

The debentures are convertible into common stock at an initial conversion price of $26.50 a share. The debentures are entitled to a sinking fund beginning in 1981, sufficient to retire 50 per cent of the debentures prior to maturity.

Of the 393,000 shares of common stock, 300,000 shares are being sold by the company and the remaining 93,000 by two selling stockholders. Proceeds to the company from the sale of the securities will be used in part to repay debt incurred in 1968 principally to finance the construction of a new hospital building for Memorial Hospital of Gardena and a 370-bed addition to Memorial Hospital of Southern California. The remainder will be added to working capital.

General Health Services and its subsidiaries operate four general hospitals, two of which are located in the Los Angeles metropolitan area and one each in Seattle, Wash., and Portland, Ore.

BANK AND INSURANCE STOCKS

THIS WEEK — INSURANCE STOCKS

No-Fault Automobile Insurance Development

The limited no-fault automobile bodily injury insurance system initiated by the State of Massachusetts on January 1 has been called a success by Governor Frank Sargent.

In a recent speech before the Massachusetts Association of Independent Insurance Agents and Brokers, the Governor indicated that claims paid during the first three months of the year were running 36 per cent below the level of the first three months of 1970. The average paid claim in the first quarter of this year was $131, compared with $205 in the first quarter of 1970. Total claims paid were $229,479, compared with $359,590 a year ago. Future premium reductions on bodily injury premiums of as much as 25 per cent were predicted. The Governor stated that he was not completely satisfied with the enabling legislation because of the compromising amendments which were necessary to assure its passage. He indicated that legislation would be filed to amend the law and that extension of the no-fault principle to the automobile property damage field was likely.

Governor Sargent was also quite critical of the insurance industry in his remarks. He criticized the industry for fighting the revolutionary legislation last year and claimed that the industry had not passed the full benefits on to the consumers. He further stated that companies have been making it difficult for the public to purchase deductible coverages and were forcing customers to purchase more insurance than was necessary for adequate coverages. State Insurance Commissioner C. Eugene Farnam will investigate the charges. In response for the industry, Massachusetts Insurance Information Committee denied the charges in all areas and stated that it was unfortunate that the Governor misrepresented the position of the industry on the issue for political purposes.

While Governor Sargent and representatives of the insurance industry in Massachusetts continue their feuding, the no-fault system is gaining national attention. Senators Warren Magnuson (D-Washington) and Philip Hart (D-Michigan) are sponsoring Federal legislation which would call for a national no-fault automobile insurance system covering both personal injury and property damage. It was initially believed that the proposed legislation had the backing of the Nixon Administration. However, Transportation Secretary, John A. Volpe, while in favor of the system, has advocated that the implementation of the program should be left to the states. He stressed that the Federal role should be limited to the encouragement and guidance of the states in developing the new automobile insurance system. Automobile insurance "should not be pre-empted by Federal action," he said.

The position is consistent with the Administration's "new federalism" philosophy, leaving implementation of programs to the individual states and the historic position of the Federal government of leaving the regulation of insurance to the states.

Massachusetts is presently the only state with a limited no-fault system under which accident victims are reimbursed by their own insurance companies regardless of fault for bodily injury expenses up to $2,000. Damages in excess of that amount may be sought through the courts. Suits for pain and suffering are prohibited unless medical bills exceed $500 or the accident involves death, amputation, fracture, serious disfigurement or loss of sight or hearing. In all other states, damages are paid by the company which insures the person judged to be at fault in an accident. Transportation Secretary Volpe recently submitted to Congress a two-year $1.6 million study which concluded that the existing systems "are not working well and should be changed."

While no-fault insurance continued in the headlines of national newspapers, the new system has won an initial favorable vote from the public. According to a recent poll, considerably more people approved of the no-fault system than opposed it. However, the vast majority was uninformed or undecided on the matter. If the record of reduced claims continues in Massachusetts as expected, which will undoubtedly result in lower premium rates, strong demand for revision of the nation's chaotic automobile insurance system is likely to be made by the public itself.

Urban Affairs Conference

The New York State Bankers Association is sponsoring a conference on urban affairs May 12th at the Flagship Hotel, Rochester, N.Y. Speakers at the Conference will include Octave M. LaBeet, Urban Affairs Officer, the County Trust Company, White Plains, N.Y., who will address the group on "Housing — Promises, Promises"; Hon. S. William Green, Regional Administrator, Housing and Urban Development Agency, on "The 1971 Housing Picture"; John A. Dale, Senior Vice President, Community Affairs, Central Trust Company, Rochester, on "Let's Do Something About Housing"; Hon. James A. Porcari, Commissioner of Buildings, City of Rochester, on "Rehabilitation That Works.

Tariff is $25 per person and reservations should be made with Charles D. Johnson, Secretary, Urban Affairs Committee, New York State Bankers Association, 405 Lexington Avenue, New York City.

With Hanifen, Imhof

DENVER, COLO. — Paul B. Beaty has become associated with Hanifen, Imhoff & Samford, Inc., 718 Seventeenth Street. Mr. Beaty was formerly with Quinn & Co. Inc., and Walt Asmus & Associates.

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MUTUAL FUNDS

By JOSEPH C. POTTER

Renaissance Man

BOSTON, Apr. 28 — Barron P. Lambert Jr., 38, Executive Vice-President of this city's old-line investment-counseling firm of Studley, Shupert & Co., Inc., of Boston, has at least two good reasons to rejoice, but he is, as are many of his generation and profession, a concerned citizen.

Mr. Lambert is a key member of the Berkeley Street team here that manages a half-billion dollars of assets, so the year-long upsurge in the stock market has been most fortuitous. Scarcely less pleasing for Studley, Shupert is the decision by the Supreme Court earlier this month barring banks from the mutual-fund field. The Investment Company Institute and the National Association of Securities Dealers brought the case to the High Court, blocking a move by New York's First National City Bank to establish an open-end investment company, which it would operate and manage.

Studley, Shupert, of course, was not exactly a disinterested observer, for in 1938 this firm organized Commonwealth Fund Indenture of Trust, which may be the only publicly-owned common trust fund in the United States. As Barry Lambert describes the operation, which has grown over the years from less than $100,000 to over $90 million: "The investor creates a trust automatically and receives a prototype indenture rather than shares. Studley, Shupert manages it like its other funds."

This Boston-based investment firm, which traces its origins back to the first day of memorable October, 1929, also manages no-load Ivy Fund, a performance leader among the growth funds. Ivy started out 1971 with $57 million of assets, equal to $7.20 a share. By the end of the first quarter on March 31, assets had soared to $71 million, equal to $8.51 a share (after payment of a dividend of 19 cents). Ivy Fund shareholders, no less than Barry Lambert, have cause to rejoice at the market turnaround.

Washington Square Life Insurance Co., a wholly-owned subsidiary of Philadelphia-based Food Fair Stores, has selected Ivy for its so-called Balanced Investment Program. This is a payroll-deduction plan, combining life insurance with equity investment, which Washington Square plans to market across the nation.

The firm's other fund is Inventure Capital Corp., a closed-end investment company specializing in stocks of privately-owned companies. This is a venture-capital fund whose Over-the-Counter price at times this month was $11, while net asset value per share was well above $18.

Two other important sources of income to Studley, Shupert are as economic and investment advisor to New England banks and management of private portfolios — pension funds, profit-sharing funds and individual investors.

An alumnus of Massachusetts Institute of Technology and Wharton School of Finance and Commerce, holder of degrees in economics and corporate finance, Mr. Lambert joined Studley, Shupert after leaving campus. For all his success, he expresses a number of concerns. Thus:

"These are new times for America. After World War II, there was a boom in homes, autos, appliances and other creature comforts. People now think the Southeast Asia war is over, so the emphasis in the years ahead is going to be on city-building — rebuild America.

"It is idle to suppose the Government can finance by itself such a colossal program. At some point, perhaps, the Government may say to the people in the pension-fund field, which has a quarter of a trillion dollars in assets, that if they want to preserve their tax-exempt status, then a certain percentage of these assets will have to go into public housing or the mortgage market."

He feels strongly that the pent-up demand of consumers is "fantastic," but does not expect it to burst forth any time soon. Mr. Lambert reasons:

"Unemployment is not under control and it is going higher. The wage-price spiral has not slowed. The Federal deficit will top expectations. And I don't think it is politically expedient to cut the defense budget. How many Seattles can we afford?"

This may be 1954 all over again — a buoyant market amidst business recession — when investor confidence was out in front of economic recovery. What about the condition of this bull market?

"It could die young," is his diagnosis. "If it does, it'll be for one of two reasons: a money panic in Europe brought on by fears of dollar devaluation or another paperwork logjam in Wall Street."

Being a product of this dynamic and flexible society, Barry Lambert believes America will solve, or at least come to grips with, the problems that beset the country. Regardless, however, he insists "the average investor" is gone. As he puts it:

"The average investor in this country was a man with between $5,000 and $50,000 to invest. That fellow has been institutionalized, which is what the behavior of the market is telling us every trading day. His place has been taken by pension funds, variable annuities and mutual funds."

For the mutual funds, he believes the best is yet to be, but warns:

"The closer you are to the great Eastern money centers, the less likely you are to get the funds sales. The big action is in the hinterlands."

Involved with administrative duties, investment decisions and in demand as a speaker at forums, seminars and conventions, young Lambert says: "I wear many hats."

It is no less a cliche but equally accurate to describe this bright star of the investment community as a Renaissance Man, whose kind is sorely needed as the profession assumes an ever-growing role in the nation's economy.

AVCO Financial Debentures Sold

The public offering of $50,000,000 of AVCO Financial Services, Inc. 8⅞ per cent senior debentures due April 15, 1977, is being made through underwriters led by Lehman Brothers Inc., at 99.43 per cent plus accrued interest, to yield 9 per cent.

Proceeds are to be used for debt repayment and working capital.

AVCO Financial, of Newport Beach, Calif., conducts lending operations through consumer loans and sales financing.

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

$50,000,000

AVCO FINANCIAL SERVICES, INC.
(formerly Seaboard Finance Company)

8⅞% Senior Debentures due April 15, 1977

Price 99.43%
Plus accrued interest from April 15, 1971

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

Lehman Brothers
Incorporated

Blyth & Co., Inc. — Drexel Firestone Incorporated — duPont Glore Forgan Staats Incorporated

Eastman Dillon, Union Securities & Co. Incorporated — Goldman, Sachs & Co.

Hornblower & Weeks-Hemphill, Noyes — Kidder, Peabody & Co. Incorporated

Lazard Frères & Co. — Loeb, Rhoades & Co. — Paine, Webber, Jackson & Curtis Incorporated

Salomon Brothers — Smith, Barney & Co. Incorporated

Stone & Webster Securities Corporation — Wertheim & Co. — White, Weld & Co.

Dean Witter & Co. Incorporated — Bache & Co. Incorporated — Bear, Stearns & Co. — Paribas Corporation

April 28, 1971.

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The Security I Like Best

Continued from Page 2

somewhat cheaper drug, has shown exceptional growth since its introduction last year and at present, we believe, accounts for 70 per cent of total infection inhibiting drug sales. Another interesting ethical is L-dopa, the recently approved Parkinson's disease drug. Currently only two companies have distribution of this unpatented drug — Hoffman-LaRoche and Eaton Laboratories. After an initial flurry of orders, the demand for the drug dropped due to some serious side effects and has only recently shown signs of a favorable sales trend. This year sales may be $6 million from L-dopa, which is probably less than 25 per cent of Eaton's share of the market potential. Sales of L-dopa should be a very definite plus for this operation in both sales and earnings. The company has no combination drugs of significance that might be affected by recent FDA efficacy requirements. Furacin gauze, a pre-packed dressing impregnated with anti-bacterials; Chloraseptic, a brand of mouthwash and throat lozenges; Nebs, a non-aspirin analgesic have all been well received and show strong growth trends.

The Norwich Division is best known for Pepto-Bismol and Unguentine. There are about twenty different products distributed, but Pepto-Bismol is easily the largest and is showing strong growth trends, up to 10 per cent per annum. Unguentine peaked out when competition from various sun burn remedies became intense about a year ago, nevertheless, it is still a profitable item. Norforms and Jeneen, feminine hygiene products, have been growing importantly. Aspirin and suppositories, saccharine, etc. are also doing well. The company also sells high priced perfumes and cosmetics through the Jean D'Albret division, and, while this line has been successfully promoted, it probably accounts for less than 5 per cent of sales.

Household products consist primarly of the Texize line and the recently combined Simoniz product line of household and automotive waxes and cleansers. Texize makes Fantastik spray cleaner, still the market leader in spray cleaners, accounting for as much as 18 per cent of the liquid cleaner market. This division's hottest product is "Janitor in a Drum", which has not only achieved an unusually strong consumer acceptance, but is at a point in its product life cycle where profit is enhanced by declining advertising expenses. K2r, the company's heavily promoted spot lifter is also doing well. Spray-n-Wash, introduced in October, is an aerosol designed to remove spots and stains by spraying on soiled areas prior to washing. Sales have benefited from recent adverse publicity regarding enzymes in some cleaners. Spray-n-Wash is heavily advertised currently, but will probably become a profitable item next fiscal year. Simoniz was put under Texize supervision, and it is believed that, although some adjustments are still forthcoming, its product line will become profitable shortly.

The food products category includes Morton table salt and salt substitutes as well as mustard, relishes, jellies, salad dressings and sauces, etc. for restaurants, hospitals, airlines and other institutional food operations. Portion controlled foods are growing rapidly and are very profitable. Table salt lines, which carry a good margin, show only moderate sales increases, reflecting the general population trends. Morton is the only national distributor of consumer salt products. We estimate table salts to be 30 per cent of salt sales of around $100.0 million. The remaining salt business is generated by highly profitable water treatment salts and ice control salts (rock salt), as well as salts used for manufacturing of caustic soda and chlorine. A new rock salt plant will start production early in 1972 and should be a contributor to earnings.

Morton-Norwich generates about $25.0 million in sales from agricultural products, which are included in the food and drug classifications. The line includes drugs and feed additives for cattle and poultry. The growth is steady and profitable. The specialty chemical division is about breaking even and the chances are not good for any significant change until fiscal 1972. Sales of $32 million are generated by sealants, dyes and adhesives. As a supplier of a variety of products used in manufacturing and processing, the specialty division was hurt this year by strikes and the declining economy. We are assured that no inherent problems exist with this division which management believes will show profitable numbers as the economy improves.

Recently Morton-Norwich acquired from Vivonex, a small research company, the patent rights on the first chemically defined elemental diet providing complete and balanced nutrition leaving no residue. Management is optimistic on the long term potential for this product for cases involving stomach problems and also for geriatric applications. This is a completely new field for Morton-Norwich and offers an exciting kicker that is little known at this point. Morton-Norwich spends over $9 million in research and has profited admirably from inhouse research; nevertheless, at the present time they have no dramatic prospects for new product applications for the next year or so.

For the six months ended December 31, 1970, sales and earnings were 7 per cent. We anticipate a slight acceleration of sales and earnings growth in the current six-month period, which should result in earnings of $2.00 plus for the fiscal year ending June 1971. Inventory buying by hospitals and drug stores continues to be slow; however, this pattern might change which would make our $2.00 estimate somewhat conservative. In any case, Morton-Norwich has, as expressed above, many things working in its favor and we would anticipate further significant progress in fiscal 1972. Spray-n-Wash should be running at peak profitability by then, specialty chemicals should move into the black, and the new salt mine will be beneficial. We are looking for at least a 15 per cent gain in earnings in 1972 to $2.30 plus per share.

The company's working capital position, bolstered by the sale of $25 million of 8⅞ per cent debentures last October for the purpose of reducing bank loans, is considered satisfactory. A decline in the rate of capital spending which has been running well in excess of depreciation for the past three years, combined with the projected rise in retained earnings should obviate the need for additional long term financing. Long term debt amounts to $107 million, including $26 million of 4¾ per cent debentures convertible into common stock at $49 a share with no material dilutive effect. Shareholders' equity of $150 million is represented by 12.5 million shares of common stock on which the modest 2 per cent yield is provided by the current $0.80 dividend rate.

Bache & Co. Names Marlin



William M. Marlin

Bache & Co. Incorporated, members of the New York Stock Exchange, announced that its Board of Directors has elected William M. Marlin to the firm's Executive Committee. Mr. Marlin is Senior Vice President in charge of Bache's Municipal and Government Bond Division.

Mr. Marlin joined Bache & Co. in 1954 on the Municipal Bond Trading Desk, becoming manager of the Muncipal Bond Department in 1958. He became a partner in 1964; a Vice President in 1965 when the firm was incorporated; elected a First Vice President in April, 1969; a member of the Board of Directors in April, 1970 and a Senior Vice President in July, 1970.

He is a member of the Municipal Bond Club of New York; the Municipal Forum of New York; the IBA Municipal Securities Committee and the IBA Committee for the Study of Revenue Bond Financing; and a former member of the IBA Municipal Education and Cashiering Committees. He is also a member of the Bankers Club.

Prior to joining Bache, Mr. Marlin was an instructor in management and then Director of Admissions at Long Island University. He graduated from Long Island University with a B.S. degree and received an M.A. from the same faculty in 1950. Mr. Marlin is the holder of the Air Medal, Distinguished Flying Cross and the Purple Heart.

Bache & Co. Incorporated, which maintains its headquarters at 100 Gold Street, New York City, has more than 120 offices in the United States, Canada and abroad. The company is a member of all leading securities and commodities exchanges.

OUR REPORTER ON GOVERNMENTS

By JOHN T. CHIPPENDALE

The rise in the prime bank rate from 5¼ per cent to 5½ per cent was not unexpected from one standpoint, but certainly not expected from another angle. Money market or short-term rates have been going up for the last month, under sponsorship of the monetary authorities, and the Treasury, so that the "hot funds" in this country would not be leaving in increasing amounts to go to other world money centers with higher interest rates. The outflow of these funds has been aggravating our balance of payments problem.

Because of the advancing pattern of short-term interest rates, it was not too surprising that the prime bank rate was pushed up from 5¼ per cent to 5½ per cent. On the other hand, since the demand for loanable funds from commercial banks continues to be sluggish, a rise in the rate would seem to be unnecessary. Secretary of the Treasury Connally, for example, said he was unaware loan demand was sufficient to justify an increase in the prime bank rate.

Protective Measure

The small rise in the rate to 5½ per cent from 5¼ per cent, first by Chase Manhattan, then followed by other large money center banks, was probably due to the recent upward course of short-term interest rates. Evidently, this gave Chase and its counterparts an opportunity to correct a situation that probably should not have happened in the first place. The latest in the succession of rate cuts, which had brought it down from 5¾ per cent to 5¼ per cent, obviously was too big a bite. Most of the other large commercial banks did not follow Chase down to the 5¼ per cent level, but went to 5½ per cent from 5 ¾ per cent. For a period of about a week, there were split prime rates, but eventually all of the banks went to 5¼ per cent for the loaning rate charged their best credit risk customers.

The rise in the prime bank rate from 5¼ per cent to 5½ per cent was announced Thursday, April 22, only a few business days before the Government was to make public terms of the May refunding. The ¼ per cent upward revision, even though not sizeable, was a rise nevertheless and this did nothing to hold down the interest cost of the Government's refunding obligations. The rise, just before the Treasury was to undertake a refunding operation, was probably not the most opportune time for it to take place, in the opinion of some money market specialists.

Treasury Not Expected To Sell Bonds

Prices in the bond market improved a little since the upping of the prime rate, but this was not due to the increase in short-term interest rates but largely to opinions that the Government would not use long-term bonds in the refunding operation. By still confining its refunding and new money raising ventures to the money market area, the Treasury will not be competing with non-Federal corporations for long-term money. Also, they will not be in there taking long-term funds away from the mortgage market.

The announcement that American Tel & Tel would offer a convertible preferred stock to its stockholders for the first time, and not more bonds also took some upward pressure off long-term bond yields. In addition, it does not look as though there is going to be an immediate increase in the discount rate such as took place when the prime and other rates were going down.

Since the recovery has been spotty so far, and the loan demand is weak, it does not look as though interest rates — whether short or long-term — for the time being are going to go up very much if at all. Protective short-term rates to help our balance of payments problem are probably close to as high as they are likely to go.

Treasury Announces Non-Cash $8.4 Billion Exchange Offer Which Excludes Bonds For Fear of Hiking Yields

Late yesterday's Treasury announcement of what it will do to refinance the $8.4 billion May maturities went out of its way to make clear no attempt will be made now to take advantage of a recent Congressional option to lengthen the debt structure.

The reason why the Treasury elected not to make use of the recent legislation authorizing up to $10 billion in bonds without regard to the statutory 4¼ per cent ceiling was its fear of enhancing the bond yield rise of the past several weeks. Thus, the market had correctly surmised that the Treasury would avoid bonds in the current financing.

