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The COMMERCIAL and FINANCIAL CHRONICLE

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Economic Outlook for Construction

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

Asserting business and consumers are more reluctant to spend, Professor Slichter says crucial question is whether this can be halted to prevent recession. Holds President Truman misunderstands problem, and advises business firms adjust investment to present situation and reduce prices to maintain employment. Urges construction industry give better products at lower cost, and sees need of tax reform to encourage more investment.

I

The most important thing about the present business situation is the growing reluctance of consumers and business concerns to spend money. Willingness to spend money has been dropping for several years, if one measures it by the ratio of recent income to present expenditures. Nevertheless, consumers and enterprises have been willing to spend faster than they received income, with the result that expenditures increased from month to month. Today, however, reluctance to spend has reached such a point that there is danger that the total volume of spending will drop.

Prof. S. H. Slichter

Let us look at the figures on the relation between incomes and spending. The best way to show the willingness of individuals to spend is to compare the relationship between personal incomes after taxes and expenditures for

(Continued on page 30)

*An address by Professor Slichter before the Associated General Contractors of America, New York City, Feb. 28, 1949.

Inquisitorial Practices of SEC

By BENJAMIN M. ANDERSON, Ph.D.*

Continuing his discussion of adverse effects on securities markets of the Securities and Exchange Acts, Dr. Anderson adds inquisitorial practices of the Securities and Exchange Commission as a further factor in reducing securities trading by discouraging men of wealth and informed individuals from engaging in market transactions. Lists severe margin requirements and restrictions on short selling and floor trading as intensifying difficulties of 1937 stock market break. Admits "Truth in Securities" legislation is needed, but criticizes operations of SEC as paralyzing and destroying marketability of securities.

ARTICLE II

The first article of this series[1] explained the business crisis of 1937 as due primarily to the startling increase in wages which came in 1937 as the result of labor union activity led by the CIO. This cut deeply into business profits. The severity of the crisis, however, and the violent collapse in security prices (August, 1937 to March, 1938) is to be explained primarily by internal weakness in the securities market. Due to a variety of governmental policies, the market had grown extraordinarily "thin." This was due to extraordinarily high incomes taxes, and the tax on capital gains, then part of the general income tax, which tended to eliminate men of wealth from stock market transactions, and the elimination of informed traders, especially "insiders" of a corporation. The Securities and Exchange Commission was criticised for its failure to carry out the purpose of Congress, by giving the exemptions contemplated by Congress, which would permit "insider" trading when this was for the benefit of the corporation and the public. We proposed a definite rule which would discriminate between fair and unfair trading by "insiders." The present article continues the discussion of governmental policies contributing to the "thinness" of the market.

Benj. M. Anderson

Inquisitorial Practices of SEC

A further important factor reducing trading by men of wealth and by informed men, was the frequent inquisitorial visits of agents

(Continued on page 28)

[1] The Commercial and Financial Chronicle Feb. 24, Page 1.

*The adjoining article is the second of three chapters dealing with the operations of the stock market under the SEC and securities legislation which will appear in the late Dr. Anderson's forthcoming book on financial history from 1914 to 1946 to be entitled "Economics and the Public Welfare" and to be published by D. Van Nostrand & Co. The remaining article will appear in a subsequent issue of the "Chronicle." Dr. Anderson, until his death on Jan. 19, was Connell Professor of Banking at the University of California, Los Angeles, and Consulting Economist of the Capital Research Co., Los Angeles. He was formerly economist of the Chase National Bank. At the time of his death Dr. Anderson was also President of the Economists' National Committee on Monetary Policy.—Editor.

EDITORIAL

As We See It

That Mandate !?!

The President was well in character in his Jackson-Jefferson dinner address last week. The general tenor of his remarks was also in some respects precisely in political tradition. The Chief Executive was definitely Harry Truman, the Harry Truman that he revealed to the whole world last autumn and has repeatedly re-revealed since then. He is evidently quite convinced, notwithstanding a number of very stubborn and inconvenient facts to the contrary, that he received a "mandate" in the November voting, and that the voice of "the people" has proved him right about everything under the sun and all those who differ with him definitely and eternally wrong.