Commencing today, or as soon as the forms are available, holders of the May 15 bonds and notes may elect to exchange them for either a 5 per cent 15-month note, at par, maturing August 15, 1972, and/or a re-opened 5-3/5 per cent note due November 15, 1974, priced to yield 5.88 per cent. The asked prices for outstanding issues of those maturities were approximately 4.51 and 5.66 per cent, respectively. The sweetener amounts to a generous 49 basis points for the shorter note and 22 basis points for the 3½-year re-opened outstanding issue.

The subscription period ends next Wednesday, May 5, at 6:00 p.m. local time, at any of the Federal Reserve Banks. Mailed subscriptions must be postmarked no later than Tuesday, May 4. Payment-delivery exchange date is May 17.

Approximately $5.8 billion of the maturing obligations are held by the public and commercial banks, and $2.6 billion by the Federal Reserve and U.S. Trust accounts. The Under Secretary for Monetary Affairs predicted a normal attrition of about 10 per cent. The Treasury indicated that around $1.5 to $2 billion additional cash will be raised, plus more if the attribution proves to be greater than expected, either in May or the following month.

There was an inconsistency in

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the offical remarks made wherein the Treasury opinioned it did not agree that long term yields would move, or remain, higher. It was stated that the pace of recovery to date is not inconsistent with stable and even declining long term yields. Nevertheless, the Treasury's refusal to lengthen the maturity of the debt after a long, hard fought compromise concession on removing the inhibiting interest rate ceiling on bonds, suggests that the official and the market situation is, indeed, different enough so as to make a long term offering precarious at this time. The official jargonese held that the issues selected for the exchange fit into the market readily.

The point made by the Treasury spokesman about the convergence of European and USA economic progress lessening adverse pressures on capital flows was quite interesting. Implied was the closing of the spread in interest rates and profits making the outflow of funds overseas less and less attractive. — **SIDNEY BROWN.**

Debs Offered By Kennecott Copper Corp.

A public offering of $200,000,000 of Kennecott Copper Corp. 7⅞ per cent debentures due 2001 is being made by a nationwide investment banking group managed by Morgan Stanley & Co. Inc., and Kuhn, Loeb & Co., New York, at par plus accrued interest.

A mandatory sinking fund commencing May 1, 1982, will retire 95 per cent of the issue prior to maturity by redemption of $10,000,000 annually at 100 per cent plus accrued interest. The corporation at its election may also retire through the sinking fund up to an additional $10,000,000 annually beginning in 1982. The debentures are optionally redeemable at an initial price of 107.875 per cent, plus accrued interest, and at declining prices thereafter, but not prior to May 1, 1981, from moneys borrowed at an interest cost of less than 7.875 per cent.

Net proceeds from the offering will be added to the general funds of the corporation, and will be made available for capital expenditures and other corporate purposes. Initially, a portion of the proceeds will be applied to the repayment of indebtedness to United States banks. It is estimated that capital expenditures, which were $117,561,000 in 1970, will exceed $162,000,000 during 1971 including $86,000,000 for the development and improvement of new and existing coal properties and $76,000,000 for capital expenditures associated with copper and other mineral operations.

Kennecott is the largest domestic producer of copper, the second largest domestic producer of molybdenum and an important source of gold, silver, lead, zinc, high quality iron and titanium slag. Through its wholly-owned subsidiary, Peabody Coal Co., Kennecott is also one of the two largest producers of coal in the United States.

Havkit Corp. Formed

Havkit Corporation has been formed with offices at 538 East 84th Street, New York City, to engage in a securities business. David Kaplan is president.

SECURITY SALESMAN'S CORNER

By JOHN DUTTON

Door Opener To The Larger Account

The large investment account is sometimes an elusive target for many salesmen. I have opened more large accounts with high grade tax-exempt bonds than possibly any other investment vehicle. On May 19, there will be an auction of $365.5 million Federal Housing Bonds. These securities will be issued by 19 separate local public housing authorities. Security salesmen who reside in the following areas will have two strings to their bow if they wish to call these ultra high-grade bonds to the attention of the larger investment accounts in their communities.

Oklahoma City
Durham, N.C.
Cook County, Ill.
East Baton Rouge, La.
Sherman, Texas
Puerto Rico
Baltimore
Minneapolis
Indianapolis
Lackawanna County, Pa.
Memphis
Paducah, Ky.
Hawaii
Florence, S.C.
Fort Myers, Fla.
New York City
Rome, Ga.
Reedsville, Wisc.
Hampton, Va.

You Need No Introduction

When you associate an offering of securities with an obligation guaranteed by the full faith and credit of the federal government, you are paying a compliment to those investors you contact. You also associate yourself and your firm with the very highest quality type of investment, plus income exempt from all federal income tax. Although market conditions that prevail at the time of the sale of these bonds will determine the reoffering price to the public, the following letter may be useful in bringing this exceptional investment opportunity before your hand-picked list of predominant investment accounts in your community.

Suggested Letter

A Possible 5½% Tax Free-Return,
Guaranteed As To Principal
And Interest By The
Federal Government

On May 19th, The Department of Housing and Development plans to offer $365.5 million of Public Housing Bonds.

If you would like to place an indication based upon this offering being made on a 5½% yield basis, kindly advise me. AAA rated, excellent for long term permanent investment, estate purposes, highest quality, and marketability.

Sincerely yours,
(Your Name)

This letter should be mailed to a carefully selected list. A self-addressed envelope should be included. If you wish to emphasize the **tax free return,** underline those words with a red pen or pencil. You can write a short message on the envelope if you wish, such as, "Important Information For You!" You need not include a salutation but sign each letter. This is a formal announcement that leaves the indication made by any prospective buyer contingent upon a reoffering price that could be realistic.

Follow Up Your Mailing

This letter can be a door opener. It will introduce you and certainly there is a great appeal to those investors who have a family to consider, who want to invest for many years ahead, and who would like to have a worry free investment that they and their heirs could rely upon to pay them continuous income in good times and bad. If it so happens that the 5½ per cent yield basis is a bit on the high side when the bonds are offered, you may still have an opportunity to take some orders. At least you will have made a contact with some of the larger accounts in your area and you can continue to contact them in the future. Steady and consistent effort will bring you business and when you open the door you can then look to future business, including new issues, secondaries, common stocks and all that goes into the portfolio of the larger sophisticated type of account.

Follow every letter mailed with a telephone call. Don't expect the letter to do it all. This is one of the most respected securities in the world — many people don't know that tax-free income guaranteed unconditionally by the full faith and credit of the United States of America is available — and especially on a tax-exempt yield basis that equals, or exceeds that now paid on a fully taxable basis by savings institutions.

Could you think of a better way to get acquainted with investors — large or small.

(John Dutton is the pen name of William S. Baren, a registered representative employed by a large NYSE member firm.)

Pacific Business Leaders to Meet

VANCOUVER, CANADA — Business leaders of major Pacific nations will gather here May 11-14 for the fourth general meeting of the Pacific Basin Economic Co-operation Council.

The council, abbreviated PBECC and pronounced "Peebeck", consists of a membership list which reads like a Who's Who of top business management in Australia, Canada, New Zealand, Japan and the U.S.

Its purpose is to provide a private-enterprise voice in strengthening trade and economic ties among the five founding nations and to assist developing countries in the Pacific area.

Kenneth H.J. Clarke of Toronto, vice-president of International Nickel Company of Canada Ltd., is chairman of the PBECC Canadian committee which is sponsored jointly by the Canadian Manufacturers' Association and the Canadian Chamber of Commerce.

Lionel P. Kent of Montreal, executive partner of Riddell, Stead & Company, is vice chairman of the Canadian Committee.

Conference committee chairman is the Hon. Robert W. Bonner, Q.C., of Vancouver, executive vice-president administration of MacMillan Bloedel Limited.

American Agency

ATLANTA, GA. — American Agency Securities Co. is engaging in a securities business from offices at 1252 West Peachtree Street, N.W. Officers are Richard C. Blanton, president, and Arthur C. Eaton, vice president, secretary and treasurer.

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the Prospectus.

200,000 Shares

San Diego Gas & Electric Company

Preference Stock (Cumulative), $7.80 Series,
without par value

Price $100 per share
(plus accrued dividends, if any, from date of original issue)

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How Monetary Policies Will Affect Banking's Growth

Continued from Page 3

doubled in the first half of 1969. The volume remained large in late 1969, despite a placing of reserve requirements on Eurodollars.

Recently, Eurodollar borrowings have been a marginal source of credit to most banks. Once banks could effectively attract CD funds in 1970, their holdings of Eurodollars declined. The decline has continued even though the Federal Reserve System has provided incentives in the form of a reserve-free base for those banks maintaining these borrowings.

Looking into the future, money markets in various parts of the world are likely to remain interrelated, and Eurodollars will probably continue to provide an alternative source of funds to large commercial banks in the 1970's. However, as long as banks are free to compete for domestic funds, and as long as the international flow of capital is hampered by U.S. and foreign government regulations, it is not likely that Eurodollars will become a major source of domestic commercial bank funds.

Another source of funds developed by banks in the 1960's is commercial paper. Reserve requirements were placed on funds banks obtained by selling commercial paper, in part to limit growth of this source of bank funds. The practice, however, continued in recent years with bank holding companies selling the commercial paper and using the funds obtained to buy loans from the commercial bank. Bank related commercial paper expanded $5.5 billion during the 11 month period ending July 1970.

Since last July, the volume of bank related commercial paper has declined markedly. Reserve requirements were placed on such commercial paper in August 1970, making these funds less attractive. Also, the greater availability of funds through CD's has reduced the incentive for banks to seek funds through commercial paper.

Fed Regulation Will Provide the Answer

The future role of nondeposit sources of bank funds, such as Eurodollar holdings and bank related commercial paper, depends to a large extent upon the course of Federal Reserve regulation. Reserve requirements on these nondeposit sources of funds have been factors in reducing their attractiveness. However, if the System should again permit the interest rate ceilings to effectively restrain banks from attracting CD's and other time deposits, it is quite likely that commercial banks will develop commercial paper, Eurodollar, or other nondeposit sources of funds.

Since these other markets have usually been less efficient than the time deposit market, it would seem desirable for public policy to permit banks to compete for time deposits. Growth of time deposits is not inflationary, since banks are not creating new credit but merely acting as an intermediary between the supplier and user of funds. Government attempts to improve the allocation of funds through regulating markets, have generally caused more misallocation.

Less Emphasis on Liquidity

Just as in the case of sources of bank funds, there have also been changes in the use of funds, reflecting competition among banks, innovations of bankers, and economic change. Developments include a growing importance of loans in bank portfolios, an improved management of excess reserves, and an expanding role of banks in leasing equipment to their customers. These changes have helped to increase the profitability of commercial banking.

At the end of World War II, commercial banks were highly liquid. Cash and Government securities amounted to 79 per cent of total resources of banks, and loans accounted for only 16 per cent. In the postwar years the demand for customer credit has grown much more rapidly than bank sources of funds.

By late 1970 commercial banks had 55 per cent of their resources in loans. Cash and Government securities accounted for 25 ½ per cent of assets.

The postwar trend toward less liquidity in bank assets will probably come to an end in the next few years. The chief limiting factor, as I see it, will not be liquidity considerations, however, since with the more developed Federal funds market, the ability of banks to attract CD's and non-deposit sources of funds, and the Federal Reserve as lender of last resort, the need for liquidity in asset holdings is not large. Practically, many banks are running up against a limit in converting assets into loans. Reserve requirements and cash needs for transactions are likely to prevent much further decline in the relative importance of cash. For many banks Government security holdings — at least before the recent cyclical bulge — were virtually nonexistent, beyond those securities pledged to hold deposits.

If further customer accommodation is not forthcoming from a redistribution of assets, and if loan demand continues to grow faster than demand and savings deposits in the 1970's, as appears likely now, banks will be forced to compete even more vigorously for CD's and other sources of funds if they are to maintain their present relative position in the lending market.

Decline in Excess Reserves

Banks, particularly smaller ones, have become more efficient in utilizing funds available to them in recent years, as indicated by a decline in excess reserves. The ratio of excess to total reserves at country banks has gradually declined from about 8.5 per cent in 1961 to about 1.5 per cent in 1970. Many factors have contributed to the trend. Growth in average size of bank, both from operations and structural changes, has made management of cash more profitable. Higher interest rates have added to the rewards for efficiency. More highly developed money market instruments — particularly Federal funds — have improved the possibility of minimizing redundant funds.

Banks will probably continue to hold average excess reserves to a much lower level than in the early sixties, even if interest rates should decline to the levels existing at that time. Since banks have developed outlets for utilizing funds for short periods, and since average bank size is continuing to increase, they will probably find it profitable to avoid relatively large excess reserves.

Growth of Leasing

Commercial banks have also expanded their leasing operations in recent years. Leasing of equipment has in many cases provided advantages over a cash loan, both to the bank and to the customer. Leasing has provided tax benefits and reduces capital requirements of borrowers. Leasing arrangements are likely to continue to grow, and this development tends to broaden the activities of banks.

What general conclusions for bank growth and profitability might be derived from this examination of prospective developments regarding commercial bank sources and use of funds? First, if banks are free to compete in the markets, regarding interest rates paid for funds and charged on loans, I believe that the decade of the 1970's will prove to be one of vigorous growth in banking. Such a development, however, would require a great departure from the prevailing views of the late 1960's that Regulation Q interest rate ceilings provide the cutting edge of monetary policy, or that rate ceilings are needed to protect commercial bank competitors, or that ceilings are needed to insure sound bank management, or that usury laws are needed to protect borrowers.

Profits to Increase

Second, if banks are free to manage their portfolios, we should expect substantial growth in bank profits. There are, however, current proposals that their freedom to determine lending and investing activities be restricted for the purpose of meeting social priorities. I have in mind the proposal pending in Congress that reserve requirements be established on bank assets and that such requirements be manipulated to channel funds to so-called socially desirable activities. Adoption of such a proposal, in my opinion, would make banks less profitable and would do little to meet social priorities. It would probably cause funds to bypass banks enroute from savers to ultimate investors.

Influence of Monetary Policy

Let us now turn our attention to some of the more general aspects of the influence of monetary policy on the prospects for commercial banking in the 1970's. In examining the 1970's we need some perspective regarding Federal Reserve actions. At the Federal Reserve Bank of St. Louis we use the money stock, defined as demand deposits and currency held by the nonbank public, as a useful summary measure of the influence of Federal Reserve actions on economic activity.

From 1965 to the present, money has grown at about a rapid 6 per cent annual rate. This is a marked departure from the 2 per cent rate of monetary expansion from 1951 to 1965. Moreover, in recent years we have seen a great departure from the relatively stable price level of the late 1950's and early 1960's.

In addition to a markedly higher rate of monetary expansion, there have been substantial differences in short-run movements in money between the two periods. From 1951 to the early 1960's, money growth frequently shifted from relatively moderate increases to very sharp absolute decreases, producing the average growth rate of 2 per cent. On the other hand, money growth in more recent years has alternated between very rapid increases and slower rises, with no sustained absolute decreases. The result has been a rapid 6 per cent trend increase extending for over five years which has continued up to the present time.

What accounts for this substantial change in money behavior? In analyzing economic stabilization efforts during the last two decades, there appears to have been a shift away from combatting inflation in the 1950's to combatting unemployment in the 1960's. From 1951 to the early 1960's, whenever inflation appeared to be getting out of hand, severe monetary restraint was applied. Now, rising unemployment seems to lead to rapid monetary expansion. Thus, the stop-and-go policies of the 1950's still persist, but the form has been altered. In recent years we have had temporary periods of restraint, whereas earlier we had temporary periods of expansion.

Impact on Commercial Banking

These actions of the monetary authorities impinges on commercial banking in three important ways — growth of bank reserves, the state of the economy, and changes in market interest rates. I will now attempt to relate monetary actions to these three topics.

Growth of the commercial banking system in this decade will be influenced by the trend of bank reserves supplied by the Federal Reserve System. The volume of reserves supplied will be greatly affected by economic conditions, according to the response of policy makers to inflation and unemployment. Assuming a continuation of recent monetary growth trends, bank reserves would grow at a fairly rapid rate for some time. Consequently, the banking industry would experience greater growth than in the 1950's and early 1960's.

Although reserves have a large effect on commercial bank growth, no one bank, or even the entire banking system, need necessarily grow at this same rate throughout the 1970's. Individual banks, by attracting or losing deposits, of course, can grow either faster, or slower than the banking system. Also, the entire banking system might expand faster or slower than the banking system. Also, the entire banking system might expand faster or slower than the reserve base, depending on type and location of deposits. Then, too, growth of reserves provided by the Federal Reserve System depends to some degree on the extent that they are used to support demand deposits and the extent that they support time deposits, commercial paper, and Eurodollar borrowings. Growth of these latter sources of funds relative to demand deposits would permit greater expansion of bank earning assets with a given rate of increase in bank reserves.

Economic Outlook

Monetary actions also influence commercial banking indirectly by their impact on economic activity; so let us examine the general economic outlook for the 1970's. If there should be a short-run preoccupation with the unemployment rate by economic stabilization authorities, monetary expansion would most likely be rapid for some time. The econometric model developed at our bank indicates that continuation of the present six per cent rate of money growth would produce sustained growth of output of goods and services approaching our economy's potential by 1973 and the unemployment rate would begin to fall to the four to five per cent range.

Inflation, however, would most likely persist. With no allowance for changes in the velocity of money circulation, a six per cent rate of monetary expansion would probably result in a minimum sustained rate of inflation of two per cent. On the other hand, if velocity should continue to rise at the 3.5 per cent annual trend rate recorded over the last two decades, a six per cent rate of money growth could produce a sustained 5.5 per cent rate of inflation. Furthermore, attempts to produce an unrealistically low unemployment rate, such as the 3 per cent rate recently advocated by the Joint Economic Committee, would require an accelerating rate of monetary expansion and would lead to accelerating inflation.

If my analysis should prove to be true, the 1970's could very well be a period of high employment, with growth in output of goods and services at our economy's productive potential. But the rate of inflation would remain high, and even could be accelerating. With a rapid and possibly accelerating rate of monetary expansion, commercial banking could be expected to enjoy considerable growth.

"Mixed Blessing"

Such a development, however, could prove to be a mixed blessing. The banking industry certainly would have great potential for growth. Moreover, loan demand would be strong. Also, recent experience with inflation indicates conclusively, in my opinion, that market interest rates are positively related to the rate of inflation. Consequently, interest rates on bank earning assets could be expected to remain relatively high or possibly rise.

On the other hand, most of the growth in the size of the banking industry and in bank profits would be an illusion. In dollar terms, these items would rise if the postulated expansionary monetary actions occurred. But in real terms, rising inflation would seriously erode the purchasing power of bank profits and banking would expand less than indicated by dollar footings of balance sheets. Furthermore, rising inflation, accompanied by rising interest rates would increase bank costs for funds and operating expenses.

While expansionary monetary actions would tend to increase the dollar size of banking, other industries would also tend to grow, on average, along with the banking industry. Hence, if banks were free to compete, the industry would tend to grow about the same rate, in dollar terms, as the economy. However, based on past

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experience with rising inflation and periodic attempts to curb it, the commercial banking industry may not be permitted to realize its potential for growth. If market interest rates, as a result of expanding economic activity and inflation, should rise above Regulation Q ceiling rates once again, and if ceiling rates happen to be re-established on large negotiable CD's for the purpose of monetary control, disintermediation would once again reduce the size of commercial banking relative to other participants in financial markets or to other industries.

Effect of Price Stability

Now, what would be the impact on banking if monetary policies were followed which would produce relative price stability in the 1970's? If such actions were carried out, the economy would be sluggish for about the next year or so. But by the last half of the decade, output would grow at its potential and prices would rise very little. Interest rates also would be lower. In dollar terms, banking would expand less, but so would other industries. In real terms, however, banking would be just as large and as profitable as in the case of very expansionary monetary actions. With lower market interest rates, banks probably would be free of restrictions on rates paid, and they would be able to share in the nation's economic growth.

There has been a recent development in the conduct of monetary policy and its implementation which may have a different effect of policy on commercial banks during the 1970's than it had in the 1950's or 1960's. In the earlier period, policy formulation and implementation were based almost entirely on interest rates or closely related market phenomena. As a result, market interest rates tended to be smoother in the short run, but at times these actions contributed to economic instability and large cyclical swings in interest rates.

Switch in Fed's Policy

Beginning in early 1970, the Federal Reserve System began placing more emphasis on the money stock and other monetary aggregates in monetary policy formulation and implementation. Interest rates have continued to play a role, but their importance has been reduced. In my opinion the trend toward the use of monetary aggregates and away from interest rates in policy implementation will continue in the 1970's. This development will be slow, however, as time will be required to gain experience and wider acceptance of this new approach to monetary management.