Now, of course, Mr. Truman is an average sort of man from a small town in Missouri. He has the experience, the education, the traits ordinarily found in an individual of this background. If he has somewhat more than average of the attributes supposed to be characteristic of the mule bred in his State that is merely a coincidence, and on the whole not greatly to be held against him. All in all, one could scarcely expect him to rise above the level of thinking and acting common among the politicians, great and small, or to be acutely aware of defects in customary logic which

(Continued on page 28)

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Bear on Business—Bull on Stocks

By MAJOR L. L. B. ANGAS

Market analyst maintains America's comparative wealth makes us all the more vulnerable to recession from recent extraordinary boom levels. Emphasizes possibility of government's paternalistic cushions supporting income resulting from production. Expects fall in profits to outrun volume recession because of high break-even points. Nevertheless Major Angas expects major stock market revival to begin soon —perhaps two years before trade and profits reach bottom.

Fundamentally it is, I suppose, the fear of lower prices which actuates panics, and touches them off. For if there were not this fear of lower prices nobody would mind holding various types of assets throughout a period of grave fear. And yet it seems more satisfying to one's reason to regard panics as a mixed pudding of fear, expectation of lower prices, and demand for liquidity, in that order.

Major L. L. B. Angas

The extent to which a rich country can suddenly stop its buying at retail is obviously greater than the extent to which a relatively poor country can stop. Panics are therefore likely to be fiercer in rich countries, than in poor countries. America is more prone to disastrous industrial panics than China.

Indeed it is perfectly possible for nearly all consumers (in America) to cut off all their consumption for several months on end except for a few things like food, fuel and transportation. One can easily do without clothes, caviar, furniture, golf balls, entertainment, luggage, new washing machines, etc., for several months on end.

And the richer the country, and the better the condition of its existing (part-worn) household goods, the longer can be the period of abstinence from new purchases.

* * *

From the above remarks it will be gathered that after a long replacement demand boom, such as we have recently seen, the economy becomes more ripe for a panic than at other times!

How Fear Can Suddenly Freeze the Machine

Now it will be obvious to anyone acquainted with the nature of the capitalist system that if consumers, through fear, or through demand for liquidity, or in the expectation of lower prices, suddenly cease buying at retail at the shops, the retailers will cease giving orders to wholesalers and the wholesalers will cease giving orders to producers.

N. B.—*Retailers—by planning to reduce their inventories—could also initiate the debacle.*

As soon as this happens, the producers will start paying out lower incomes to their employees, and will begin to discharge them. Their purchasing power at the shops will therefore fall. Retailers will then sell less than formerly . . . since some of their customers have been wiped out, as a direct result of the *retailers themselves* having given fewer orders to producers!

By doing so they will have made things worse for themselves paradoxically. *They will (partly) have brought on their own depression.*

Cumulative Repercussion

Of course if there is some benign government in power with a lavish unemployment benefit program, which will immediately replace any incomes which producers cease to pay out, with income supplied by the government, then you need not get this cumulative contractive factor which I have just mentioned. But if unemployment doles are smaller than normal pay, the factor will in part prove true, despite all paternal cushions.

Indeed the more that some producers cease producing, the more will other retailers suffer, and the fewer will be the orders which they give to yet other producers.

The disease of bad trade thus tends to grow CUMULATIVELY AND PROGRESSIVELY, in rapid geometric proportions.

Recovery Curiously Self-Stymied

I ought perhaps to mention the self-stultificating nature of the adoption of a general inventory reduction policy, on the part of the nation's retailers, wholesalers and manufacturers as a whole.

If any one of these groups thinks his inventory is too large, he will meet current customer purchases out of his inventory without giving new orders to prior producers.

They in their turn, will give fewer orders to the corporations from whom they obtain materials. They too will employ fewer men.

Thus a change in general inventory policy leads to a reduction in the national income . . . which in its turn reduces the spending in the subsequent period.

The Vicious Spiral

The tragedy of it all is that although the general wish was prudently to reduce inventories, the action — namely in giving fewer orders to producers—automatically cuts off the supply of money incomes with which future inventories might be reduced. It is thus quite tragically self-stultifying, and cumulative.