As this shift proceeds, market interest rates may fluctuate over a wider range within short periods of about four months or less. Commercial banks may be faced with more rapidly changing interest rates when there are changes in any of the myriad forces affecting either the demand or supply of funds. On the other hand, as the Federal Reserve places more emphasis on monetary aggregates, it is likely that fewer destabilizing monetary actions will be taken. Hence, broad cyclical swings in both economic activity and interest rates may be moderated.

Avoid Federal Regulation

Changing interest rates create problems, as well as opportunities, for financial intermediaries. Rates on loans must be frequently adjusted, and care must be taken not to get unduly locked-in at low rates on term loans. Rates paid on time deposits must be adjusted, downward as well as upward, and I do not think it is wise for banks to attempt to get the Government to make this tough decision for them by regulations. There is little evidence that regulations improve on market forces in making such adjustments, yet freedom is lost when regulation increases. Establishment of rates will be one of the tough problems for bankers in the 1970's. Pricing decisions are always difficult since the demand schedules facing a firm are only imperfectly known, and actions of competitors can influence them greatly.

In conclusion, the opportunities for commercial banks are great for the decade of the 1970's. Banking is a dynamic industry, which is growing and changing as a result of developments within banks, supervision, the economy, and competitors. Competition is keen and probably increasing, and costs have been rising steadily and are likely to continue to increase.

Growth of commercial banking in the 1970's will continue to be greatly affected by monetary policy decisions. Given the past tendency for bank regulations to be made more restrictive during periods of rapid inflation and high interest rates, bank growth in real terms will likely be greatest given monetary policies that provide for relatively stable prices.

As a result of all these developments, successful banks will need to be guided by capable management. I have confidence that commercial bankers will meet the challenges of the future as they have those of the past.

***An address by Mr. Andersen before the Financial Analysts Federation's Symposium on "The Banking Industry and Bank Stocks in the 1970's", New York City, April 15, 1971.**

Chemical Bank Names V.Ps.

Chemical Bank has appointed two vice presidents in its Electronic Systems Group and one in the Marketing Division.

Ralph H. Fondeur and Anthony S. Rathnau, both new to the Bank, have been named vice presidents in the systems development department and the research and planning department, respectively, of the Group.

Edward T. O'Toole, who joined Chemical in July of last year from the post of executive vice president of PR Associates has been named vice president in charge of the public relations department of the Bank. His previous professional experience includes positions as domestic and foreign financial correspondent for the New York Times and chief speech writer for the American Bankers Association.

Mr. Fondeur had been a vice president in charge of new ventures in digital technology at System Resources Corp. before joining Chemical in April of this year. Mr. Rathnau was previously vice president, technology and professional services at Realtime System Inc., a wholly owned subsidiary of Chemical New York Corp., holding company for the $11 billion bank.

"The Battle For Stock Market Profits"

Gerald Loeb, whose first book, "The Battle for Investment Survival," has sold over 300,000 copies in various editions, has authored a new book called "The Battle for Stock Market Profits" (Simon and Schuster, $7.95). Mr. Loeb is currently Senior Consultant for E.F. Hutton & Company Inc. and has his headquarters at the firm's San Francisco office, the city of his birth. Mr. Loeb, for over 50 years, has been actively associated with the Hutton firm, serving as Vice Chairman of the Board from 1962 until his retirement from this position in 1964.

His entirely new book advocates sophisticated investment practices and trading stratagems that have been time-tested and refined by Mr. Loeb himself. On the basis of facts theory. This new book is above all realistic, hard-boiled and sometimes unorthodox, reflecting Mr. Loeb's disciplines, quick and flexible mind for evaluating stocks. This is based on his thesis "If you want to accumulate capital—speculate, don't invest. There is no good investment which is not at the same time a good speculation." cannot live by theory alone," he asserts. "He needs hard, cold facts to help him make decisions. The problem has always been how to marshal these facts easily and line them up for quick inspection."

The reader should benefit from Mr. Loeb's valuable counsel on finding "the ruling reason" (the one single reason why a particular security transaction can be expected to show a profit or why a holding should be eliminated) for buying or selling a stock by using the "G.M. Loeb Checklist," which enables investors to measure the risks and rewards. He will learn that diversification is two-edged; it can limit profits as well as limit losses, that, if properly done, there may be more safety in short-term investing than in long-term; that buying is folly if done just to "keep invested" or for "income"; that cutting losses quickly is of paramount importance.

Guides to help investors make decisions in a constantly mobile market may be found in such chapters as:

— Beware of Popular Methods of Evaluating Stocks
— With Profits Come Problems
— Investing Is Such A Human Business
— The Computer as an Investment Tool
— Inflation Fallacies
— Contrary Thinking
— Stocks That Pay and Grow
— The Loeb "Non-Formula" for Stock Market Projects
— Always Look Down as Well as Up
— Yardsticks for Selecting Mutual Funds
— Planning for Retirement
— Would You Like to Try for a Million?

"What it all comes down to," the author concludes, "is that successful investing requires a flair, based on complete objectivity toward the task at hand and coupled with an understanding of human psychology."

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Outlook For Business and Interest Rates

Continued from Page 1

fourth quarter of 1970 to 4.8 per cent in the first quarter of this year. The price indexes have a habit of behaving erratically in short periods so that it is still too early to be confident that there is any lasting improvement in the consumer price picture.

The Climate of Public Policy

During the past year there has been a powerful shift of monetary and fiscal policy toward encouraging renewed business expansion. The money supply of the country (demand deposits plus currency) has been expanding at an 8.7 per cent annual rate during the past four months, compared with nearly 6 per cent in the preceding nine months. In contrast, during the tight credit policy of the second half of 1969, there was virtually no increase in the money supply. Much more significantly, from the standpoint of the potential for expansion of total bank loans and investments, the money supply **plus time deposits** of the commercial banks has increased at an 18 per cent annual rate in the past four months and at a 15 per cent rate in the preceding nine months. The big question about Federal Reserve policy is not whether it has been easy enough to encourage business recovery; rather, the real question is whether the authorities may not already have overdone credit ease in the sense that they may have laid the monetary base for a resurgence of demand-pull inflation once the economy starts to roll again.

Certainly the economy is "awash with money" as Arthurs Burns, Chairman of the Federal Reserve Board, has put it. In spite of a recent increase in short-term interest rates, there have been a huge decline in these rates since late 1969, as shown in **Table I.** There has also been a significant, although smaller, decline in corporate bond yields — which have been rising again recently.

As short-term interest rates have fallen sharply, there has been a huge "reintermediation" of funds into mutual savings banks and savings and loan associations. In the first quarter of this year alone there was a flow of $7.5 billion into savings and loan associations, the equivalent of a normal annual inflow of funds into such institutions. In addition, the policy loans of life insurance companies have declined markedly, thus increasing their cash flow for investment in bonds and mortgages. As the result of these developments, there has been a massive increase in the availability of home mortgage funds and interest rates on residential mortgages have fallen sharply.

Federal Budget Expansionary

Similarly, the Federal budget has become increasingly expansionary in its effect on the economy. The Federal budget on a national income and products account basis (the preferred basis for measuring the budget's effect on the economy) has shifted dramatically from a **surplus** at an annual rate of $6.1 billion in the fourth quarter of 1969 to a **deficit** of $17.6 billion in the fourth quarter of 1970. It is expected that the deficit will average about $15 billion at an annual rate in the first half of this year. Moreover, President Nixon's budget for fiscal 1972 is designed to be strongly expansionary. It calls for an increase (on a unified budget basis) of $16.4 billion in Federal outlays to a total of $229.2 billion — the level which revenues are projected to reach under full employment conditions. Thus, the President is planning a "full employment balance" in his fiscal 1972 budget.

This budget has already come under attack as not being expansionary enough, and actions already taken by the Congress suggest that the 1972 budget may record a substantial deficit under full employment conditions. Congress has already raised social security benefit payments more than the President's budget provided, and it has postponed the President's recommended increase in the social security taxes. The combined effect of the expenditure increase and the revenue loss is to move the budget about $4.5 billion toward a deficit position under full employment. Depending upon the performance of business in the second quarter, there may be support in the Congress for advancing the date of the personal tax cuts scheduled in 1972 and 1973 to January 1 of 1971, a step which would cost the revenue side of the budget several billions of dollars. Accordingly, a strongly expansionary fiscal policy is being put in place, along with the expansionary monetary policy.

Inflation Most Serious Problem

Cost-push inflation continues to be a most serious problem. During the four quarters ended in December, 1970, the mean increase in wages and fringe benefits in newly negotiated contracts covering 5,000 or more workers was 9.1 per cent per year over the life of the contracts, most of which extend for three years. This compares with increases of 8.2 per cent in 1969 and 6.5 per cent in 1968. During 1970 the first-year increases in these contracts amounted to a huge 13.2 per cent on the average. The largest increases occurred, of course, in the construction industry. For 1970 the new contract settlements in the construction sector resulted in a mean first-year increase in wages and fringe benefits of 18.3 per cent, while over the life of the contract the rise amounted to 14.7 per cent. In view of contract settlements, it is understandable that labor cost per unit of output in manufacturing has risen 5.3 per cent in the year ending last February.

In light of these developments, it is not surprising that the Administration has moved closer and closer to the adoption of an "incomes policy". President Nixon has just taken the major step of establishing a network of wage-price stabilization boards in the construction industry designed to cut back new settlements to a 6 per cent rate of increase per annum. There is growing pressure on the Administration to establish similar machinery to dampen down the spiral of costs and prices throughout the economy as a whole.

A Review of Important Sectors of the Economy

Housing is one very bright area of the economy. As the availability of home mortgage credit has eased dramatically, total private housing starts have risen from an average seasonally adjusted annual rate of 1,250,000 units in the first quarter of 1970 to an average of 1,780,000 in the first quarter of this year. In the same period, building permits have risen sharply from an annual rate of 1,085,000 units to 1,625,000 units. The abundant availability of mortgage credit indicates that total private housing starts this year could reach 2.0 million units, compared with 1.4 million in 1970, an increase of over 40 per cent. An expansion of this magnitude should have the added benefit of helping a great deal to stimulate the demand for durable consumer goods.

In spite of budgetary crises in many states and cities, the aggregate expenditures of state and local governments continue to rise at a fast rate. In 1970 they increased by slightly over $10 billion, or by 9.1 percent. In the first quarter of this year they increased at nearly a $20 billion annual rate. The increase should continue to be very strong this year, especially in the field of **capital expenditures** by state and local government units. Last year favored by the sharp decline of interest rates, state and local government units increased their debt outstanding by nearly $12 billion, about $3 billion more than the average annual increase in the three preceding years. Due to the sharp rise of interest rates on state and local government securities in the period 1967-1969, many state and local governments were forced to postpone capital projects. It appears that the resultant backlog will be worked on this year, thus fattening the volume of state and local government spending.

Factors Encouraging Increase In Consumer Spending

The trend of consumer spending has been discussed earlier but some additional comments are in order. There are good reasons for expecting a substantial, but not dramatic, increase in consumer spending this year. In spite of the increase in unemployment and reduced overtime, total disposable personal income continues to increase at a fairly good rate (7.2 per cent from the fourth quarter of 1969 to the fourth quarter of 1970). In 1970, the personal saving rate was an abnormally high 7.3 per cent of disposable personal income. With the exception of 1967, when the personal saving rate reached 7.4 per cent, the average of the period from 1960 (taking out 1967 and 1970) has been 5.9 per cent.

With a strengthening of consumer confidence this year, it would be logical and in line with past experience to have a decline in the saving rate to something like 6.5 per cent. The importance of this change is indicated by the fact that, if the savings rate in 1970 had been 6.5 per cent rather than 7.3 per cent, total consumer outlays would have been $6 billion higher than they actually were. The personal saving rate was 7.2 per cent in the first quarter of this year, down from the 7.4 per cent in the preceding quarter and the 7.6 per cent in the third quarter of 1970.

Also favoring a rise of consumer spending this year is the fact that the public's holdings of liquid assets have increased by more than $74 billion since January, 1970, or by over 10 per cent. Moreover, the average consumer has been conservative about incurring indebtedness in the past year, so that there has been an increase of only $4 billion in total consumer credit outstanding since January of 1970. All of this suggests that, if consumer confidence improves, there are good reasons to expect a fairly strong increase of consumer spending this year.

During 1970 the increase in business inventories was moderate, as might have been expected with the business slowdown. This continued to be true in the first quarter of this year, with inventories increasing only an estimated $2.4 billion. Both at the wholesale and retail level, generally speaking, inventories appear to be in good relationship to sales.

No Stimulus From Capital Spending

The latest Commerce-SEC survey indicates that business capital spending will not be a significant stimulus to general business activity this year. Total expenditures for plant and equipment are estimated to expand by only 4 per cent in money terms, which means that there will be a small decline in real terms. Capital spending by the public utilities is expected to increase by 17.5 per cent, but there will be no increase in manufacturing industries as a whole. The weakness of capital spending has prompted many economists to propose reinstatement of the investment tax credit, and there is an outside chance that such action will be taken by Congress this year if general business activity remains sluggish.

Federal purchases of national defense goods and services declined from a seasonally adjusted annual rate of $79.3 billion in the first quarter of 1970 to $73.9 billion in the first quarter of 1971. President Nixon's plans for "winding down" the war in Southeast Asia, as well as leading indicators in the defense sector such as new orders and contract awards, suggest that defense expenditures will decline further in 1971. A high proportion of the country's unemployment is explainable, of course, in terms of the fall in defense expenditures as well as in Government expenditures in the aerospace industry.

In summary, then, fiscal and monetary policies are directed strongly to business recovery, and there are evidences in housing, state and local government spending, and possibly in consumer spending, that the recovery is under way. On the other hand, defense spending promises to decline, and there is little strength in capital spending.

Some Estimates of Business Activity in 1971 and 1972

The Administration has set a "target" of $1065 billion for the expansion of gross national product in 1971, an increase of 9 per cent over the $976.5 billion in

TABLE I
The Movement of Interest Rates — 1969-1971

	1969-1970 Highs	4/16/71	Yield Change from High (basis points)
3-Month	%	%	
Treasury bills	8.12	3.82	-430
Commercial paper	9.25	4.63	-462
Prime certificates of deposit	9.13	4.63	-450
Eurodollars	12.13	5.94	-619
Corporate Bonds			
Aa utility, new issue, deferred call	9.40	7.50	-190
Aa industrial, new issue, deferred call	9.05	7.35	-170

TABLE II
Uses of Funds, 1968-1970 and Estimates for 1971*

	1968	1969	1970	1971(E)
	(in billions of dollars)			
Real Estate Mortgages				
Residential	$18.7	$20.5	$18.3	$25.0
Other	8.7	6.9	6.2	7.0
Corporate Securities				
Bonds	12.9	12.0	21.3	19.0
Stocks	- 0.9	3.4	6.6	8.0
State and local gov't securities	10.2	8.9	11.8	13.0
Foreign securities	1.7	1.5	1.1	1.2
Bank term loans	3.9	5.4	2.4	3.0
U.S. Gov't securities**	7.1	16.2	12.8	18.0
Federal agency securities	3.1	10.4	7.5	6.0
Open-market paper	1.5	3.4	3.8	4.0
Other business credit	11.9	11.9	3.1	10.0
Security credit	1.3	- 0.7	1.5	2.0
Consumer credit	1.5	3.4	4.3	8.0
Other bank loans	3.1	3.6	2.5	3.0
Policy loans	1.2	2.5	2.4	1.2
	85.7	109.3	105.6	128.4

E Estimate

* Each item of use in this table is the net increase in the outstanding amount; e.g., the $25 billion for residential mortgages in 1971 is the estimated increase in outstanding mortgages.

** This figure excludes the net increase in holdings of Government securities by the various Government trust funds.

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1970. This would require an increase of 12 per cent from the fourth quarter of 1970 to the fourth quarter of this year. Under the target, it is estimated that real growth of GNP would amount to about 5 per cent and the GNP deflator would increase 4 per cent. The Administration thinks of its estimate as being on the path to bringing the unemployment rate down to 4.5 per cent by mid-1972.

The Administration's ambitious target for this year is not apt to be realized, given the forces in the economy. At the same time, however, it does seem likely that the economy will recover quite well this year, with the tempo picking up as the year goes along. We are estimating a GNP of $1054 billion this year, an increase of nearly 8 per cent. Of this we expect the real growth to be about 3.7 per cent and the rise in the price deflator 4.3 per cent. Under this model the unemployment rate would average 5.4 per cent. We are estimating a 7.5 per cent increase in total corporate profits before taxes, and 9.5 per cent after taxes. In 1970 total corporate profits before taxes fell 10.5 per cent. Our forecast assumes that if a steel strike should occur it will not be protracted and that, in any event, users of steel will have built substantial inventories before the strike.

Based on the fiscal and monetary policies which were discussed earlier, as well as the momentum generated by the recovery in 1971, it seems likely that the pace of the economy will be faster in 1972. As a rough estimate, we are projecting an increase of GNP to $1165 billion in 1972, or 10.5 per cent. Of this increase, 6.5 per cent is estimated to be real and 4 per cent a rise in the GNP deflator. Under this model the unemployment rate would fall to 4.5 per cent in 1972 and total corporate profits before taxes would increase 11.5 per cent.

In this estimate we are assuming that a continued squeeze on profit margins will tend to moderate the increase in profits inherent in a strong expansion of general business activity.

The Outlook for the Money And Capital Markets

The probability is very high that we have already seen the low point in both short-term interest rates and corporate bond yields for this year and next. In mid-March the yield on 90-day Treasury bills fell to a low of 3.22 per cent, and since then it has risen to the 4 per cent level. The low point in high-grade corporate bond yields was the 6.80 per cent yield on the Southwestern Bell Telephone issue at the end of January. The yield on the most recent Bell Telephone issue (Illinois Bell) was 7.60 per cent. Given the forces now active in the economy and in the money and capital markets, there is little chance that either short-term rates or high-grade corporate bond yields will fall back to their lows or below them in the next year and one-half.

The rise which has occurred in the Treasury bill rate and in other short-term interest rates since mid-March is the product of Federal Reserve and U.S. Treasury policy. This policy is designed primarily to reduce the outflow of liquid funds from the United States to foreign money centers. As short-term rates fell sharply in this country during 1970 and through much of the first quarter of this year, there was a powerful incentive for liquid funds to flow abroad where short-term interest rates were much higher. As a result of this and other factors, the deficit in our international balance of payments on an "official settlement basis" (reflecting the increase in holdings of dollars by foreign central banks) increased to a huge $9.8 billion in 1970. The magnitude of this deficit is dramatized by the fact that the total U.S. gold stock at present is about $11 billion. By the fourth quarter of 1970 the deficit had increased to an annual rate of $13.3 billion and it appears that in the first quarter of this year the deficit reached the $18 billion level at an annual rate.

Faced with foreign central bank pressures to stanch the hemorrhage of short-term funds and the huge accumulation of dollars by foreign central banks, the Federal Reserve and the U.S. Treasury embarked on a deliberate policy of pushing short-term interest rates upward. At the same time, foreign central banks have reduced their own central bank rates to encourage a reduction of short-term interest rates in their countries. The Federal Reserve has recently acted in its open-market operations to produce a firmer tone in the money markets and to push the Federal funds rate upward into the 4 to 4¼ per cent range and the Treasury bill rate to the 4 per cent level. This not only serves the need of the international money market but it also meets the concern of those in the Federal Reserve System who felt that the money supply was increasing too fast. As noted earlier, in the past four months the money supply has been increasing at an 8.7 per cent annual rate.

The U.S. Treasury's role has been to feed a heavy supply of bills to the market, and more importantly to sell $1½ billion of short-term Government securities in the Eurodollar market at 2 percentage points above the domestic rate in order to sop up dollars that might otherwise have flowed into foreign central banks.

My guess is that the Federal Reserve authorities will not go any further for the time being in deliberately pushing up short-term interest rates. Their target on Federal funds for the present seems to be in the 4 to 4¼ per cent range. The rise which has occurred in short-term rates has led to a corresponding upward readjustment in bond yields. Should the Federal Reserve move to increase short-term rates further, bond yields would undoubtedly move higher in spite of "operation twist." The monetary authorities are, of course, reluctant to have long-term interest rates rise at this early stage of the general business recovery.

It remains to be seen how well the action taken so far will stem the outflow of short-term funds. Early indications are that the flow of funds into foreign central banks has moderated.

Outlook for Interest Rates

Looking forward to the balance of this year and next, what is the outlook for interest rates? The answer will depend heavily on how strongly general business activity recovers. If business recovers to the $1054 billion GNP level this year which was projected earlier, the probability is that short-term interest rates will rise somewhat further in the second half of this year. A business recovery to this extent would engender a significant increase in short-term loan demand by business and the consumer. In addition, during the second half of the year the Treasury will have something like $18 billion of cash financing to carry out, most of which will be in shorter maturities. Much of this financing will be lodged in the commercial banks, but it seems inevitable that heavy Treasury financing on top of rising private credit demands will put upward pressures on short-term interest rates. By year-end it would be logical to expect the 90-day Treasury bill rate to be in the 5 to 5½ per cent range. Certainly under these conditions the prime rate of the commercial banks would move upward a few notches such as the ¼ per cent rise to 5½ per cent just recently set in motion by the Chase Manhattan Bank.

With the further strong business advance which I anticipate in 1972, short-term interest rates may be expected to rise further. Total demand for short-term funds would rise markedly and the Federal Reserve would be required to pursue a less accommodative credit policy. I would not be surprised to see the Treasury bill rate in the 7 to 7¼ per cent range by the autumn of 1972. Similarly, the prime rate might be expected to move up to a 7½ per cent level or possibly a little higher.

The general pattern is apt to be similar for long-term interest rates. Total uses of funds (especially long-term funds) will be very high this year. Rough estimates for 1971 are shown in **Table II**, along with the actual figures of 1968-1970. I expect high-grade corporate bond yields to be higher by year-end — probably in the 7¾-8 per cent range. Based on the GNP projection for 1972, it would be logical to expect a further increase of bond yields, possibly into the 8½-9 per cent range for high-grade bonds.

Other long-term interest rates might be expected to move in line with this pattern. The rate of inflation will have a strong bearing on the extent of the rise of long-term interest rates in the second half of this year and in 1972. If the rate of inflation should decline this year and next, the extent of the increase in rates will be less than would be the case if inflation should persist at the same rate or escalate.

Some Observations on Public Policy

The Federal Reserve authorities were wise both from a domestic and international standpoint to have pulled back from the excessive easy monetary policy of the past four months. Certainly that policy, if unchanged, would have run the risk of rekindling demand-pull inflation in 1972. It would also have led to a complete loss of confidence abroad in our determination to curb inflation and could have precipitated a serious international monetary crisis. Fortunately, the recent actions by the Federal Reserve and the Treasury have reassured foreign central banks that the United States will pursue responsible policies. It is recognized abroad that, with the unemployment rate at 6 per cent, the United States must pursue expansionary fiscal and monetary policies. The free world has a large self-interest in a prosperous America. So long as our policies are responsible, we can count on the cooperation and support of foreign governments and their central banks.

The fiscal policy we are now following seems sufficient to encourage a healthy recovery. If consumer spending continues to strengthen, there ought not to be any increase in the degree of fiscal stimulus. On the other hand, if the rate of business expansion should lag, monetary policy should remain unchanged, and any increased stimulus should come in the fiscal policy area.

Finally, cost-push inflation seems likely to persist at an unacceptably high rate, especially in an expanding economy. During the months ahead the employment of an "incomes policy" by the Federal Government would help to moderate the inflation. The Administration has gone part of the way toward a general incomes policy in its effort to limit the wage-price spiral in the construction industry. It would help a great deal to organize a similar effort on a broader basis to restrict cost-push inflation in the economy as a whole.

Eastern Air Devices, Inc. Debs Offered

Public offering of $4,000,000 of Eastern Air Devices, Inc. 8 per cent convertible subordinated debentures due April 15, 1988, is being made at par through an underwriting group headed by D.H. Blair Securities Corp. New York.

The debentures are convertible into common stock at any time prior to maturity at the conversion price of $10 a share. Beginning April 15, 1978, the debentures are entitled to a sinking fund sufficient to retire at least 75 per cent of the debentures prior to maturity. They are optionally redeemable by the company, as a whole or in part, at redemption prices scaled downward from 108 per cent in 1972 to 100 per cent in 1987, plus accrued interest in each instance.

Net proceeds from this offering will be used to repay borrowings from The Bank of Bermuda, Ltd., as agent, incurred in connection with the acquisition by the company on Aug. 7, 1970, of all the outstanding capital stock of All Channel Products Corp., Embassy Electronics, Inc., and Rembrandt Electronics, Inc., and for additional working capital.

Eastern Air Devices and its subsidiaries are primarily engaged in the development, manufacture and sale of electronic equipment, and the rendering of testing and engineering services. Principal executive offices are maintained at Great Neck, N.Y.

Approximately 80 per cent of the company's common stock is owned by officers and directors of the company and an institutional investor, Banque de Paris et des Pays-Bas (Suisse) S.A., Geneva, Switzerland.

Chemical Bank Names Four V.Ps.

Chemical Bank has promoted four assistant vice presidents to vice president: Harry Carson, Ross Lizzio and Raymond W. McDaniel in the Operations Division, and John M. Baldwin in the Special Industries Division.

UMIC Opens New NYC Office

UMIC, Inc., a Memphis-based municipal bond firm, which less than two years ago opened its first New York City offices with a staff of three, today officially opened its new, expanded modern offices at 20 Exchange Place.

Donald T. Sheldon, senior vice president, is manager, and Gary Peters, vice president, sales manager of the UMIC New York operations.

Other UMIC officers in New York City include: Cary Anderson, vice president in charge of national accounts; and Raymond Marsh, assistant vice president-operations.

Ryder, Stilwell

LOS ANGELES, CALIF.— Ryder, Stilwell Investment Corp. is conducting a securities business from offices at 6381 Hollywood Boulevard. Officers are Charles D. Ryder, Jr., chairman; Robert L. Stilwell, president and treasurer; Russ Johnston, senior vice president; V. E. Ryder, secretary; and Robert W. Garcin, assistant secretary.

DIVIDEND NOTICES

AMERICAN ELECTRIC
AEP
POWER COMPANY, Inc.

245th Consecutive Cash Dividend on Common Stock

• A regular quarterly dividend of forty-two and a half cents (42½¢) per share on the Common Capital Stock of the Company, issued and outstanding in the hands of the public, has been declared payable June 10, 1971, to the holders of record at the close of business May 11, 1971.

W. J. ROSE, Secretary

April 28, 1971.

QUARTERLY DIVIDENDS SINCE 1935

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 22½¢ per share on the outstanding Common Stock, payable on June 1, 1971, to stockholders of record on May 10, 1971. The transfer books will not close.

April 22, 1971

RAMSEY E. JOSLIN, Vice President and Treasurer

NDCC DIVISIONS: NATIONAL DISTILLERS PRODUCTS CO. U.S. INDUSTRIAL CHEMICALS CO. BRIDGEPORT BRASS CO. ALMADEN VINEYARDS, INC. TEXTILE

DIVIDEND NOTICE

More than 800,000 owners of Standard Oil Company (New Jersey) will share in the earnings of the Company by a dividend of 90¢ per share declared April 28, 1971 and payable June 10, 1971 to shareholders of record May 12, 1971.

1971 is the 89th consecutive year in which cash dividends have been paid.

Standard Oil Company
(*New Jersey*)

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THE STATE OF TRADE AND INDUSTRY

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

Gold Devaluation's Threat To Business

Even though this space strictly confines itself to factors affecting business trends, the recent suggestion by French Finance Minister Valerie d'Estaing that we should devalue our dollar (i.e., raise the mint price of gold) can't be left provincially for exclusive monetary, interest rate and capital formation coverage. The proposal raises a hornet's nest of direct implications for restimulating price inflation at the worst, and for laying the foundations for it at best. Either way, business plans are directly jeopardized by such a possibility.

Thus, at a time when the dollar is in worst shape internationally than in previous crises, the fact that such an oft repeated suggestion should be made at this time carries with it the dire threat of aborting the recovery now underway. The March leading economic indicators rose to 119.8 of the 1967 average from the revised February index of 119.1. The latter to a large extent has been stimulated by the evidence of a marked deceleration in the rate of price inflation.

Monetary authorities here and abroad are struggling to vanquish endemic price inflation without inducing any significant amount of unemployment. The world is beginning to relearn how illusionary is prosperity based on inflation. It would indeed be incredible that at this stage of the learning process we should entertain the idiotic idea that the way to quench a fire is by throwing gasoline on it.

The object of devaluation is to increase the money supply and to cheapen the value of one's currency in terms of another. The purposes are many, ranging from seeking to obtain a competitive exchange rate advantage in the hopes of furthering exports and inhibiting imports to providing a bankrupt way of paying off one's debts specified in one's currency.

Professor Robert A. Mundell, Chicago University, reminded the international conferees attending the John Hopkins conference at Bologna, Italy, last week that "there is already an overdose of monetary expansion in the Western world." He went on to say that, "Increased U.S. monetary expansion begets more foreign monetary expansion leading to more world **inflation**, not more **real** expansion." The Federal Reserve Bank of St. Louis also reminds us that our money supply in the four months ending April 14 has increased at a 10.3 per cent compounded annual rate, compared with 6 per cent from February to November, 3 per cent rate during 1969, and a 3.3. per cent trend rate from 1957 to 1969. Our privately held currency and demand deposit growth rate is conceded to be exceptionally high by past standards, though not nexessarily so by those who rely on money inflation as the way to achieve a desired GNP and employment level. The latter forget how self destructive such illusionary property has been and can be.

The April issue of **International Financial Statistics** noted that total reserves rose last year to a record $91,830 million equivalent from $77,735 million equivalent at the end of 1969. Much of the increase reflected a rise in foreign exchange from $31,885 million to $43,825 million. Gold reserves declined from $39,125 million to $37,185 million for the same two years. Rumors of U.S. devaluation would feed on the current gold dissapearance trend. France's liquidity (reserves) went from $3,833 million at the end of 1969 to $5,404 million in February, 1971, with an economy still saddled with price controls. Our reserves dropped from $16,964 million to $14,534 million for the same period.

We do not know the response to d'Estaing's proposal of April 27 to the European Common Market meeting of that day. We do know that, despite Federal Reserve Chairman Arthur Burns visit the prior week to his European counterparts, it was necessary this week for both our Secretary of the Treasury and a governor of the Federal Reserve Board to publicly state that our balance of payments problem is in the highest order of national priorities. They both scored "benigh neglect" policies advocated by some distinquished international economists. One of our largest banks in New York City went on record a few weeks ago that the problem is a European problem and not ours. No wonder d'Estaing advocated what he did — perhaps out of spite but not out of good sense.

Euro-dollars have become an untamed monster and this latest crisis problem reflects just as much the Federal Reserve's excesses in monetary expansion as ours chronically debilitating balance of payments.

Matters have gotten so far out of hand that Jacques Rueff, the well known French advocate of multilateral, simultaneous gold devaluation has given up on his proposal. He stated last April 20, in Bologna Italy, that the time is past when the world's monetary problem can be solved by devaluing the dollar in relation to gold. He was incorrect, we say, when he staunchly trumpeted his prescription. If we decide to get down to the real tough business of licking price inflation, and if our allies will help us by taking on the free world national defense tab, the chances are overwhelmingly in favor of our resurrecting the dollar's strength and restoring a balance in our international payments.

The potential for money inflation and for price inflation are much too great to temper with such panaceas as gold devaluation. It could cause a flight abroad from financial and real assets payable in dollars into other currencies which might make the 1929 stock market collapse look pale in comparison. The reason being, of course, in order to get into a position to buy more dollars with foreign exchange after the devaluation. Others have proposed that we not devalue but that foreign countries revalue — tantamount to dollar devaluation. This move has been supported on the basis that since 1959, foreign devaluations on the whole leave our dollar a few percentage points higher than it was in the overall exchange ratio. To fall for such an argument would defeat grappling with the real causes of our dollar problem and, now, the world's added problem of curbing Euro-dollars wayward ways.

Sidney Brown

Bank Clearings Rise 15.5% Above 1970 Week

According to data compiled by Dun & Bradstreet, Inc., bank clearings for the week ending April 21 were $123,383,262,000 compared to $106,819,876,000 the same week in 1970.

Since clearings for the week ended April 14 amounted to $90,497,125,000, week to week gain amounted to 36.3 per cent.

The following depicts the clearings for the country's five principal cities for the latest week against last year's week:

Week Ended April 21
(000 omitted)

	1971	1970	%
New York	$90,802,940	$78,376,061	+15.9
Chicago	2,385,453	2,371,789	+0.6
Philadelphia	2,061,000	2,120,000	-2.8
Boston	3,832,097	2,496,461	+53.5
San Francisco	*3,208,000	2,800,606	.....

*Estimated

Steel Production Rises 0.7% From Previous Level

According to the American Iron and Steel Institute, steel production for the week ending April 24 amounted to 2,926,000 tons compared to the prior week's 2,905,000 tons for a week-to-week 0.7 per cent increase.

The index of production (1967 average) was 119.9 and 119.1 respectively. Output in the 1970 week was 2,707,000 tons 110.9 representing an 8.1 per cent increase from the year-ago week.

Cumulative output to date this year totals 44,694,000 which is 4.5 per cent above 42,767,000 tons created in the same 1970 period. The respective indexes are 112.5 versus 107.6.

(The production index is based on 1967 average weekly output of 2,439,701 tons.)

Survival is Gnawing Concern Of Business and Industry

Survival has become a gnawing concern of U.S. business and industry.

This was obvious in today's issue of **Industry Week.**

Many businessmen, although trying to be hopeful, expressed concern over the problems faced by their companies.

Early first quarter earnings reports of business and industry are disappointingly mixed, and strike threats, imports, and continued inflation still darken the outlook, the business magazine said.

This uninspiring situation followed an equally sad fourth quarter of 1970 when factory profit margins after taxes were only 3.7 cents per sales dollar, lowest since the first three months of 1961.

One of the concerned businessmen is John D. Harper, chairman and chief executive officer, Aluminum Co. of America, Pittsburgh. He said inflation is "pushing the U. S. out of a competitive position in the world."

One place where most of the economic problems of 1971 are making themselves felt, **Industry Week** pointed out, is in the U. S. steel industry, where survival is of deep concern.

Whether the merger route may become a new option in steel companies' fight for survival should be determined soon from government antitrust officials' attitudes toward the proposed merger of Granite City (Ill.) Steel Co. with National Steel Corp., Pittsburgh.

By the proposed merger, National Steel, which already has diversified into aluminum as another option in steel's struggle to prosper, would become the nation's third largest steel tonnage producer. Republic Steel Corp., Cleveland, is now the nation's third largest steel producer.

There has not been a serious proposal to merge large steel firms since the proposed Bethlehem Steel Corp. Youngstown Steel & Tube Co. merger was denied on antitrust grounds in 1958. Such recent mergers as Detroit Steel Corp. into Cyclops Corp., and Wheeling Steel Corp. and Pittsburgh Steel Co. into Wheeling-Pittsburgh Steel Corp. have been permitted under the "failing companies" principle, **Industry Week** explained.

Analysts point out that merger of large firms with smaller ones can make economic sense — strengthening the smaller, permitting the larger to expand market coverage, and acquire new facilities without construction.

A growing list of steel company executives have been pressing publicly for relaxation of antitrust policies to permit such mergers, arguing it is a necessity to meet world competition.

Currently, the U. S. steel industry is having a business boom as steel users stockpile the metal against the possibility of a steelworkers' strike after July 31. **Industry Week** estimates production of raw steel by U. S. mills in the week ended Apr. 24, at 2,922,000 net tons compared with 2,905,000 tons a week earlier. Output declined slightly in each of the two preceding weeks, after an all-time record of 2,940,000 tons was set in the week ended Apr. 3.

The boom isn't favoring producers equally. U. S. makers of stainless steel, squeezed by import competition, are having difficulty raising prices to cover costs. Cyclops Corp., Pittsburgh, which initiated a 5.5 to 7 per cent price increase on stainless, rescinded it a week later.

Market Outlook For Steel Remains Strong Through July

It will take an 180 degree turn in the steel labor outlook to change the market outlook, says **Iron Age Magazine.**

Top-level negotiations aren't due until July. With the union indicating bitter opposition to any government intervention, the chances of a major change in policy direction are slim.

And the current policy course seems to be one that will steer the union into the teeth of a gale of management opposition.

Thus, it looks as though the inventory stockpiling boom will go down to the wire. Steel executives predict mill shipments of 10 million tons a month between now and the end of July.

Iron Age says that the April part of this forecast is just about history. About 75 per cent of expected May tonnage is on mill order books. And the month is filling up faster than April.

Some 60 per cent of June tonnage has been booked and advance orders point upward.

All of this comes at a time that mill delivery promises continue to inch out. Consequently, while very little July tonnage has been booked, a substantial backlog can be expected to be carried over into that month.

Overall, the incoming order rate has slowed. But that's relative only to the earlier order rate. Incoming mill order rates are still high. The incoming new business is only a little below the booming shipping rate.

So far, **Iron Age** notes the steel buying boom has generated little of the general supply apprehension that has characterized past inventory cycles.

There haven't been any reports of steel users being unable to stockpile because their own business is better than expected. Also, the predicted shipping bind is only now beginning to materialize; and it's still not critical. But May should make a decided difference.

Even so, while the current boom appears to be entirely artificial, it may be starting to produce some basic strength.

Steel company market analysts say the addition of record steel shipments to national economic statistics will have a positive effect on consumer buying attitudes.

According to **Iron Age**, the steel companies, themselves, may be starting to feel a little prosperous. Equipment suppliers say that some of the companies are getting ready to do some spending.

But steel industry executives also realize that strike-hedge prosperity is only a sometime thing. Long-term capital investment isn't going to be spurred by short-term market trends.

And steelmakers are going to be weighing any new capital investments against expected wage and price increases and the predicted effect on the company's return on investment.

Auto Assemblies Ahead of 1970 Period by Four Weeks

Estimated U. S. passenger car production last week climbed to the highest point in more than two months, **Ward's Automotive Reports** said.

With seven General Motors Corp. car assembly plants working six days, total output last week is estimated at 192,658 units. That would be the highest since the 196,753 cars produced the week ended Feb. 20, the industry's statistical publication stated.

Meanwhile, Ford Motor Co., Chrysler Corp. and American Motors Corp. held operations to five days last week, **Ward's** said.

Scheduled truck production also was on the increase last week, with Chevrolet operating three assembly plants on Saturday. The slated 46,054 trucks compares with actual output of 40,282 the previous week.

The three-millionth passenger car of calendar 1971 will come off an assembly plant line Wednesday, April 28, **Ward's** said. The milestone car is being built about four weeks ahead of the same one last year.

The 2,906,871 cars built to date are 25.7 per cent ahead of output at the same time last year. Truck production is advanced by 6.8 per cent.

Of last week's scheduled car production, GM accounted for 58.5 per cent, Ford 24.3 per cent,

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Chrysler 14.1 per cent and AMC 3.1 per cent.

Cumulative Rail Freight 1.2% Below 1970 Level

Freight traffic on the nation's railroads during the week ended April 17 totaled an estimated 14.6 billion revenue ton-miles, 3.5 per cent below the corresponding week last year, the Association of American Railroads reported.

Cumulative volume for the first 16 weeks of 1971 was an estimated 227.2 billion revenue ton miles, 1.2 per cent below the comparable period a year ago.

Loadings in the week ended April 17 totaled 511,034 cars, 1.1 per cent above the preceding week but 5.2 per cent below the corresponding week last year.

Compared with the preceding week, 11 of the 21 commodity groups showed increases. Metallic ore loadings were up 20.9 per cent and coal was up 2.4 per cent. Grain was off 5.5 per cent. Seventeen of the commodity groups were down from the corresponding week a year ago, with metals and products down 22.5 per cent, grain off 11.4 per cent and petroleum products down 13.3 per cent. Coal showed a 3.3 per cent rise.

The AAR also reported that piggyback revenue freight traffic for the week ended April 10 totaled 22,318 cars, 0.3 per cent above the comparable week last year, and 35,538 trailers or containers, up 3.3 per cent over 1970. Cumulative volume for the first 15 weeks of 1971 is 339,376 cars, off 6.2 per cent from last year, and 544,737 trailers or containers, down 6.3 per cent from 1970.

In addition to freight, 3,056 cars carrying 5,117 trailers or containers of mail and express traffic were handled piggyback. Cumulative figures for the first 15 weeks of 1971 are 51,923 cars, up 6.1 per cent over the 1970 total, and 75,727 trailers or containers, down 3.9 per cent from 1970.

Truck Tonnage Up 42.2% From 970 Week

Intercity truck tonnage handled through terminals in 34 metropolitan areas throughout the country, in the week ended April 17 was 42.2 per cent above the volume in the corresponding week of 1970, the American Trucking Associations announced. Truck tonnage was 2.1 per cent above that of the previous week of this year.

New Lumber Orders 18.4% Above 1970 Week

New orders for the latest week ending April 17 were 18.4 per cent above the year ago week.