It is cumulative because the faster some do it, the faster others suffer, and the more frightened do they too become, and the faster do they too act similarly, and contract.

No Re-Bound . . . Until Thru the Wringer

The net result of all these various vicious circles or downward spirals is to force practically the whole of the economy cumulatively so far down, until at last it looks almost as though it were impossible for things to get any worse.

Then and then only is confidence likely to revive, and people to start preferring to invest in commodities rather than in money.

This condition of mind, however, will not usually mature until most industries are selling far below costs, and until most corporations are making serious losses.

Then you will, as a rule, get the feeling gradually spreading that things cannot get any worse, and that improvement will eventually be around the corner . . . especially as production will have been greatly reduced during such a slump and actual scarcity will be developing "of commodities in relation to money" . . . even though bank money itself may (will) have been seriously deflated meanwhile.

That is the nature of the bank credit cycle. That is the nature of cyclical bad trade. That is the nature of "cumulation." That is the nature of inventory fluctuation. It also is the nature of industrial panics.

The only difference between a panic and a slump is that a panic is faster and more furious . . . a matter merely of degree.

The last three months of 1937 were a perfect example of a mild industrial panic, where buying dried up much faster than at any time (probably) during the 1929-1932 slump.

* * *

Of course, owing to the existence of numerous forward orders, in numerous industries, it takes some time for some industries to slump. Indeed their slumps may not occur until old orders are worked off.

But if existing plant in one industry becomes not fully employed, they probably cease giving orders to the industries which supply them with tools and more plant. Thus with a time lag serious slumps occur in the construction industries. And they usually fluctuate more than all the others (except a few super-luxuries).

These constructional industries "might," I agree, slump first. But it is also possible for them to slump last. I do not think you can lay down any strict law about sequence: it rather depends on public psychology in each cycle, and on the forward-order situation.

* * *

What I fear for the future—and that is why I have been rather cautious for the last few years—is some sudden expectation of generally lower prices in America, due perhaps to the government's ceasing to support the bond market with inflationary money . . . or due perhaps alternatively to sudden war with Russia, the fear of bombs, etc., or to Truman's election promises.

Any or all of these eventualities, no matter how trivial or apparently serious, might touch off a cessation of buying at retail and the desire among retailers to reduce inventories and to unload. Orders with prior producers might therefore be cancelled fast. Everyone might get very scared; and everybody might thus join in the new bull market for money . . . consumers buying less in the HOPE of falling prices, and business men buying less in the FEAR.

The Leverage of It All

It need hardly be said that if only one person out of three stops

(Continued on page 32)

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INDEX

Articles and News

Page

Inquisitorial Practices of the SEC—*Benjamin M. Anderson*........Cover

Economic Outlook for Construction—*Sumner H. Slichter*..........Cover

Bear on Business—Bull on Stocks—*Major L. L. B. Angas*.......... 2

The Market for Securities Today—*Alfred C. Neal*.................. 4

Commodity Market Problems—*Rep. Harold D. Cooley*.................. 4

The Retail Pricing Situation—*Q. Forrest Walker*.................. 6

Newspapers and Economic Illiteracy—*James P. Selvage*.............. 7

Price Outlook Portends no Depression—*Ewan Clague*............... 7

Financial News Coverage and the American System—*Emmett Corrigan* 8

Business and the Reading Public—*Edgar G. Bowerfind*.............. 13

Railroads Need a Fair Deal—*Donald V. Fraser*..................... 17

Where and What Is Liberalism?—*Donald R. Richberg*................ 19

"Paper Is Paper and Gold Is Gold"—*Neil O'Donnell*................ 21

* * *

The Trouble Seeker (Editorial)..................................... 3

Rep. Joseph W. Martin, Jr., Sees Need for Hastening New Business Ventures 9

Business and Financial Reporting Needs Substantial Improvement, Says Louis W. Munro........ 10