They were also, 40.5 per cent above the preceding week of this year.

Lumber production in the week under review turned out 6.4 per cent more board feet than the 212,054,000 board feet cut in the year ago week. Shipments were up 19.5 per cent from the year ago week.

Production, however, at 225,766,000 was 3.4 per cent above the previous week. The following lumber association returns are in thousands of board feet for the week ending:

	Apr. 17 1971	Apr. 10 1971	Apr. 18 1970
Production	225,766	218,419	212,054
Shipments	238,750	208,067	199,738
Orders	255,787	181,955	216,055

Electric Output Gains 4.1% Above 1970 Week

Last week's electrical energy totaled 4.1 per cent more than last year's weekly level.

In the week ending April 24, electric output aggregated 28,641 million kilowatt hours according to data compiled by the Edison Electric Institute, which is the industry's trade association. Output was 27,519 million kilowatts in the year-ago week. Compared with the previous week of this year, the latest week's production was 530 million kilowatts above output in April 17 ending week.

In the 52 weeks ending April 24 cumulative output was estimated at 1,549,562 million kilowatt hours or 5.7 per cent gain over the year-ago period.

Failures Drop To Seven-Week Low

Erasing the previous week's upturn, commercial and industrial failures declined in the week ended April 22 to 190 from 252 a week earlier, reports Dun & Bradstreet, Inc. At the lowest level in seven weeks, business casualties also slipped below the year-ago level of 206 in the corresponding week.

Wholesale Index Continues At Eight-month Low

Continuing at the lowest point since August 1970, the Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., slid 0.3 per cent to 286.76 on Monday, April 26 from last week's 287.71, in itself an eight-month low. The index cooled 1.2 per cent from last month's corresponding 290.30 and dipped 0.9 per cent under last year's 289.30 on the similar date.

Rain fell over widespread regions of the Southwest and Great Plains this past week, brightening grain crop prospects and lowering grain market quotations. Wheat prices were depressed with the release of a USDA report that the winter wheat crop in the lower Great Plains has benefited from the precipitation. Corn prices shriveled as the report said that despite earlier dry weather, corn plantings continue well in the southern states. Oats quotations weakened with the report that they were the only feed grain to show an increase in supplies from a year ago. Hide costs were trimmed by an interruption of demand, and quotations for silver, tin, and wool also declined. In contrast, hog prices rose as farmers were engaged in spring field work and were too busy to ship their animals. Sugar, rubber, steel scrap and cement costs also picked up.

Consumer Buying Bolstered By Post-Easter Sales

Post-Easter promotions and more seasonal spring weather diluted the shopping slump generally noted after the holiday, according to spot reports collected by Dun & Bradstreet, Inc. Showing improvement were home furnishings and white goods, while auto purchases, sparked by GM dealer sales contests, continued to set records for this period of April. The pace in apparel buying lost some of the urgent zest evidenced just before Easter, but reduced prices drew substantial crowds of economy-minded customers.

Department Stores and Retail Sales

Department store sales in the week ending April 17, according to the Bureau of Census, were 4 per cent above those of last year's week. The cumulative total for the year to date increased 6 per cent from the 1970 period and in the last four weeks increased 6 per cent.

A broader set of data covering total retail store sales unadjusted for price difference or for seasonal variation shows they were 7 per cent above the year-ago week. The four most recent weeks showed an increase of 8 per cent and sales of nondurable goods were 7 per cent larger than a year ago, with durable goods stores sales 12 per cent above a year-ago.

Bache Exec. Appointments

Bache & Co. Incorporated, 100 Gold Street, New York City members of the New York Stock Exchange, have announced the appointments of Edward F. Wrightsman and Robert G. Weppler as First Vice President; Charles C. Bailey and Thomas A. Reilly have been named Vice Presidents in the Municipal Revenue Bond Department.

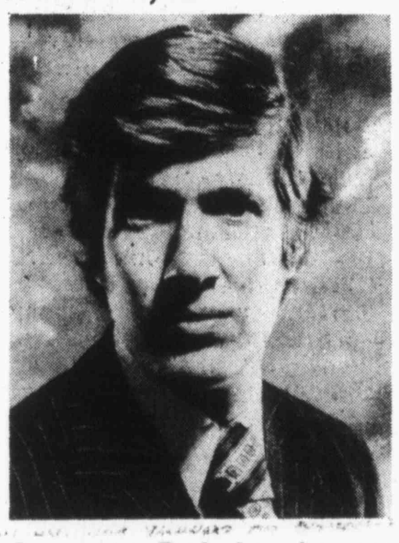
Mr. Wrightsman, a pioneer in negotiated underwriting of municipal revenue bonds 35 years ago, joined Bache & Co. in December 1963 after being associated with another member firm as a Partner.

Mr. Weppler began his career at Bache in August 1955. He started in the Dividend Department; and after serving two years in the United States Army rejoined the firm in its Syndicate Department. In February 1967 he was elected an Assistant Vice President, and later that same year was made Syndicate Sales Manager. Elected a Vice President in February 1968, he was put in charge of the Over-the-Counter Trading Department. He became a voting stockholder in February 1969.

Mr. Bailey joined Bache in February 1967 as a municipal bond deal man and was elected an Assistant Vice President in February 1970.

Mr. Reilly joined Bache in December 1963 in the Municipal Revenue Bond Department and was elected an Assistant Vice President in February 1969.

Berk V.P. Of Richard, Ellis



Lawrence Berk has become vice president and director of corporate finance of C.B. Richard, Ellis & Co., 5 Hanover Square, New York City members of the New York Stock Exchange, Inc., and the American Stock Exchange.

Mr. Berk will oversee syndicate, underwritings and other corporate financing activities for the firm which now will play an active role in corporate financing.

Mr. Berk was formerly a vice president and director of institutional sales of Winston, Perry & Co. Incorporated, and most recently, director of corporate finance with Cowen & Co.

New Orleans Bond Women Elect



Frances Hoffman

NEW ORLEANS, LA. — The following officers were installed by the Women's Bond Club of New Orleans for the year 1971 at a luncheon held on Saturday, April 24, 1971 at Commander's Palace.

President: Mrs. Frances Hoffman, The Hibernia National Bank in New Orleans.

Vice President: Mrs. Eunice Allen, Bank of Louisiana at New Orleans.

Secretary: Mrs. Carolyn Ramser, Whitney National Bank of New Orleans.

Treasurer: Mrs. Dorothea Osmin, Kohlmeyer & Co.

Mrs. Hoffman announced the following committee appointments:

Arrangements: Miss Alice Odom, Chairman.

Membership and Publicity: Mrs. Ester Torres, Chairman.

Sunshine: Mrs. Ann Kellum, Chairman.

Bank of Tokyo London Office

LONDON, England, — The Bank of Tokyo Trust Company (N.Y.) founded under the charter of the State of New York Banking Law, has officially opened its London branch office at 20/24 Moorgate.

Yoshio Itoh, president, formally opened the new office at a small ceremony. He said the opening of the London office is a "significant step in our Company's geographic extension of its deep involvement in international financing."

"It is our hope," he added, "that it will add something to London as a financial center with its unique character — owned by Japanese, administered from New York and situated in London".

The Trust Comapny is an affiliate of The Bank of Tokyo, Ltd. (Tokyo, Japan.)

The new London office will offer full commercial banking services including medium and long-term credit especially to Japanese and American-originated projects and will participate in the Euro-currency and the Euro-bond markets.

Masaaki Oka, vice president of the Trust Company is manager of the new branch and Thomas H. Sykes, a native Londoner, will serve as senior deputy manager.

The Bank of Tokyo Trust Company maintains its headquarters at 100 Broadway and other branch offices at 301 Park Avenue (Waldorf-Astoria) and 320 Fifth Avenue, all in New York City.

Berkman, Feins & Leff Forming

Berkman, Feins & Leff, members of the New York Stock Exchange, will be formed effective May 7th with office at 120 Broadway, New York City. Partners will be Martin S. Feins, member of the Exchange; Gerald J. Berkman; Norman M.Leff; and Nicholas A. Passiatore. Mr. Feins has been conducting his own investment firm Martin S. Feins & Co.

Finerman Co. Opens

LOS ANGELES, CALIF. — Finerman & Co. has opened offices at 639 South Spring Street to conduct a securities business. Partners are William Finerman and Gloria N. Finerman.

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Myth of A Shortage Of Mortgage Funds

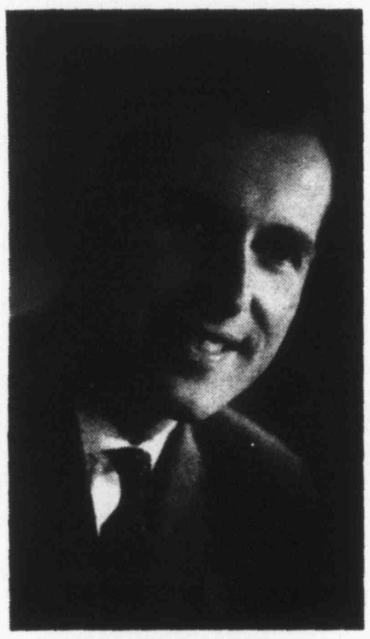
By RICHARD SCOTT-RAM
Vice President and Senior Economist
Lionel D. Edie & Company, Inc., New York City

Housing economist for Merrill Lynch affiliate dispels myth of mortgage funds shortage. He points out that this sector maintained its ratio to total capital financing even during the peak tight 1969 money period. In fact, all markets except corporates are said to now be over-supplied and even there the situation is improving. Total mortgage financing is expected to increase by $7 billion this year to $31-$32 billion. Subsidized, lower-priced homes have garnered an increasing portion of the funds, and lowered the ratio of mortgage funds to construction outlays — indicative of low demand of funds for unassisted single family housing. Mr. Scott-Ram decries support of middle income housing, and warns that Federal Agency housing financing pressures higher interest rates unless it succeeds in denying funds for other borrowers.

The nation's financial markets are now experiencing a definite oversupply of funds, a situation they have not been in for several years. Even though the total volume of new funds is expected to show a large increase this year, the supply-side of funds is very strong. Thus the financial markets should be able to take the increased demands being placed on them in their stride.

The increase in total funds raised is not out of line with the long-term growth trend in this series. Furthermore, part of this year's increase in total funds raised is due to corporate bond borrowing for purposes of building up corporations' liquid asset position; borrowing for this purpose does not represent funds for the purpose of spending in the economy, and thus cannot be considered inflationary.

About the only market where the situation is not characterized by clear oversupply is in the corporate bond market. But even in this case, the situation is now improving. Whereas until recently, the corporate sector was borrowing primarily in order to bridge the widening shortfall between cash flow and capital spending needs, now corporations are borrowing for purely liquidity rebuilding purposes. About the only exception to this continues to be the utilities whose capital spending is remaining strong, at least for the time being.



Richard Scott-Ram

Prospects For The Mortgage Market

Next, leaving the overall outlook for financial markets in general, let us move in to take a look at the mortgage market in particular.

It is as well to remind ourselves at the outset of such a discussion of the **immense size of the mortgage market** as it exists today. The volume of new funds raised in the mortgage market already well exceeds that of any single other financial market. Add to this the large and steady volume of mortgage repayments, and the result is that the gross turnover of funds in the mortgage market is considerably larger than any other market, even during periods of tight money when the mortgage market is squeezed the most.

It is particularly relevant to keep in mind how large the mortgage market already is when trying to weigh such statements as: "we must make sure that the mortgage market gets its fair share of funds", and "the mortgage market is dead." Mortgages are already getting a large (about 25 per cent) share of the nation's total funds and they probably will continue to do so, even in periods of tight money when the mortgage market is supposed to be "dead."

The revival in the mortgage market which started up in mid-70, is now getting into full swing. Whereas until a few months ago the mortgage revival was not as strong as in previous business cycles (mainly because the mortgage market was being crowded out by corporate bond borrowing), the volume of money now going into the mortgage market is passing through former peak levels and moving on to new highs. The mortgage market is not only taking this revival in its stride but mortgage suppliers still have considerable extra funds on hand over and above their mortgage commitments. Indeed, the only way to describe the mortgage market today is by using the word, "oversupply". And the situation of oversupply is with us despite F.N.M.A. selling mortgages and S. and L.'s starting to pay back F.H.L.B. advances.

The dramatic improvement in mortgage market conditions from a situation of acute shortage of funds until recently to a situation of oversupply has been accompanied by a sharp decline of 1-2 full percentage points in mortgage yields from their 1970 highs. In contrast to past similar experiences when mortgage yields were among the last to decline and then not by much, this time around mortgage rates have joined in the general decline in long rates.

This quicker responsiveness of mortgage rates to market conditions is presumably mainly the result of the increased marketability of mortgage instruments; this in turn has been mainly brought on by the Government's initiatives in this area to improve the structure of the mortgage market. This may sound a little parodoxical since government intervention usually results in dulling market responsiveness. However, in the case of the mortgage market in recent years, government initiatives are helping to overcome some of the traditional drawbacks that mortgages suffered from the point of view of the investor.

To name some of these drawbacks: mortgages often involve only small amounts of money, they are marketable only in local areas, the servicing of a mortgage often requires careful policing, and the mortgage investor has the problem of reinvesting the repayment of principal as it comes in in monthly payments.

How long will today's situation of oversupply of mortgage funds be with us? Much of course will depend on the state of availability of funds in prospect for traditional mortgage lenders.

Lower Rate Pressures

The **Savings and Loan Associations** have been enjoying such a record strong inflow of funds that they have been able to find mortgage opportunities for only about one third of their new funds. A small part of their problem of oversupply will be solved by the S. and L.'s continuing to pay down a part, say $1 billion, of the $10 billion F.H.L.B. advances outstanding. A paydown of some $1 billion in 1971 compares with our expectations of some $16 billion total inflows of saving to the S. and L. 's. Out of this $16 billion, we expect S. and L.'s to be providing a record-high $14½ billion of new funds to the mortgage market, two-thirds of which will go to home mortgages.

The abundance of funds at the S. and L.'s raises of course the question of whether we should now expect S. and L.'s to be lowering their deposit rates in the near future, particularly in the light of the recent pre-emptive move on the part of some major New York and West Coast banks of lowering their mortgage loan rates to 7 percent. In making an appraisal of what is about to happen to S. and L. rates, it is of course the case that S. and L.'s have not enjoyed as much of a decline in their costs of funds as have the banks. On the other hand, the interest rate cycle is now working more in the S. and L.'s favor (in the sense of comparing the embedded rate of return on mortgages vs. cost of funds to the S. and L.'s) than when interest rates were going up. Furthermore, the S. and L.'s are no longer suffering from the competition of high yields in the market attracting savings away. Finally, the outlook for savings volume into S. and L.'s is strong. Thus, it is reasonable to expect S. and L. rates to now come under downward pressure.

Mutual savings banks are also now actively seeking out mortgage investment business. Mutuals have until very recently been lagging behind other lenders in supplying funds to the mortgage market since it has taken them longer to recover from the intense disintermediation they experienced during the last tight money period. Furthermore, during that period, the mutuals had no lender-of-last-resort facilities such as the S. and L.'s enjoy from the F.H.L.B.'s. For 1971, it looks as if mutuals will continue to enjoy a good volume of savings inflows. They should be in a position to provide some $4¼ billion new mortgage money in 1971, up from $2 billion in 1970 and $2¾ billion in 1968 and 1969 each. But of course it must be remembered that mutuals also make substantial investments in forms other than mortgages.

Turning to the next group of mortgage suppliers, the **life insurance companies,** here again the prospect for their providing mortgage funds in 1971 is also brighter than it has been until recently. Since the fourth quarter of 1970, mortgage lending by life companies has picked up. This pick-up reflects the overall improvement which life companies have been experiencing in their cash flows.

At the same time policy loans have subsided. Prospects are for life insurance companies to provide some $2½ billion in new mortgage money in 1971, compared with $2.3 billion in 1970 and $2.1 billion in 1969. However, the increased mortgage volume for 1971 is still below the volume which the life companies supplied for many years prior to 1968. Life companies will continue to devote most of their mortgage resources to multi-family situations this year and to run down their interests in 1-4 family mortgages.

On the other hand, **commercial banks** are expected to increase their activity in the 1-4 family home area. Banks' participation dropped off sharply last year, when they provided only $1½ billion of new mortgage money. However, we are looking for a rebound in this item this year, and expect home mortgages to amount to some $4 billion. On the other hand, banks' investments in "other" mortgages are expected to pick up only gradually to a level of some $1 billion, which is still well below the volume of earlier years.

Conventional Mortgages Ignored

Looking at the type of mortgage funds being raised during this year's great mortgage revival, it looks on the surface as if the main increases have been in the 1-4 family area. However, closer inspection reveals that almost all the increase has been in government subsidized homes; **unassisted** single family homes have not shared in the general mortgage recovery. Unless the demand for mortgage funds for unassisted single family housing starts shows some sustained strength soon, then surely some doubt should be cast on whether the nation will meet the ambitious goals for housing which the Government has indicated it would like to see achieved. The weakness in the demand for unassisted housing could be due to potential homebuyers holding off in the expectation of further declines in interest rates; but more probably the weakness is due to the high prices of homes relative to people's dampened expectations about their future incomes.

Mortgage-Construction Ratio

Usually, it is in the case of 1-4 family homes that the relationship between increases in net mortgage debt outstanding and construction outlays is most reliable. However, even here the relationship has been recently undergoing some change: the ratio of mortgage debt to construction outlays is declining, so that each mortgage dollar is producing a greater amount of construction. This changed situation reflects the shift to lower priced, less fancy, smaller homes on the part of the consumer, as well as the shift towards more subsidized homes. Last year almost one in three of all private housing starts received Government aid, mainly under sections 235 and 236 of the National Housing Act. In contrast, subsidized housing accounted for only 8 percent of total private starts in 1967. The trend towards greater government support is expected to continue in the near future, judging from the current rapid rise in applications for F.H.A. commitments.

Bringing all these developments together, it looks as though the total volume of new mortgage money to be raised this year will amount to some $31-32 billion, compared with $24½ billion in 1970. Out of this $31-32 billion, we should expect about half this amount to be devoted to 1-4 family mortgages. And of course a considerable portion, say about one third, of residential mortgages will be related to the sale of existing homes, which are now picking up noticeably.

Problems Facing the Mortgage Market

The problems in this area relate more to what will happen to the nation's financial markets in general. Now that the Government has given a boost to the mortgage market in the hope of directing more funds to mortgages, we must surely ask ourselves where does the Government expect that we should be devoting "less" funds to. The corporate bond market? The state and local government securities market? Since the Government can always obtain the volume of borrowings it desires, increased borrowings by F.N.M.A. and F.H.L.B. mean less funds for other borrowers. If not, then F.N.M.A. and F.H.L.B borrowing represents a general upward pressure on interest rates.

Finally, with regard to the Government's policies of subsidizing housing, it is understandable that housing for lower income families should receive assistance from government. However, it seems doubtful that it is in the best interests of the nation's economic health to be subsidizing **middle** income housing. Are we next to expect all forms of housing to be subsidized?

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*An address by Mr. Scott-Ram before the 3rd National Mortgage Banking Conference, sponsored by the Mortgage Banking Institute, School of Continuing Education, New York University, New York City, April 15, 1971.

San Diego Gas & Electric Co. Preferred Sold

The public offering of 200,000 shares of San Diego Gas & Electric Co. $7.80 cumulative preferred stock, par $100, is being made at $100 per share plus accrued dividends by underwriters led by Blyth & Co., Inc., New York.

Proceeds are to be used for debt repayment.

San Diego Gas & Electric, of San Diego, Calif., is a public utility.

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An Evolving Market System Based on Communications

By MICHAEL E. TOBIN*
President, Midwest Stock Exchange
Chicago, Illinois

Head of Midwest Exchange agrees with recent SEC study which saw no need for all dealers or market makers to be located in one geographical area. Moreover, he opposes a separate block market of listed issues on NASDAQ and a two-way auction market on the Exchanges. Instead, he urges linking autonomous, competitive market-making centers, and tiers, through modern communications. Greater competition, he adds, will not jeopardize efficient distribution, research, nor firms of all sizes.

The SEC's institutional investor study cites that a major goal and ideal of the securities markets and the securities industry has been the creation of a strong, central market system for securities of national importance in which all buying and selling interests in those securities could participate and be represented under a competitive regime. The study concludes, and rightly so, that this goal has not, as yet, been attained.

The study mentions that aside from technological problems and competitive barriers, there have been two principal obstacles to the development of a strong, central market system. These are first the fact that there has been no market which was strong enough and liquid enough to serve as a major, central market for the entire United States. Institutional investment and the resulting strains which it has thrown upon the market mechanism have aggravated this difficulty. The study also finds that a second and related obstacle has been the fact that prior efforts to develop a central market have included the creation of a certain amount of monopoly power, particularly with respect to the dealer function.

The study puts aside the technological problem by recognizing that recent advances in communications and electronics makes it feasible to create a system where all interests of investors could be represented in a central market. In recognizing that the other obstacle in creating such a system might not be as easy to overcome, the study makes the following statement:

"It may or may not be possible for the central market to be largely an auction market **although the values of the agency auction market must be preserved.**"

The study concludes that all responsible market makers should have access to the central market and goes out of its way to note that given present technology it is neither necessary nor desirable that all such dealers or market makers be present in any one geographical location since any such requirement would, among other things, prevent the regional exchanges from having a meaningful role in the market system which they could have.



Michael E. Tobin

New Market System

These findings are very close indeed to the positions of the Midwest Stock Exchange in its definition of a central market system composed of, "A group of autonomous, competitive centers of market making, tied together by means of a strong communications system — a kind of federalism. Thus, in the absence of ready buying and selling interests, a full, nationwide market making capability could be readily brought into play. Third market makers would, of course, be tied into the same communications network under appropriate regulations."

In bringing about this new market system that everyone is striving for, we have recognized that there are certain pressures afoot to separate the block market from the retail market. For instance, the advent of listed securities on **NASDAQ** could create a block market on **NASDAQ** and a two-way auction market on the exchanges, which, in my opinion, would have adverse effects on both levels of the market. Here again, the institutional investors study has apparently reached the same conclusion. It is for this reason that we have offered the two-tier market model as a way to recognize the differences that exist between the two markets because of the unique characteristics of each and to then inter-relate the two levels into one compatible market system. I think our two-tier system has been misunderstood by many people as an attempt to separate the markets which is not true. It is an attempt to preserve the inter-relationship between the two levels of the market recognizing the economic forces that are present in each level.

Now comes the time for sticking my neck out. I believe that economic forces will (with possible prompting from legal forces) create the type of central marketplace wherein you have a group of autonomous competitive centers of market making tied together by strong communications systems. I predict that the two levels of the market will be held together by the proper definition, the characteristics and needs of each level.

I believe that there will be greater competition in the market making function and some benefits will accrue from that. I believe that the basic functions that the industry accomplishes such as distribution — which is vitally related to liquidity in that it is involved in all transactions, especially the large transactions, as the institutional investors study data proves — and research — which also can be an important ingredient in liquidity as someone recently pointed out, will remain an important function.

Room For All Sizes Of Firms

I think that the need for capital is a significant need and must be more permanent than it is now, however, I believe that the potential return on capital will attract what is necessary as some of these side issues are resolved. I also think the question of size is a much overrated one and I also believe that in any of these functions there will be room for firms of all sizes and with various specialties.

In short, I see an evolving market system which builds on communications and technological advance.

Speech before the First Annual Conference of the Mid-Continental District of the Investment Bankers Association of America, March 17, 1971.

Doremus Net Up In First Quarter

Net income of Doremus & Company, advertising and public relations agency, for the first three months of 1971 was up 12 per cent, a record for the period, although gross income was slightly less than the comparable 1970 quarter, according to George A. Erickson, board chairman.

Net earnings for the first quarter amounted to $125,000 equal to 29 cents per share as compared with $112,000 and 26 cents per share for the 1970 quarter. Per share figures are based on 431,791 in 1971 and 430,370 in 1970, the average number of common shares outstanding in each period.

Gross billings for the 1971 first quarter totaled $10,234,000 as compared to 1970's first quarter figure of $11,339,000. Gross income was $1,567,000 as against $1,588,000 for the first quarter last year.

Mr. Erickson stated that the increased net earnings for the first quarter reflect management's continuing program of making operations more efficient, particularly in terms of better utilization of personnel. The decline in billings results primarily from the termination of certain business that had produced less than normal commissions for the agency combined with a lag in the start-up of several general advertising account schedules.

Doremus & Company, a national advertising and public relations agency founded in 1903, is headquartered in New York City and has offices in Philadelphia, Boston, Chicago, San Francisco and Los Angeles. Two wholly owned subsidiaries, Sapan Baer Plyer Lehman, Inc. and di Russo Advertising, Inc., are also located in New York City.

F. M. Tesone Opens

ENGLEWOOD, COLO. — Fred M. Tesone is conducting a securities business from offices at 5197 South Boston Street. He was formerly with Westamerica Securities, Inc.

International Economic Forum



Jean Guyot | Dr. P McCracken | C Nishiyama | Sir Eric Roll

Jacques Rueff | Lord Shawcross | Dr. R.J. Saulnier | Paul A. Volcker

CHICAGO, ILLINOIS — About 1,000 leaders of the nation's business, industrial and financial communities will attend an International Economic Forum on May 3, 1971, at the Conrad Hilton Hotel. The forum is being sponsored by Lincoln National Corporation, and its affiliates which include The Lincoln National Life Insurance Company, Fort Wayne, Indiana; Chicago Title and Trust Company and Halsey, Stuart & Co. Inc; Chicago. The American States Insurance Companies, Indianapolis, and Dominion Life Assurance Company, Waterloo, Ontario.

Internationally renowned economists from France, Japan, the United Kingdom and the United States will address the meeting, according to Henry F. Rood, Corporation Chairman and Chief Executive Officer.

Beginning at 9:30, the morning session will feature Dr. Paul McCracken, Chairman of the President's Council of Economic Advisors; Jacques Rueff, Chancellor, Institute of France, Paris; Lord Shawcross, Queen's Counsel, London; and Chiaki Nishiyama, Professor of Economics, Rikkyo University, Tokyo; who will discuss "International Economic and Monetary Problems as Related to the Multi-National Corporation."

Following a reception and luncheon, Paul A. Volcker, Under Secretary of the Treasury for Monetary Affairs, will speak on the "Evolving International Financial System."

The afternoon session will feature Sir Eric Roll, Executive Director, S.G.Warburg & Co. Ltd., London; J. Jean Guyot, Partner, Lazard Freres & Cie, Paris and Dr. Raymond J. Saulnier, Professor of Economics, Barnard College, Columbia University, New York, discussing the "Enlargement of the Common Market and What It Means."

Fidelity Equities Formed In Wichita

WICHITA, KANS. — Fidelity Equities, Inc. has been formed with offices in the Bitting Building to engage in a securities business. Officers are Albert C. Schenkosky, president; Owen M. Wilson, vice president; and Betty L. Fletcher, secretary and treasurer. Mr. Schenkosky was formerly an officer of Key Securities, Inc. with which Miss Fletcher was also associated.

Last year, all John Benson saved was $54.32.

This year, he joined the Payroll Savings Plan.

Poor John. Money just seemed to slip right through his fingers. Every time he planned to stash something away, there wasn't anything left.

Then John decided to join the Payroll Savings Plan where he works. Now, an amount he specifies is automatically set aside from his check before he gets it. And invested in U.S. Savings Bonds.

Because John has become such a systematic saver, he's almost forgotten about it. When he gets around to remembering, he's going to have quite a nest egg laid away.

And now there's a bonus interest rate on all U.S. Savings Bonds—for E Bonds, 5½% when held to maturity of 5 years, 10 months (4% the first year). That extra ½%, payable as a bonus at maturity, applies to all Bonds issued since June 1, 1970 . . . with a comparable increase for all older Bonds.

If you keep forgetting to save something out of your check, join the Payroll Savings Plan and let somebody else do the remembering for you.



Bonds are safe. If lost, stolen, or destroyed, we replace them. When needed, they can be cashed at your bank. Tax may be deferred until redemption. And always remember, Bonds are a proud way to save.

Take stock in America.
Now Bonds pay a bonus at maturity.

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Federal Reserve Bank of St. Louis

Myth of A Shortage Of Mortgage Funds

By RICHARD SCOTT-RAM
Vice President and Senior Economist
Lionel D. Edie & Company, Inc., New York City

Housing economist for Merrill Lynch affiliate dispels myth of mortgage funds shortage. He points out that this sector maintained its ratio to total capital financing even during the peak tight 1969 money period. In fact, all markets except corporates are said to now be over-supplied and even there the situation is improving. Total mortgage financing is expected to increase by $7 billion this year to $31-$32 billion. Subsidized, lower-priced homes have garnered an increasing portion of the funds, and lowered the ratio of mortgage funds to construction outlays — indicative of low demand of funds for unassisted single family housing. Mr. Scott-Ram decries support of middle income housing, and warns that Federal Agency housing financing pressures higher interest rates unless it succeeds in denying funds for other borrowers.

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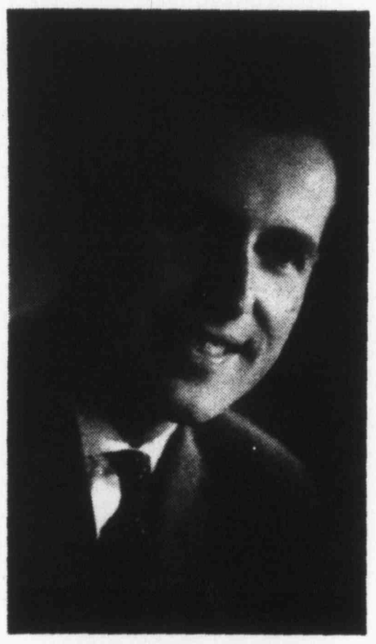
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It is as well to remind ourselves at the outset of such a discussion of the **immense size of the mortgage market** as it exists today. The volume of new funds raised in the mortgage market already well exceeds that of any single other financial market. Add to this the large and steady volume of mortgage repayments, and the result is that the gross turnover of funds in the mortgage market is considerably larger than any other market, even during periods of tight money when the mortgage market is squeezed the most.

It is particularly relevant to keep in mind how large the mortgage market already is when trying to weigh such statements as: "we must make sure that the mortgage market gets its fair share of funds", and "the mortgage market is dead." Mortgages are already getting a large (about 25 per cent) share of



Richard Scott-Ram

the nation's total funds and they probably will continue to do so, even in periods of tight money when the mortgage market is supposed to be "dead."

The revival in the mortgage market which started up in mid-70, is now getting into full swing. Whereas until a few months ago the mortgage revival was not as strong as in previous business cycles (mainly because the mortgage market was being crowded out by corporate bond borrowing), the volume of money now going into the mortgage market is passing through former peak levels and moving on to new highs. The mortgage market is not only taking this revival in its stride but mortgage suppliers still have considerable extra funds on hand over and above their mortgage commitments. Indeed, the only way to describe the mortgage market today is by using the word, "oversupply". And the situation of oversupply is with us despite F.N.M.A. selling mortgages and S. and L.'s starting to pay back F.H.L.B. advances.

The dramatic improvement in mortgage market conditions from a situation of acute shortage of funds until recently to a situation of oversupply has been accompanied by a sharp decline of 1-2 full percentage points in mortgage yields from their 1970 highs. In contrast to past similar experiences when mortgage yields were among the last to decline and then not by much, this time around mortgage rates have joined in the general decline in long rates.

This quicker responsiveness of mortgage rates to market conditions is presumably mainly the result of the increased marketability of mortgage instruments; this in turn has been mainly brought on by the Government's initiatives in this area to improve the structure of the mortgage market. This may sound a little parodoxical since government intervention usually results in dulling market responsiveness. However, in the case of the mortgage market in recent years, government initiatives are helping to overcome some of the traditional drawbacks that mortgages suffered from the point of view of the investor.

To name some of these drawbacks: mortgages often involve only small amounts of money, they are marketable only in local areas, the servicing of a mortgage often requires careful policing, and the mortgage investor has the problem of reinvesting the repayment of principal as it comes in in monthly payments.

How long will today's situation of oversupply of mortgage funds be with us? Much of course will depend on the state of availability of funds in prospect for traditional mortgage lenders.

Lower Rate Pressures

The **Savings and Loan Associations** have been enjoying such a record strong inflow of funds that they have been able to find mortgage opportunities for only about one third of their new funds. A small part of their problem of oversupply will be solved by the S. and L.'s continuing to pay down a part, say $1 billion, of the $10 billion F.H.L.B. advances outstanding. A paydown of some $1 billion in 1971 compares with our expectations of some $16 billion total inflows of saving to the S. and L. 's. Out of this $16 billion, we expect S. and L.'s to be providing a record-high $14½ billion of new funds to the mortgage market, two-thirds of which will go to home mortgages.

The abundance of funds at the S. and L.'s raises of course the question of whether we should now expect S. and L.'s to be lowering their deposit rates in the near future, particularly in the light of the recent pre-emptive move on the part of some major New York and West Coast banks of lowering their mortgage loan rates to 7 percent. In making an appraisal of what is about to happen to S. and L. rates, it is of course the case that S. and L.'s have not enjoyed as much of a decline in their costs of funds as have the banks. On the other hand, the interest rate cycle is now working more in the S. and L.'s favor (in the sense of comparing the embedded rate of return on mortgages vs. cost of funds to the S. and L.'s) than when interest rates were going up. Furthermore, the S. and L.'s are no longer suffering from the competition of high yields in the market attracting savings away. Finally, the outlook for savings volume into S. and L.'s is strong. Thus, it is reasonable to expect S. and L. rates to now come under downward pressure.

Mutual savings banks are also now actively seeking out mortgage investment business. Mutuals have until very recently been lagging behind other lenders in supplying funds to the mortgage market since it has taken them longer to recover from the intense disintermediation they experienced during the last tight money period. Furthermore, during that period, the mutuals had no lender-of-last-resort facilities such as the S. and L.'s enjoy from the F.H.L.B.'s. For 1971, it looks as if mutuals will continue to enjoy a good volume of savings inflows. They should be in a position to provide some $4¼ billion new mortgage money in 1971, up from $2 billion in 1970 and $2¾ billion in 1968 and 1969 each. But of course it must be remembered that mutuals also make substantial investments in forms other than mortgages.

Turning to the next group of mortgage suppliers, the **life insurance companies,** here again the prospect for their providing mortgage funds in 1971 is also brighter than it has been until recently. Since the fourth quarter of 1970, mortgage lending by life companies has picked up. This pick-up reflects the overall improvement which life companies have been experiencing in their cash flows.

At the same time policy loans have subsided. Prospects are for life insurance companies to provide some $2½ billion in new mortgage money in 1971, compared with $2.3 billion in 1970 and $2.1 billion in 1969. However, the increased mortgage volume for 1971 is still below the volume which the life companies supplied for many years prior to 1968. Life companies will continue to devote most of their mortgage resources to multi-family situations this year and to run down their interests in 1-4 family mortgages.

On the other hand, **commercial banks** are expected to increase their activity in the 1-4 family home area. Banks' participation dropped off sharply last year, when they provided only $1½ billion of new mortgage money. However, we are looking for a rebound in this item this year, and expect home mortgages to amount to some $4 billion. On the other hand, banks' investments in "other" mortgages are expected to pick up only gradually to a level of some $1 billion, which is still well below the volume of earlier years.

Conventional Mortgages Ignored

Looking at the type of mortgage funds being raised during this year's great mortgage revival, it looks on the surface as if the main increases have been in the 1-4 family area. However, closer inspection reveals that almost all the increase has been in government subsidized homes; **unassisted** single family homes have not shared in the general mortgage recovery. Unless the demand for mortgage funds for unassisted single family housing starts shows some sustained strength soon, then surely some doubt should be cast on whether the nation will meet the ambitious goals for housing which the Government has indicated it would like to see achieved. The weakness in the demand for unassisted housing could be due to potential homebuyers holding off in the expectation of further declines in interest rates; but more probably the weakness is due to the high prices of homes relative to people's dampened expectations about their future incomes.

Mortgage-Construction Ratio

Usually, it is in the case of 1-4 family homes that the relationship between increases in net mortgage debt outstanding and construction outlays is most reliable. However, even here the relationship has been recently undergoing some change: the ratio of mortgage debt to construction outlays is declining, so that each mortgage dollar is producing a greater amount of construction. This changed situation reflects the shift to lower priced, less fancy, smaller homes on the part of the consumer, as well as the shift towards more subsidized homes. Last year almost one in three of all private housing starts received Government aid, mainly under sections 235 and 236 of the National Housing Act. In contrast, subsidized housing accounted for only 8 percent of total private starts in 1967. The trend towards greater government support is expected to continue in the near future, judging from the current rapid rise in applications for F.H.A. commitments.

Bringing all these developments together, it looks as though the total volume of new mortgage money to be raised this year will amount to some $31-32 billion, compared with $24½ billion in 1970. Out of this $31-32 billion, we should expect about half this amount to be devoted to 1-4 family mortgages. And of course a considerable portion, say about one third, of residential mortgages will be related to the sale of existing homes, which are now picking up noticeably.

Problems Facing the Mortgage Market

The problems in this area relate more to what will happen to the nation's financial markets in general. Now that the Government has given a boost to the mortgage market in the hope of directing more funds to mortgages, we must surely ask ourselves where does the Government expect that we should be devoting "less" funds to. The corporate bond market? The state and local government securities market? Since the Government can always obtain the volume of borrowings it desires, increased borrowings by F.N.M.A. and F.H.L.B. mean less funds for other borrowers. If not, then F.N.M.A. and F.H.L.B borrowing represents a general upward pressure on interest rates.

Finally, with regard to the Government's policies of subsidizing housing, it is understandable that housing for lower income families should receive assistance from government. However, it seems doubtful that it is in the best interests of the nation's economic health to be subsidizing **middle** income housing. Are we next to expect all forms of housing to be subsidized?

***An address by Mr. Scott-Ram before the 3rd National Mortgage Banking Conference, sponsored by the Mortgage Banking Institute, School of Continuing Education, New York University, New York City, April 15, 1971.**

San Diego Gas & Electric Co. Preferred Sold

The public offering of 200,000 shares of San Diego Gas & Electric Co. $7.80 cumulative preferred stock, par $100, is being made at $100 per share plus accrued dividends by underwriters led by Blyth & Co., Inc., New York.

Proceeds are to be used for debt repayment.

San Diego Gas & Electric, of San Diego, Calif., is a public utility.

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An Evolving Market System Based on Communications

By MICHAEL E. TOBIN*
President, Midwest Stock Exchange
Chicago, Illinois

Head of Midwest Exchange agrees with recent SEC study which saw no need for all dealers or market makers to be located in one geographical area. Moreover, he opposes a separate block market of listed issues on NASDAQ and a two-way auction market on the Exchanges. Instead, he urges linking autonomous, competitive market-making centers, and tiers, through modern communications. Greater competition, he adds, will not jeopardize efficient distribution, research, nor firms of all sizes.

The SEC's institutional investor study cites that a major goal and ideal of the securities markets and the securities industry has been the creation of a strong, central market system for securities of national importance in which all buying and selling interests in those securities could participate and be represented under a competitive regime. The study concludes, and rightly so, that this goal has not, as yet, been attained.

The study mentions that aside from technological problems and competitive barriers, there have been two principal obstacles to the development of a strong, central market system. These are first the fact that there has been no market which was strong enough and liquid enough to serve as a major, central market for the entire United States. Institutional investment and the resulting strains which it has thrown upon the market mechanism have aggravated this difficulty. The study also finds that a second and related obstacle has been the fact that prior efforts to develop a central market have included the creation of a certain amount of monopoly power, particularly with respect to the dealer function.

The study puts aside the technological problem by recognizing that recent advances in communications and electronics makes it feasible to create a system where all interests of investors could be represented in a central market. In recognizing that the other obstacle in creating such a system might not be as easy to overcome, the study makes the following statement:

"It may or may not be possible for the central market to be largely an auction market **although the values of the agency auction market must be preserved.**"

The study concludes that all responsible market makers should have access to the central market and goes out of its way to note that given present technology it is neither necessary nor desirable that all such dealers or market makers be present in any one geographical location since any such requirement would, among other things, prevent the regional exchanges from having a meaningful role in the market system which they could have.

New Market System

These findings are very close indeed to the positions of the Midwest Stock Exchange in its definition of a central market system composed of, "A group of autonomous, competitive centers of market making, tied together by means of a strong communications system — a kind of federalism. Thus, in the absence of ready buying and



Michael E. Tobin

selling interests, a full, nationwide market making capability could be readily brought into play. Third market makers would, of course, be tied into the same communications network under appropriate regulations."

In bringing about this new market system that everyone is striving for, we have recognized that there are certain pressures afoot to separate the block market from the retail market. For instance, the advent of listed securities on **NASDAQ** could create a block market on **NASDAQ** and a two-way auction market on the exchanges, which, in my opinion, would have adverse effects on both levels of the market. Here again, the institutional investors study has apparently reached the same conclusion. It is for this reason that we have offered the two-tier market model as a way to recognize the differences that exist between the two markets because of the unique characteristics of each and to then inter-relate the two levels into one compatible market system. I think our two-tier system has been misunderstood by many people as an attempt to separate the markets which is not true. It is an attempt to preserve the inter-relationship between the two levels of the market recognizing the economic forces that are present in each level.