"Yes, the Market Public Is Always Wrong," Says Grenville G. Garceau 14

Spahr Answers Pleas for Gold Standard Delay....................... 20

Harry Sears Objects to Spahr's Criticism of Gold Producers......... 20

Sumner H. Slichter Analyzes Taft-Hartley Act....................... 22

"Special Interests My Fight": President Truman..................... 23

NAPA Group, Headed by Robert C. Swanton, Sees Business Leveling Off 24

SEC to Hold Hearing on Revocation of Broker-Dealer License......... 24

Cleveland Reserve Bank Doubts Spring Upswing...................... 24

William Reid Defends Commodity Speculation........................ 25

"We Shall Hope . . ." (Boxed)...................................... 25

Arnold Bernhard Offers Tax Changes to Retard Liquidation of American Capitalism 26

Emil Schram Reveals Design of NYSE Advertising.................... 26

Ernest R. Acker Sees Electric Generating Capacity Ample............ 27

World Bank Grants Loan to Belgium.................................. 43

Regular Features

As We See It (Editorial)...Cover

Bank and Insurance Stocks.. 14

Business Man's Bookshelf... 16

Canadian Securities 20

Coming Events in the Investment Field.............................. 9

Dealer-Broker—Investment Recommendations.......................... 8

Einzig—"Britain's Overseas Investments"........................... 15

From Washington Ahead of the News—*Carlisle Bargeron*............. 6

Indications of Business Activity................................... 37

Mutual Funds 18

Prominent Personalities in Mutual Fund Business—*George Putnam*.. 18

NSTA Notes 12

News About Banks and Bankers....................................... 16

Observations—*A. Wilfred May*...................................... 5

Our Reporter's Report.. 42

Our Reporter on Governments.. 31

Prospective Security Offerings..................................... 42

Public Utility Securities.. 12

Railroad Securities 27

Securities Salesman's Corner....................................... 22

Securities Now in Registration..................................... 40

The State of Trade and Industry.................................... 5

Tomorrow's Markets (Walter Whyte Says)............................. 34

Washington and You... 44

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The Trouble Seeker

NASD contemplates committee for study of public reaction to over-the-counter vis-a-vis the listed market. Its position incongruous in view of variegated membership. No need for this study by NASD. The dilemma of the NASD. The damage of its price control policy.

Through the medium of a recent release, Wallace H. Fulton, as Executive Director, has announced that the National Association of Securities Dealers will soon appoint a committee of five members to undertake a study of the over-the-counter market, particularly the various aspects bearing upon competition with the listed securities exchanges.

A report of the findings and recommendations of this committee is to be made to the NASD Board of Governors not later than January, 1950.

This new proposed investigation emanated from a resolution of the Board of Governors, offered by Philip Carret, a partner in the New York Stock Exchange firm of Gammack & Co., calling attention to the existence of "a duty of the NASD to take all practicable steps to promote the interests of the over-the-counter dealers."

The release indicates that the committee will be composed of members primarily active as traders in over-the-counter securities or as retail distributors thereof.

By this same medium, we are informed that "the field of study" to be undertaken by the committee has not been specifically detailed by the Board. Then it is suggested this field might embrace answers to the following:

(a) "Is it true that public prejudice against over-the-counter securities is strong and increasing?"

(b) "Do the efforts of the Stock Exchange and Curb to promote listed business exceed the bounds of legitimate competition?"

(c) "Are listed markets superior in quality, other things being equal, to over-the-counter markets?"

(d) " . . . how much would it cost in effort and money to get the answers, and would the effort be worth to our members what it would cost?"

The release winds up with this statement:

"The committee might also explore with representatives of the Stock Exchange and Curb the possibility of a cooperative effort to promote the ownership of securities rather than the narrower campaign to aggrandize one segment of our business at the expense of another. If we can enlarge the pie to be divided among broker-dealers, it would seem a good deal better than to fight among ourselves for a larger slice of what is currently a very thin and scrawny pie."

It will be noted that the resolution called attention to the existence "of a duty of the NASD to take all practicable steps to promote the interests of the over-the-counter dealers."

This observation intrigues us because in stipulating the factors that the Committee might explore, no mention is made of the 5% spread yardstick which has wreaked havoc on both the industry and the investor. The stark truth of the matter is that this wholly un-American doctrine is one of the primary causes of the manifold adverse elements which presently plague the entire over-the-counter industry. And for this the NASD is wholly responsible.

Now Mr. Carret should be very conscious of the feeling of the over-the-counter dealers with respect to this rule for his name, in his capacity as Secretary of the New York Security Dealers Association, was appended to a resolution adopted on January 26, 1944, by the Governors of that Association which, in addition to condemning the failure of the NASD to permit its members to vote on the "5% 'philosophy' which, in practice, constitutes a rule," described the limitation on mark-ups as a matter "vital to the continued existence of the over-the-counter industry."

If, as far back as 1944, the Association, of which Mr. Carret was then an official, considered the 5% mark-up yardstick a hazard to the "continued existence of the over-the-counter industry," how much greater has this hazard

(Continued on page 36)

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The Market for Securities Today

By ALFRED C. NEAL*
Vice-President and Director of Research, Federal Reserve Bank of Boston

Pointing out investment is dynamo that keeps private enterprise system running, Dr. Neal stresses importance of securities business as vital to preservation and economic growth of nation. Sees increasing problem in getting savings channeled into equity securities, and warns excessive public savings are going into institutional form. Cites data showing investors' general lack of interest in buying stocks, and ascribes it to lack of familiarity with this class of investment. Advocates investment trusts and labels as patriotism getting American public to buy stocks and thus support private enterprise.

I was asked to open this discussion, not because I am necessarily an expert on the subject, but because I have expressed some ideas on it which attracted your committee. I am going to state some of my conclusions in rather extreme form. If that causes you to challenge them, then perhaps what I have had to say will have been successful, but I can defend myself on most of what I am going to say.

Dr. Alfred C. Neal

Being an economist, I want to start with a little discussion of the function of the business in which you are engaged, because it is a business which is highly essential in a capitalistic free enterprise system.

We must realize that investment—and I am using the term "investment" to mean the translation of money capital into physical plant and equpment—provides the dynamo which keeps a private enterprise system running.

We enjoy now a standard of living which is extremely high; it is probably the highest standard of living in the world. Our productivity is so great that we are not only able to provide this standard of living for ourselves, but also to spend billions of dollars each year helping other countries of the world to rehabilitate themselves. Contrast that situation with the situation that you find in an undeveloped economy like China, a country which produces on the average a bare living for its people and has virtually nothing over.

What is it that makes the difference? The difference, of course, depends in part upon resources, education and technology, but basically and fundamentally it depends upon the use of capital, the use of capital equipment. So that the standard of living which we enjoy today is the product in very large degree of past investment activity. Further growth in our standard of living will depend upon our current and future investment activity.

Consider the fact that the ordinary wear and tear on tools and equipment requires that very large expenditures be made every year for replacement, and that somebody has to provide the funds to pay for those new tools which replace the old that are worn out. In many cases, these funds are provided out of the earnings of the business itself. In many cases they have to be provided by resort to the capital market.

But beyond that, beyond just keeping what we have, consider also the fact that year after year a considerable part of the tools—and I use tools here in the sense of capital equipment that is used by business and industry of all kinds—that a considerable part of those tools becomes obsolete. Somebody invents a new device which does the job better and cheaper than the old. To get that new device into use, despite the fact that the business may not have earned enough on the old to get a capital fund sufficient to buy the new, once that new divice is introduced, and if it saves enough in cost, anybody in competition with those using that new device is more or less forced to buy the new device himself. He has to raise the money somewhere. In many cases, he has to resort to the capital market. And that is the way a new device, which cuts cost and makes possible this growth in the country's economy, gets put into use generally.

Capital for New Enterprises

But probably more important than either of those sources of investment, from the standpoint of growth and progress in the private enterprise system, is that required for new enterprises. We need new enterprises to bring new ideas and new products to the market. And it is particularly in the field of new enterprise that equity capital is both needed and scarce. The large corporation with good earnings can, and has been able to, finance its own acquisition of replacement tools or new tools that have been developed. But the little fellow with an idea, who is just getting going, is the fellow who has the hardest time getting extra capital. And that, too, is a part of this whole problem, and a part of your business in one way or another.

Well, the money that is needed to buy these tools, for whatever purpose they may be required, comes from savings. And it is your business, particularly, that provides the link between the savings of private individuals and the needs of business and industry for capital. And it is that side of the business that I want particularly to talk about tonight, because the people who provide this capital—the people who save, looked at another way—provide the market for your securities. And indirectly, they provide, of course, the institutional market for securities.