Now comes the time for sticking my neck out. I believe that economic forces will (with possible prompting from legal forces) create the type of central marketplace wherein you have a group of autonomous competitive centers of market making tied together by strong communications systems. I predict that the two levels of the market will be held together by the proper definition, the characteristics and needs of each level.

I believe that there will be greater competition in the market making function and some benefits will accrue from that. I believe that the basic functions that the industry accomplishes such as distribution — which is vitally related to liquidity in that it is involved in all transactions, especially the large transactions, as the institutional investors study data proves — and research — which also can be an important ingredient in liquidity as someone recently pointed out, will remain an important function.

Room For All Sizes Of Firms

I think that the need for capital is a significant need and must be more permanent than it is now, however, I believe that the potential return on capital will attract what is necessary as some of these side issues are resolved. I also think the question of size is a much overrated one and I also believe that in any of these functions there will be room for firms of all sizes and with various specialties.

In short, I see an evolving market system which builds on communications and technological advance.

Speech before the First Annual Conference of the Mid-Continental District of the Investment Bankers Association of America, March 17, 1971.

Doremus Net Up In First Quarter

Net income of Doremus & Company, advertising and public relations agency, for the first three months of 1971 was up 12 per cent, a record for the period, although gross income was slightly less than the comparable 1970 quarter, according to George A. Erickson, board chairman.

Net earnings for the first quarter amounted to $125,000 equal to 29 cents per share as compared with $112,000 and 26 cents per share for the 1970 quarter. Per share figures are based on 431,791 in 1971 and 430,370 in 1970, the average number of common shares outstanding in each period.

Gross billings for the 1971 first quarter totaled $10,234,000 as compared to 1970's first quarter figure of $11,339,000. Gross income was $1,567,000 as against $1,588,000 for the first quarter last year.

Mr. Erickson stated that the increased net earnings for the first quarter reflect management's continuing program of making operations more efficient, particularly in terms of better utilization of personnel. The decline in billings results primarily from the termination of certain business that had produced less than normal commissions for the agency combined with a lag in the start-up of several general advertising account schedules.

Doremus & Company, a national advertising and public relations agency founded in 1903, is headquartered in New York City and has offices in Philadelphia, Boston, Chicago, San Francisco and Los Angeles. Two wholly owned subsidiaries, Sapan Baer Plyer Lehman, Inc. and di Russo Advertising, Inc., are also located in New York City.

F. M. Tesone Opens

ENGLEWOOD, COLO. — Fred M. Tesone is conducting a securities business from offices at 5197 South Boston Street. He was formerly with Westamerica Securities, Inc.

International Economic Forum



Jean Guyot — Dr. P McCracken — C Nishiyama — Sir Eric Roll

Jacques Rueff — Lord Shawcross — Dr. R.J. Saulnier — Paul A. Volcker

CHICAGO, ILLINOIS — About 1,000 leaders of the nation's business, industrial and financial communities will attend an International Economic Forum on May 3, 1971, at the Conrad Hilton Hotel. The forum is being sponsored by Lincoln National Corporation, and its affiliates which include The Lincoln National Life Insurance Company, Fort Wayne, Indiana; Chicago Title and Trust Company and Halsey, Stuart & Co. Inc; Chicago. The American States Insurance Companies, Indianapolis, and Dominion Life Assurance Company, Waterloo, Ontario.

Internationally renowned economists from France, Japan, the United Kingdom and the United States will address the meeting, according to Henry F. Rood, Corporation Chairman and Chief Executive Officer.

Beginning at 9:30, the morning session will feature Dr. Paul McCracken, Chairman of the President's Council of Economic Advisors; Jacques Rueff, Chancellor, Institute of France, Paris; Lord Shawcross, Queen's Counsel, London; and Chiaki Nishiyama, Professor of Economics, Rikkyo University, Tokyo; who will discuss "International Economic and Monetary Problems as Related to the Multi-National Corporation."

Following a reception and luncheon, Paul A. Volcker, Under Secretary of the Treasury for Monetary Affairs, will speak on the "Evolving International Financial System."

The afternoon session will feature Sir Eric Roll, Executive Director, S.G.Warburg & Co., Ltd., London; J. Jean Guyot, Partner, Lazard Freres & Cie, Paris and Dr. Raymond J. Saulnier, Professor of Economics, Barnard College, Columbia University, New York, discussing the "Enlargement of the Common Market and What It Means."

Fidelity Equities Formed In Wichita

WICHITA, KANS. — Fidelity Equities, Inc. has been formed with offices in the Bitting Building to engage in a securities business. Officers are Albert C. Schenkosky, president; Owen M. Wilson, vice president; and Betty L. Fletcher, secretary and treasurer. Mr. Schenkosky was formerly an officer of Key Securities, Inc. with which Miss Fletcher was also associated.

Last year, all John Benson saved was $54.32.

This year, he joined the Payroll Savings Plan.

Poor John. Money just seemed to slip right through his fingers. Every time he planned to stash something away, there wasn't anything left.

Then John decided to join the Payroll Savings Plan where he works. Now, an amount he specifies is automatically set aside from his check before he gets it. And invested in U.S. Savings Bonds.

Because John has become such a systematic saver, he's almost forgotten about it. When he gets around to remembering, he's going to have quite a nest egg laid away.

And now there's a bonus interest rate on all U.S. Savings Bonds—for E Bonds, 5½% when held to maturity of 5 years, 10 months (4% the first year). That extra ½%, payable as a bonus at maturity, applies to all Bonds issued since June 1, 1970 . . . with a comparable improvement for all older Bonds.

If you keep forgetting to save something out of your check, join the Payroll Savings Plan and let somebody else do the remembering for you.



Bonds are safe. If lost, stolen, or destroyed, we replace them. When needed, they can be cashed at your bank. Tax may be deferred until redemption. And always remember, Bonds are a proud way to save.

Take stock in America.
Now Bonds pay a bonus at maturity.

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Donigan With Eastman Dillon



William R. Donigan

William R. Donigan has joined Eastman Dillon, Union Securities & Co. Incorporated, 1 Chase Manhattan Plaza, New York City, members of the New York Stock Exchange, as Director of Personnel. He will be responsible for the development and administration of all personnel functions for the New York headquarters and branch offices.

Mr. Donigan has been in the personnel and industrial relations field for twenty years. Prior to joining Eastman Dillon he was Corporate Director of Personnel and Administration for Thomas & McKinnon Auchincloss, Inc.

Pace Offers New Business Publication

Pace College has come up with a unique educational service for the nation's business community entitled, **Portfolio: The Business of Business.**

This new semi-monthly publication will cover new management techniques, management problems and solutions, and what's happening in the social sciences which effect business in general and business leaders in particular.

"Business is getting more complex and all of its operations more specialized," says Dr. Stanley H. Mullin, Pace College's vice president.

"Corporate staff executives must know not only their own field, but, also, the new world developing around them. The rapid changes taking place in society or the wishes of the American people for socially-oriented companies can no longer be ignored," he added.

Pace College has long trained people for corporate positions, and many of its alumni are well known in the business world.

Many Pace faculty members, Dr. Mullin pointed out, represent some of the finest business talent in New York City, the business capital of the world.

It was only natural, he points out, to harness all of this talent for the **Portfolio.**

The first issue, "Crime Against Business! Business Against Crime?", deals with the appalling cost of pilfering, shoplifting and spying.

The second issue, **"Games Managers Play,"** illustrates participative techniques for management training.

On press now is the third issue: **"Better English for Better Business."**

There are no charges made for the **Portfolio.**

Companies and executives interested in receiving free copies of the above and having their names added to the college's mailing lost for the PORTFOLIO should write to Office of Public Information, Pace College, Pace College Plaza, New York, N.Y. 10038.

Benson Pres. Of Kleinwort

David Benson has been appointed President of Kleinwort, Benson Incorporated, 100 Wall Street, New York City, investment bankers and Sharps Pixley Incorporated, bullion dealers. Mr. Benson assumes the dual post immediately, succeeding Patrick Robinson.

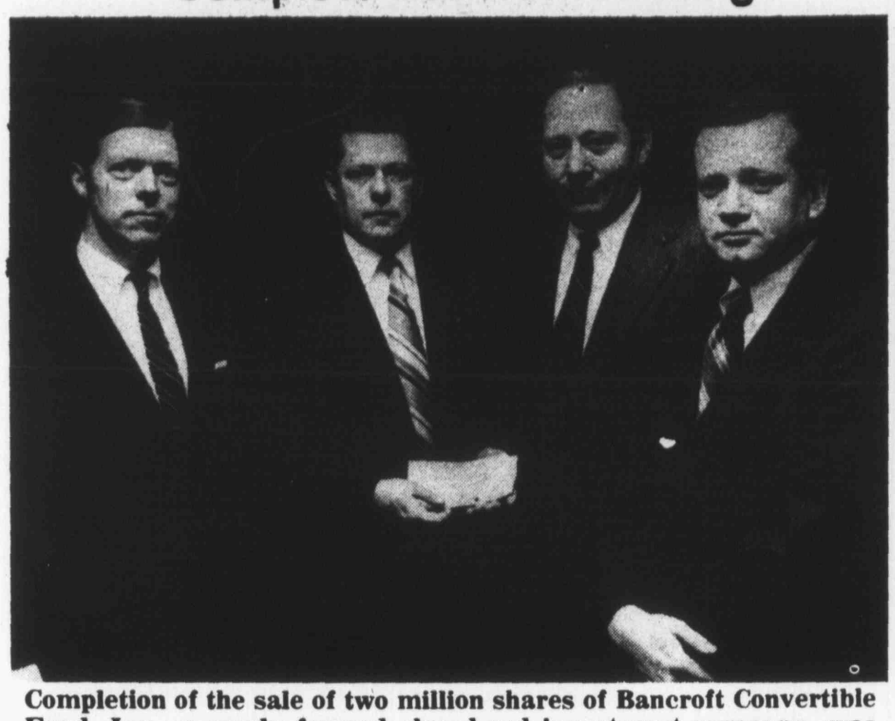
Mr. Robinson returns to London, rejoining the parent merchant banking firm of Kleinwort, Benson Limited.

Mr. Benson had been serving as vice president here in New York City for the past year.

Vaisman Forms Co.

MILLBURN, N.J.—Vaisman & Co., Inc. is conducting a securities business from offices at 59 Main Street. William Vaisman is president. He was formerly with Pressman, Frohlich & Frost.

Complete Bancroft Offering



Completion of the sale of two million shares of Bancroft Convertible Fund, Inc., a newly formed closed-end investment company, was marked with the passing of the check covering payment for the sale of the stock. The $50 million offering was made by a nationwide underwriting group jointly managed by Hornblower & Weeks-Hemphill, Noyes and W.E. Hutton & Co. Shown at the closing ceremonies, from the left, are Roger S. McCollester, National Mutual Fund Sales manager of W.E. Hutton; Ronald E. Dinsmore, president of Bancroft Convertible Fund and director of Davis & Dinsmore Management Co.; Bancroft G. Davis, chairman of Bancroft Convertible Fund and director of Davis & Dinsmore Management Co., and Winthrop Brown II, National Mutual Fund Manager, of Hornblower & Weeks-Hemphill, Noyes. Davis & Dinsmore Management Company, New York, is the investment adviser to the fund. Investment objectives for the closed-end diversified management investment company include income and potential for capital appreciation.

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Price Fund, Elects New Pres.

BALTIMORE, MD. — At a board meeting following the annual meeting of shareholders of the Rowe Price New Era Fund, the Directors elected Howard P. Colhoun as President to succeed the founder T. Rowe Price. Mr. Colhoun was formerly Executive Vice President of the Fund.

Mr. Price did not stand for re-election as President or board member. This completes a retirement program begun in 1966 when Mr. Price retired as Chairman of the Board of T. Rowe Price & Associates, Inc. and later as President of the T. Rowe Price Growth Stock Fund and Rowe Price New Horizons Fund. Mr. Price is 73.

Mr. Colhoun also serves as Director of the Rowe Price New Era Fund, Inc., as Vice President and Director of the Rowe Price New Horizons Fund, Inc. and the Rowe Price Management Company.

Prior to joining the Price organization in 1966, Mr. Colhoun was with the management consulting firm Arthur D. Little, Inc.

Carter O. Hoffman, Vice President of the Fund, was elected a Director. Mr. Hoffman, a Vice President of T. Rowe Price and Associates, joined the Price organization in 1961.

Robert E. Hall and George A. Roche, formerly Assistant Vice Presidents were named Vice Presidents.

Mr. Hall is also Assistant Vice President of T. Rowe Price and Associates, Inc. He joined the firm in 1964 after a number of years with Esso International.

Mr. Roche joined the firm in 1968 after employment with Proctor and Gamble.

Austin H. George and Edward S. Stimpson, III, were also elected Vice Presidents of the Fund.

Mr. George is Vice President and Director of the T. Rowe Price Growth Stock Fund, Inc.; Vice President of T. Rowe Price and Associates, Inc.; and Head of the firm's Trading Department. Prior to joining the firm in 1959, Mr. George was with E.I. duPont de Nemours.

Edward S. Stimpson, III joined the firm in early 1971, after being with the Fidelity Management and Research Company.

Mrs. Lenora V. Hornung, formerly Assistant Secretary, was named Secretary. She is also Assistant Secretary of the New Horizons Fund, Inc.

H. Spencer Everett, Jr. was named Assistant Secretary. Mr. Everett, who is the firm's in-house legal counsel, joined T. Rowe Price and Associates, Inc. in 1970 after a number of years with the Baltimore law firm Piper and Marbury.

Rowe Price New Era Fund, Inc., with assets of $107,771,700 is one of the three no-load (no sales charge) mutual funds sponsored by the Price organization. The other two are T. Rowe Price Growth Stock Fund, Inc., the nation's largest no-load fund, and Rowe Price New Horizons Fund, Inc.

La Perla Now With Abraham

Sal La Perla has become associated with Abraham & Co. 120 Broadway, New York City, members of the New York Stock Exchange as manager of the institutional services department. Mr. La Perla was formerly manager of the institutional trading department of Neuberger & Berman.

Form Hogan Securities

HAMILTON, OHIO — Hogan Securities Corporation has beeen formed with offices at 2820 Bobmyer Road to conduct a securities business. Patrick W. Hogan is president and treasurer.

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for week or month ended on that date, or in case of quotations, are as of that date:

		Latest Week	Previous Week	4-Weeks Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Steel ingots and castings (thous. net tons)	Apr. 24	2,926,000	2,905,000	2,893,000	2,707,000
Index of production based on average weekly production for 1957-1959	Apr. 24	119.9	119.1	118.6	110.9
AMERICAN PETROLEUM INSTITUTE (00's Omitted):					
Crude oil and condensate output-daily average (bbls. of 42 gallons each)	Apr. 16	9,905	9,920	9,812	9,630
Crude runs to stills-daily average (bbls)	Apr. 16	11,315	11,132	11,014	10,556
Gasoline output (bbls.)	Apr. 16	41,259	40,726	41,638	37,332
Kerosene output (bbls.)	Apr. 16	3,975	4,401	4,686	4,233
Distillate fuel oil output (bbls.)	Apr. 16	18,570	17,350	17,194	16,413
Residual fuel oil output (bbls.)	Apr. 16	5,750	5,805	6,164	4,970
Stocks at refineries, bulk terminals, in transit in pipe lines					
Finished gasoline (bbls.)	Apr. 16	240,102	244,446	243,822	231,733
Kerosene (bbls.)	Apr. 16	20,623	20,595	20,493	21,028
Distillate fuel oil (bbls.)	Apr. 16	112,224	112,122	118,991	101,058
Residual fuel oil (bbls.)	Apr. 16	44,075	44,676	45,896	45,778
Unfinished oils (bbls.)	Apr. 16	98,283	96,525	93,449	104,389
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 17	511,034	505,538	509,039	539,199
Revenue freight received from connections (no. of cars)	Apr. 17	411,081	423,593	425,381	436,941
COAL OUTPUT (U.S. BUREAU OF MINES);					
Bituminous coal and lignite (thous. tons)	Apr. 17	13,495,000	13,170,000	12,460,000	11,525,000
Pennsylvania anthracite (tons)	Apr. 17	251,000	228,000	229,000	166,000
NEW CONSTRUCTION PLANNING (000's Omitted);					
Total advance planning	Apr. 22	*$1,097,000	$555,600	$1,215,400	$999,600
Private	Apr. 22	682,291	313,671	498,096	614,200
Public	Apr. 22	414,742	241,924	717,352	385,400
State and Municipal	Apr. 22	411,632	196,218	596,783	372,300
Federal	Apr. 22	3,110	45,706	120,569	13,100
RETAIL STORES, DEPT. OF COMMERCE:					
(Millions of dollars, unadjusted)	Apr. 17	7,358	7,740	6,966	6,876
EDISON ELECTRIC INSTITUTE:					
Electric output (inc. 000 kwh.)	Apr. 24	28,641,000	28,111,000	30,122,000	27,519,000
FAILURES (Commercial and Industrial)	Apr. 22	190	252	249	206
DUN & BRADSTREET, INC.					
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 22	8.055c	8.055c	7.970c	7.504c
Pig iron (per gross ton)	Apr. 22	$73.60	$73.60	$73.60	$68.10
Scrap steel (per gross ton)	Apr. 22	$34.17	$34.17	$36.17	$41.16
METAL PRICES ("METALS WEEK" Data);					
Electrolytic Copper:					
US Producer delivered	Apr. 23	52.83c	52.83c	50.35c	60.2c
London Equiv. f.o.b. Atlantic Seaboard	Apr. 23	56.429c	55.764c	53.630c	76.641c
Lead (New York)	Apr. 23	13.500c	13.500c	13.500c	16.500c
Lead (St. Louis)	Apr. 23	13.300c	13.300c	13.300c	16.300c
Zinc (delivered)	Apr. 23	15.500c	15.500c	15.000c	16.000c
Aluminum (primary pig 99.5%)	Apr. 23	29.000c	29.000c	29.000c	29.000c
Tin straits (New York)	Apr. 23	170.500c	169.750c	168.750c	187.500c
MOODY'S BOND PRICES (Daily Averages);	Apr. 27	55.11	55.32	55.46	52.62
Average Corporate	Apr. 27	59.70	59.94	60.10	55.04
Aaa	Apr. 27	56.03	56.10	56.17	53.81
Aa	Apr. 27	54.01	54.22	54.62	52.75
Baa	Apr. 27	51.34	51.59	51.41	49.28
Railroad Group	Apr. 27	50.48	51.85	51.98	51.85
Public Utilities Group	Apr. 27	50.66	54.01	54.15	51.57
Industrial Group	Apr. 27	53.01	58.46	58.54	53.88
MOODY'S BOND YIELD (Daily Averages);					
U.S. Government Short Term Bonds	Apr. 27	5.73	5.56	4.79	7.82
Average Corporate	Apr. 27	7.89	7.86	7.84	8.26
Aaa	Apr. 27	7.27	7.24	7.22	7.90
Aa	Apr. 27	7.76	7.75	7.74	8.08
A	Apr. 27	8.05	8.02	7.96	8.24
Baa	Apr. 27	8.46	8.42	8.45	8.80
Railroad Group	Apr. 27	8.60	8.38	8.36	8.38
Public Utilities Group	Apr. 27	8.57	8.05	8.03	8.43
Industrial Group	Apr. 27	8.20	7.43	7.42	8.07
MOODY'S COMMODITY INDEX	Apr. 27	373.2	377.7	377.2	414.1
NATIONAL PAPERBOARD ASSOCIATION					
Orders received (tons)	Apr. 17	517,700	527,900	526,800	489,400
Production (tons)	Apr. 17	503,800	523,800	513,500	521,000
Unfilled orders (tons) at end of period	Apr. 17	788,400	782,300	753,000	763,600
OIL PAINT AND DRUG PRICE INDEX –					
1959 AVERAGE equals 100	Apr. 23	108.22	108.30	108.33	107.33
ROUND-LOT TRANSACTIONS ON THE N.Y.S.E. FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS:					
Transactions of specialists in stocks in which registered:					
Total purchases	Apr. 2	10,643,510	11,216,870	11,142,340	7,254,990
Short sales	Apr. 2	2,724,270	3,056,060	3,515,210	1,872,640
Other sales	Apr. 2	7,956,080	7,978,790	8,102,910	5,166,530
Total sales	Apr. 2	10,680,350	11,034,850	11,618,120	7,039,170
Transactions of Floor Traders:					
Total purchases	Apr. 2	421,200	355,900	433,100	173,700
Short sales	Apr. 2	65,500	44,100	89,700	42,000
Other sales	Apr. 2	341,300	280,310	403,500	126,110
Total sales	Apr. 2	406,800	324,410	493,200	168,110
Other transactions:					
Total purchases	Apr. 2	5,856,547	5,744,534	5,607,120	2,802,730
Short sales	Apr. 2	1,093,450	1,736,640	1,585,240	559,502
Other sales	Apr. 2	4,708,625	4,868,913	5,832,933	2,547,053
Total sales	Apr. 2	5,802,075	6,605,553	7,417,793	3,106,555
Total round-lot transactions for account of members					
Total purchases	Apr. 2	16,921,257	17,317,304	17,182,560	10,231,420
Short sales	Apr. 2	3,883,220	4,836,800	5,190,150	2,474,142
Other sales	Apr. 2	13,006,005	13,128,013	14,338,963	7,839,693
Total sales	Apr. 2	16,889,225	17,964,813	19,529,113	10,313,835
STOCK TRANSACTIONS FOR ODD LOT ACCOUNTS OF ODD LOT DEALERS ON THE N.Y.S.E.					
Odd-lot sales by dealers (customers' chases):					
Number of shares	Apr. 2	1,416,753	1,406,371	1,535,125	1,781,866
Dollar value	Apr. 2	$58,529,074	$57,470,841	$61,996,451	$73,669,529
Odd-lot purchases by dealers (customers' sales):					
Number of orders (customers total sales)	Apr. 2	2,850,113	3,016,490	2,946,680	2,023,038
Customers' short sales	Apr. 2	9,556	13,584	12,164	25,081
Customers' other sales	Apr. 2	2,840,557	3,002,906	2,934,516	1,997,957
Dollar value	Apr. 2	$119,757,604	$128,097,472	$122,846,747	$86,673,924
Round-lot sales by dealers:					
Total sales (shares)	Apr. 2	1,644,200	1,816,730	1,649,360	741,910
Short sales	Apr. 2	---	---	---	---
Other sales	Apr. 2	1,644,200	1,816,730	1,649,360	741,910
Total Round-lot purchases by dealers (shares)	Apr. 2	228,030	194,210	272,150	494,130
TOTAL REPORTED VOLUME OF ROUND LOT SALES ON THE N.Y.S.E. (SHARES):					
Short sales	Apr. 2	4,734,520	5,862,700	6,527,250	3,282,940
Other sales	Apr. 2	69,971,230	72,126,350	75,830,950	44,952,980
Total sales	Apr. 2	74,705,750	77,989,050	82,358,200	48,235,920