Securities Business Vitally Important

My first point, then, is that you are in a business which is vital to the preservation and growth of the private enterprise system. If we do not succeed in channeling savings into equity capital, we may have very great difficulty in maintaining our present standard of living and in keeping new enterprise coming along in our economy, bringing in the competition which has over the years made for progress that has raised the standard of living. There is an increasing problem in getting savings channeled into equity securities.

And that brings me to my second point, which is a discussion of what has been happening to the savings of the country. I am going to give you now the facts which support that conclusion that I just gave you, that there is an increasing problem in channeling savings into equity securities.

It may surprise you to know that currently the volume of savings in this country is probably larger than it has been in peacetime in the history of the country. Certainly that is true within the last three years since the end of the war; the volume of savings that is currently becoming available exceeds the volume that we

(Continued on page 32)

*The opening lecture, delivered by Dr. Neal, in a course on Investment Salesmanship, sponsored by Boston Investment Club and Boston University, Boston, Mass., Feb. 1, 1949.

Commodity Market Problems

By HON. HAROLD D. COOLEY*
Congressman from North Carolina
Chairman, House Committee on Agriculture

Congressman Cooley, asserting commodity exchanges are properly and ethically operated, upholds futures trading and hedging, but denounces excessive and violent speculation. Promises full Congressional hearings on President's proposals for greater authority to curb speculation, and warns commodity exchanges must conform to accepted standards of responsibility.

I am not here to deliver a lecture on morality, nor shall I embark upon a tirade or attempt in any way to threaten, to embarass or to blackjack those responsible for the operations, manipulations or gyrations which take place on the commodity exchanges. I accord to you gentlemen and to those responsible for the operations of the commodity exchanges of the country the same degree of business integrity and high purpose as is accorded to other business groups now operating in our national economy. Those responsible for the proper performance of all of the functions of the commodity exchanges are usually gentlemen of high character and of great business integrity. I shall not impugn the motives nor reflect upon the characters of the legitimate operators on commodity exchanges. I desire, however, to emphasize the fact that you are engaged in the performance of services which are definitely impressed with a public interest. You are, of course, vitally interested in the operations of the commodity exchanges. The farmers of this nation likewise have a vested and a vital interest in such operations. Not only the producers but likewise the consumers of the nation have an interest in the businesses which you operate. I therefore speak to you briefly about a matter in which we have a community of interest.

Harold D. Cooley

The markets of this country must be above suspicion, free from intrigue and corrupt practices, and free from fraud and deception. The markets of this country must be operated in a manner compatible with the high code of American business ethics.

High Character of Commodity Exchanges

In recent years the commodity exchanges have been operated in a manner which has reflected credit upon the character of the persons who operate such exchanges. The fact, remains, however, too little is known about the intricate operations which take place on these exchanges. The public generally is not well-informed and are frequently misled. This business of yours is very complex and is thoroughly understood only by specialists. Small speculators who are not familiar with the operations of these exchanges often come to grief and have their little fortunes wiped out because of unforeseen events which better-informed persons might have easily foreseen.

Even big speculators are not always right, but too frequently "fools rush in where angels fear to tread," only to find too late that they have come to grief and distress.

If privileges have been abused, if confidences have been betrayed, if there has been either illegal or unethical practices on the commodity exchanges, certainly some of you gentlemen are familiar with the pertinent facts, and I am sure that you will welcome an opportunity to correct such abuses and unethical practices and return your organization to the business code of ethics under which it has so long and well operated.

Futures trading is an essential part of our commodity exchange system. Hedging is a legitimate and ethical practice, but excessive speculation is a luxury which American agriculture cannot afford. Neither can the American farmer bear the pains and penalties which follow in the wake of wide fluctuations in commodity prices. Wide and wild fluctuations cause too much distress. I realize, of course, that there is an element of speculation involved in futures trading and likewise in hedging, and I appreciate the difficulties in determining what is excessive speculation. If in the operations of the commodity exchanges there is a well-recognized degree of speculation, then obviously it becomes a difficult task to determine the degree of speculation which will be considered excessive. You gentlemen, perhaps, know more about the commodity exchanges than any other group of men in America, and I am sure that you appreciate fully the harmful effects and distressing results of excessive speculation and accompanying wide fluctuations in prices. You also understand and appreciate fully the great complexities of the operations of the commodity exchanges. I therefore admonish you to keep your own house in order.

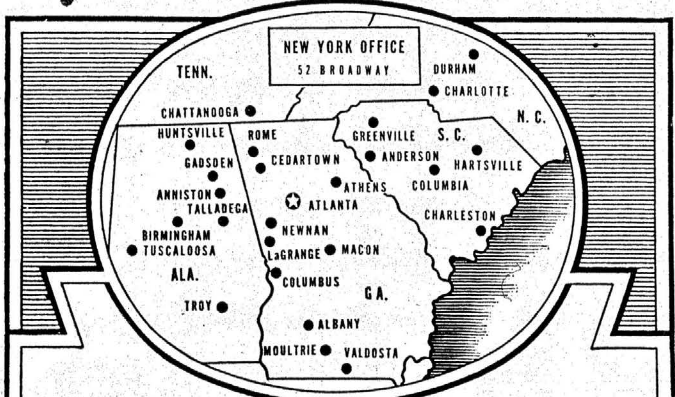
Certainly at the present time you have not been handicapped unduly by Federal regulations. You have, for all intents and purposes, regulated your own business. You sit in judgment upon the qualifications and character of those who are permitted to participate in the performance of the vital functions which are essential to the proper operation of these commodity exchanges. I am certain that you are in a better position to know what if anything should be done to prevent excessive speculation. Whether Federal control over margins becomes necessary will depend in no small degree upon your efforts and upon the manner in which you perform the important services which you are called upon by the investing public to discharge.

Regulating Speculation

While it is not my purpose to admonish you, I desire to remind you of the fact that on Jan. 5, 1949, in his message on the "State of the Union," the President,

(Continued on page 33)

*An address by Congressman Cooley before the Commodity Club of New York, New York City, Feb. 24, 1949.



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Observations . . . .

By A. WILFRED MAY

Economic Interpretation Still Follows the Ticker

In a communication to this column the prominent Dow Theory barometrician, Mr. Gaylord Wood, temporarily stepping out of his role of market technician, cites 12 non-market factors as the basis for predicting a stock market "crash" down to the 1932 lows. These alleged economic portents include—the indicated rise in unemployment, the increase in bankruptcies, the prospective drop in steel production, the violent drop in wholesale commodity prices; and expectations of a continued downtrend in real estate, a moderate rise in taxes, a leveling off in wages, a material decrease in consumer demand, a sharp drop in new plant and equipment, decreasing exports, and marked reduction in corporate profits and dividends.

A. Wilfred May

This columnist does not know how this particular forecaster weighted these factors before the recent market declines, but he is struck with the general public's currently repeated concentration on the discernible bearish elements *after the market has declined.* Seemingly the public never learns its psychology lesson!

The Illogical Short Interest

This traditional basing of forecasting in conformity with preceding stock market action is now again manifested by the action of the short interest. During the month ended Feb. 15, while stock prices were falling by 6%, the short interest on the New York Stock Exchange grew by 16%, excluding the odd lots which increased by 8%. This comprised a rise within the month of 50% in the ratio of the short interest to the average daily trading volume. Confirming this illogical pattern of intensification of bearishness after a decline, which has been historically detailed on several occasions in this column, "Barron's" shows in its issue of Feb. 21 that during the past 15 years a rise in the ratio of the short interest above 1.5% of the volume of trading, has in seven out of nine instances been followed by a substantial rise in share prices.

The concentration of emphasis on one set of factors to support a conclusion in the securities world, is similarly practiced in our general economic thinking. This is now being exemplified in the public controversy over inflation-versus-deflation, as in the citing of high personal incomes and steel shortages by Messrs. Leon Keyserling and John D. Clark in their recent inflation forecasts before the Congress.

Two-Way Market Explanations

The misuse of the demand-and-supply pull between investors' money and the available securities as an explanation for stock market movements in *both* directions was fully detailed in this column a fortnight ago. There are various other individual external factors which are successively interpreted self-contradictorily in being offered in explanation of both bull and bear markets.