ASSOCIATION OF HOME APPLIANCE MANUFACTURERS MONTH OF February March	**Latest Month**	**Previous Month**	**Year Ago**
Home Appliance Factory Unit Shipments:			
All appliances	2,757,800	2,088,200	2,753,600
Refrigeration	589,400	440,800	607,100
Refrigerators	481,100	336,600	503,600
Freezers	108,300	104,200	103,500
Home Laundry	620,600	545,200	674,600
Washers	369,900	328,800	395,500
Automatic	342,700	304,200	372,000
Wringers	27,200	24,600	23,500
Dryers	250,700	216,400	279,100
Electric	184,400	160,900	193,200
Gas	66,300	55,500	85,900
Electric Ranges	224,400	178,800	210,500
Free Standing	168,200	134,500	158,900
Built-in	56,200	44,300	51,600
Dishwashers	217,600	133,800	203,100
Portable	61,800	39,600	55,900
Built-in	155,800	94,200	147,200
Airconditioners	846,400	597,300	762,700
Dehumidifiers	75,100	31,600	94,000
Disposers	184,300	160,700	201,600
COKE BUREAU OF MINES			
Month of February			
Production net tons)	5,114,000	5,689,000	5,130,000
Oven coke net tons)	5,054,000	5,630,000	5,069,000
Beehive coke net tons)	60,000	59,000	61,000
Oven coke stocks at end of month net tons)	4,054,000	4,248,000	3,034,000
COAL EXPORT (BUREAU OF MINES):			
Month of January			
(net tons)			
US export of Penn. anthracite (net tons)	16,645	80,390	15,657
To North and Central America	16,127	38,857	5,989
To Europe	38	40,746	8,910
To South America	365	665	517
To Asia	115	22	80
To Australia	---	100	161
COAL OUTPUT BUREAU OF MINES			
Month of February			
Bituminous coal and lignite net tons) anthracite	45,015,000	50,100,000	46,165,000
Pennsylvania anthracite net tons)	652,000	722,000	750,000
METAL PRICES ("METALSWEEK" Data):			
Month of March			
Electrolytic Copper:	50.55c	50.35c	56.5c
US Producer delivered	50.947c	46.617c	78.338c
London Equiv. f.o.b.	476.49	£424.89	£730.388
Atlantic Seaboard	485.63	£434.58	£701.188
London prompt (per long ton)			
London, three months (per long ton)			
Lead:			
Common, New York (per pound)	13.500c	13.500c	16.500c
Common, East St. Louis (per pound)	13.300c	13.300c	16.300c
London Prompt (per long ton)	£111.32	£110.74	£139.675
London, three months (per long ton)	£111.59	£108.26	£133.481
Zinc:			
East St. Louis (per pound)	15.068c	15.000c	15.500c
Prime Western, delivered (per pound)	— *	*	16.000c
London, prompt (per long ton)	£118.09	£113.23	£123.269
London, three months (per long ton)	£119.06	£114.30	£123.219
Silver Sterling Exchange:			
Silver, New York (per ounce)	166.669c	160.032c	188.514c
Silver, London (per ounce)	68.639d	65.99d	187.575d
Sterling Exchange	241.871c	241.775c	240.585c
Tin, New York Straits	166.957c	162.882c	177.113c
Gold (per ounce U.S. Selling Price)	$39.32	$39.18	$35.55
Mercury (per flask of 76 pounds)	$328.261	$348.263	$459.762
Antimony—			
New York, boxed (per pound)	76.000c	90.000c	386.905c
Laredo, bulk (per pound)	80.478c	96.000c	162.286c
Laredo, refined (per pound)	81.478c	97.000c	163.286c
Platinum, refined (per pound)	$120.000	$120.000	$130.000
Cadmium (per pound delivered ton lots)			
Per pound, small lots	225.000c	225.000c	400.000c
Cobalt, 97 per cent grade (per pound)	230.000c	230.000c	405.000c
Aluminum—	220.000c	220.000c	220.000c
99 per cent ingot weighted average per lb.	29.000c	29.000c	28.000c
Nickel	133.000c	133.000c	128.000c
Bismuth (per pound)	600.000c	600.000c	600.000c

*—Discontinued

PROSPECTIVE PLANTINGS FOR 1971 U.S. CROP REPORTING BOARD—ACREAGES IN THOUSANDS—As of March 1:			
Corn, all	71,480	----	67,171
Durum wheat	2,525	----	2,091
Oats	23,206	----	24,492
Barley	10,868	----	10,435
Flaxseed	2,236	----	3,004
Cotton	12,061	----	11,942
Rice	1,825	----	1,825
Sorghums, all	20,152	----	17,292
Potatoes:			
Winter	18	----	20
Early spring	30	----	30
Late spring	83	----	82
Early summer	83	----	83
Late summer and fall	1,241	----	1,238
Total	1,454	----	1,453
Sweetpotatoes			
Tobacco	125	----	146
Beans, dry edible	845	----	899
Peas, dry field	1,469	----	1,526
Soybeans	277	----	316
Peanuts	46,493	----	43,332
Hay	1,529	----	1.511
Sugarbeets	63,481	----	63,234
	1,447	----	1,475
WHOLESALE PRICE INDEXES FOR MAJOR COMMODITY GROUPS U.S. DEPT. OF LABOR (1967-100)			
Month of February March			
All commodities	113.0	112.8	109.9
Farm products and processed foods and feeds	113.4	113.6	112.9
Farm products	113.0	113.9	114.6
Processed foods and feeds	113.7	113.3	111.8
Industrial commodities	112.8	112.5	108.9
Textile products and apparel	106.9	106.7	107.4
Hides, skins, leather, and related products	112.5	112.4	109.5
Fuels and related products and power	112.8	113.0	102.6

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WASHINGTON AND YOU

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

WASHINGTON, D.C. — There will be continued growth of the natural gas industry "provided supply can be found and delivered." This is the projection by the United States Department of Commerce which reported that marketed production of natural gas reached 22 trillion cubic feet in 1970, an increase of 6.2 per cent over 1969.

The natural gas industry is the Nation's sixth largest industry, but a question has been raised in Washington as to how long it will be able to hold that position because of the failure to make major new discoveries.

The industry is able to sell any natural gas that can be produced and delivered. The convenience and the pollution-free characteristics make it a desirable fuel.

While production reached 22 trillion cubic feet in 1970, industry and government experts predict that 23.3 trillion cubic feet will be marketed this year. The increase is in the face of declining domestic reserves. Reserves fell behind last year for the third successive year, and indications are 1971 will mark the fourth year in succession of declining reserves.

A coal industry spokesman, James R. Garvey, executive vice president of the National Coal Association and president of its research affiliate, Bituminous Coal Research Inc., said recently that "the most critical fuel need facing the Nation today is the growing demand for natural gas in the face of the diminishing supply."

"A realistic government research policy," said Mr. Garvey, "would treat this problem by accelerating the effort already underway to perfect the technology for conversion of our most abundant hydrocarbon — coal — to a synthetic pipeline gas.

Gas From Coal

Mr. Garvey predicts that because of the sagging natural gas reserves, synthetic pipeline gas will be flowing in the pipelines within seven or eight years.

"For the short term," he maintains, "the least important imperative in connection with our energy fuels is the development of technology to convert the atom into electricity. The more important need is to utilize more effectively the energy sources we have in abundance, not to develop a new energy surce."

He is sharply critical of Government policy of spending hundreds of millions of dollars in atomic energy research, which he insists has been "non-productive and to a great extent self-defeating, while practically ignoring the other fuels."

Rely on Conventional Sources Of Energy

Carl E. Bagge, president and chief executive officer of the National Coal Association, said recently at a news conference, that it is vital to the welfare of this country to have a national energy policy designed to meet future energy needs from domestic sources with a minimum impact on the environment.

Mr. Bagge, a former member of the Federal Power Commission, says the coal association has advocated a coordinated national energy policy for years, covering all fuels. The entire energy industry is awaiting completion of energy studies now underway by the White House, and by Congress.

"While it is important to the public welfare to develop atomic energy against the day — a century or so from now — when the Nation will need a new energy source to replace coal, oil and gas," said Mr. Bagge, "the government now should be putting most of its research funds into conventional fuels."

While atomic energy can substitute for conventional fuels in generating electricity, it cannot be used for other purposes, such as transportation. The United States consumes about 80 per cent of its energy fuels in the form of liquid or gas.

The United States has hundreds of years' supply of coal in discovered, measured, and recoverable reserves. In view of this reality, it is a paradox that scarce resources of oil and gas replaced the abundant coal supplies to a substantial degree during the past 50 years. In 1910, coal supplied three-fourths of our energy supplies. Both oil and gas combined contributed a smaller share than fuel wood that year.

Coal's Status Seen Further Eroded

What are the immediate prospects for the coal industry in view of sulphur limitations which many areas have imposed. Some Government authorities predict there will be further erosion of coal's position in the energy picture as air quality standards continue to spread to more states and municipalities.

While much research has already been done, and other research projects are in the mills, removal of sulphur from stack gases is not yet a commercially feasible alternative to burning low-sulphur fuels. Nevertheless, Government authorities are assertedly confident that given time and continued support from industry and government, a feasible solution will be found that will make coal an even more important and valuable source of energy in this and other countries.

Of course, it has been technically demonstrated that oil and gas can be converted from coal. The big question taking place now is the question of economic feasibility. As of now, the experts say there are strong indications that converting coal to gaseous and liquid fuels will become economically favorable.

Impact on Equipment Industry

Rising coal demand will have an important effect on the future sales of mining machinery and equipment, the Commerce Department says. Coal mine operators are among the mining industry's largest customers. Their largest customers are, in turn, electric utilities.

In 1900 the most coal a single miner could produce, using a pick and a shovel, was about 2½ tons a day. Using modern mining equipment, the miner's output today has increased to more than 20 tons daily.

Solutions designed to meet the present energy crisis, such as removing sulphur from coal, may prove to be costly. Large amounts of money must be spent to achieve the objective.

Changes in Energy Sources

Nearly 100 years ago, fuel wood provided about 80 per cent of this country's energy supply. Only 21 per cent was supplied by wood by 1900, while coal supplied 71 per cent of the market. In the 1930's, oil and gas began challenging coal's powerful position. Fluid fuels, right after the end of World War II in 1945, were supplying more energy than coal. Subsequently, natural gas began a rapid rise.

Currently, natural gas is providing about 32 per cent of the energy in this country, while petroleum and natural gas liquids, including imports, account for more than 43 per cent.

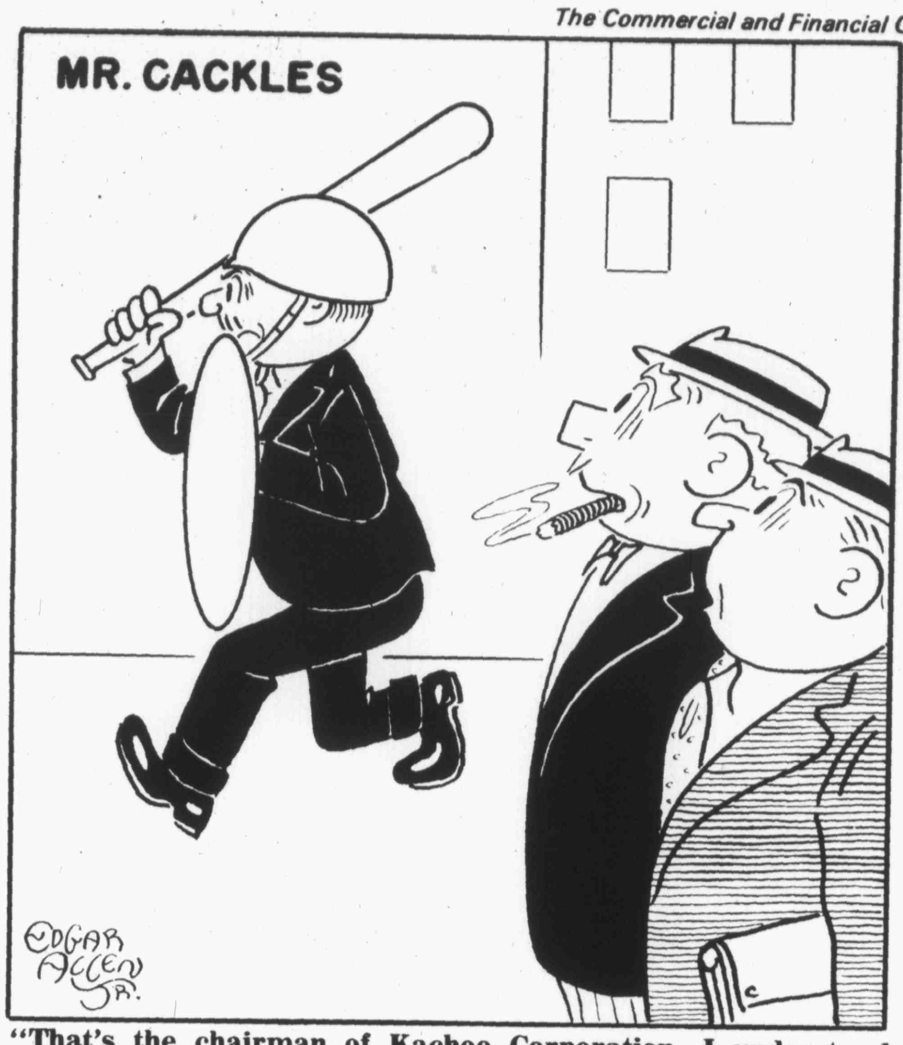
The story of ever-rising electric power use has been told over and over again. Coal continues to provide the major part of the energy consumed by the electric utilities. There has been a steadily declining percentage of the total output of electric power provided by hydroelectric plants.

Oil's Dominant Role

Government experts and industry spokesmen agree that oil will continue to be the Nation's largest energy source through the next 25 or 30 years. Natural gas will be the second greatest source of energy.

Electric utilities, to provide electric energy requirements in 1970, burned 322,360,000 tons of coal, **3,894,000,000,000** cubic feet of gas, and 332,100,000 barrels of fuel oil. The 1970 totals for fuel consumption were increases over 1969 usage of 3.8 per cent for coal, 11.7 per cent for gas, and 32.3 per cent for oil.

(This column is intended to reflect the 'behind-the-scenes' interpretation from the nation's Capital and may or may not coincide with the Chronicle's own views.)



"That's the chairman of Kachoo Corporation—I understand some stockholders give him a hard time at the annual meeting."

Int'l Securities Locator

Published by: Scheinman Ciaramella International Ltd., 111 Broadway, New York, N.Y., 10006.

Hard bound volumes, published quarterly, approximately 560 large sized pages, followed six weeks later with updated softbound reports. Geared to block trades and others desiring to know positions held in U.S.A. and Canadian stocks, preferreds and corporate bonds held by 800 USA and 1,100 foreign funds and trusts. Provides easy to read, comprehensive information on current, and previous, quarter holdings of securities, identified by name of issue, number of issues held, identity of investment company and its manager including address, telephone and telex.

The first volume (Vol. I, No.1) is the March issue. Subsequent volumes will be June, September, and December. Price, $350 per annum.

Eastman Dillon Elects

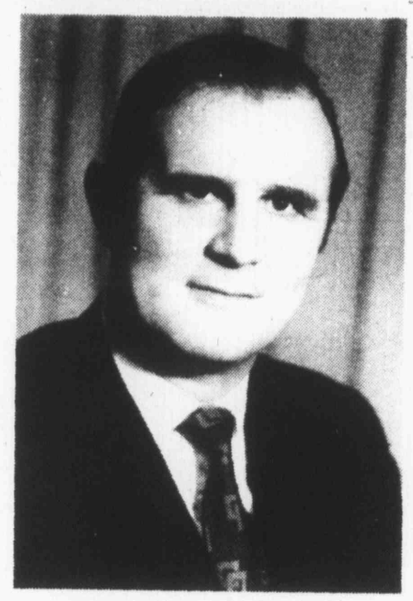
Eastman Dillon, Union Securities & Co., Incorporated, 1 Chase Manhattan Plaza, New York City, members of the New York Stock Exchange, have announced that Dwight C. Baum, Los Angeles, John F. McFeely, New York, and Burch Williams, New York, senior vice presidents of the firm, have been elected to the board of directors.

Carl Braun, New York; John B. Ducato, San Francisco; Lloyd S. Gilmour, Jr., New York; William J. Hobbs, New York; Joseph A. Jennings, New York; Richard L. Karrenbrock, San Francisco; Thomas E. Martin, Jr., Atlanta; William E. Mercer, Jr., New York; and Robert J. Purcell, New York have been admitted as voting stockholders and have been elected first vice presidents.

Blunt Ellis Branch

MILWAUKEE, WIS. — Blunt Ellis & Simmons has opened a branch office at 1201 North Prospect Avenue with Frank R. Dengel II registered representative in charge.

Bank of London Appoints in U.S.



Thomas E.S. Hodgson

Bank of London and South America Ltd. (BOLSA) announces that Thomas E.S. Hodgson has been named to head all of its activities throughout the United States. This extends Mr. Hodgson's previous responsibility for the New York Branch to the bank's interests across the nation. In his prior capacity Mr. Hodgson was Vice President and Manager. He is now Senior Vice President and continues as Manager.

Associated with BOLSA for 15 years, Mr. Hodgson accumulated an intensive and extensive experience in the bank's unique international operations. He worked first in Bolsa's London headquarters, subsequently in branch offices throughout Latin America and, in the last three years, in the New York Branch.

Other changes advance a number of officers to the position of Vice President of the New York Branch. This includes Louis F. Frey, who also continues as Assistant Manager; John D. Rickett, formerly Sub-Manager; and also Geroge H.P. Robins, R.E.C. Surguy and J.L. Mesnil.

Bank of London and South America is a leader in international banking and its history is synonomous with the history of British banking in Latin America over more than a century. Its proposed merger with Lloyds Bank, Europe into what will be Lloyds and Bolsa International, Ltd., is already resulting in increased international operations, notably in European countries and America.

Balt. Traders Spring Outing

BALTIMORE. MD. — The Baltimore Security Traders Association will hold their 36th Annual Spring Outing on Friday, May 14, 1971 at the Hillendale Country Club, Baltimore, Maryland. Guests are most welcome at our event.

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