For example, the Marshall Plan and its ERP's billions during periods of market optimism last year were welcomed as a major stimulant to our domestic production and as the producer of billions of national income. During our recent periods of market recession, on the other hand, the aid we are extending to Europe was pessimistically envisaged as the harbinger of increased competition from exports from the aided nations, and as a major cause of continuing punitive taxation.

The recent commodity price declines represent another factor which has been used for both bull and bear market explanations. During recent periods of market stability the bulls comforted themselves with the thought that lower prices would permit reduced selling quotations for finished products, a process inciting broadened consumer demand throughout the economy. The filip to industrial activity from the resulting broader use of consumers' cash savings of $150 billion was optimistically emphasized then.

Now, however, *'midst a bearish market period,* observers direct attention to the injurious effects of price softening on corporate inventories, and cite inventory vulnerability to justify the present extraordinarily high dividend and earnings yields (cf. "'Disinflation' and the Good Sense of the Investor," by A. M. Bernstein in the "Chronicle" of Feb. 24, 1949, p. 3).

Similarly divergent have been the reactions of the bulls and bears, as well as the bullish bears and bearish bulls, to the domestic political outlook. The results of last November's Presidential Election and the recurrent socialistic outbursts of Mr. Truman have been importantly cited as the harbinger of lower securities values, and as an explanation for liquidation by "Wall Street's scared (temporarily) rabbits." On the other hand, particularly at times of better market performance, intensified New Dealism because of its inflationary and consumer-propping implications, is used as a bull argument. In this vein one of the leading services even managed to comment on the President's inaugural speech thus: "... in its firmness the speech may well produce hopeful, long-range market sentiment. It made extensive reference to the large capital expenditures this country must make in developing the more primitive areas of the world. This would, it is said, involve the use of private capital."

And our post-election bulls have pinned their faith to the precedent of the British market which rose during the installation of the Labor Government's socialism since August, 1945, and even now stands 10% above its pre-election level.

* * *

So we see that basic flaws in the market community's analytical processes are exclusion of those external elements which do not fit the public's mood of the moment, and the contradictory varying of popular interpretations of particular factors in conformity with preceding market action.

Gimbernat-Sellwood Dept. Under Bennett

Gimbernat & Sellwood, 111 Broadway, New York City, members of the New York Stock Exchange, announce the opening of a municipal bond department under the management of F. Lawson Bennett. Mr. Bennett was formerly with Sherwood & Co., and in the past conducted his own investment firm in New York.

Brown Appointed by J. C. Penney & Co.

Appointment of Ralph D. Brown to an executive position with the J. C. Penney Co., nationwide department store organization, is announced by A. W. Hughes, President of the company. In his new position, Mr. Brown will devote his efforts to the company's public relations activities.

Ralph D. Brown

For the past ten years, Mr. Brown has been manager of the New York office of Braun & Co., national firm of business and public relations consultants, and, since 1941, has been a Vice-President of the organization.

Mr. Brown is a native of Vermont. He attended George Washington University and is a graduate of the National University Law School, Washington, D. C. While attending school in Washington, he worked in the United States Senate from 1923 to 1930 in various capacities. Upon graduation in 1930, Mr. Brown was appointed a special agent for the Federal Bureau of Investigation, where he remained until 1938, when he resigned to join Braun & Co.

Col. Fink Director

Election of Col. Sol Paul Fisk as a director of The Omnibus Corp. was announced March 1.

Colonel Fink, who has been associated since 1931 with Hirsch & Co., members of the New York Stock Exchange, also is a director of Merritt-Chapman & Scott, leading construction and marine salvage company.

Col. S. P. Fink

He has a notable record of service with the Armed Forces, beginning with his enlistment, at the age of 14, in the U. S. Cavalry, with which he served on the Mexican border from 1912 to 1915, inclusive.

In World War I, he served as First Lieutenant and then Captain of Field Artillery in the 92nd Division of the AEF, and added 15 months of foreign service to his record.

In World War II he again undertook active duty with the rank of Colonel in the U. S. Army Signal Corp., serving as Commanding Officer of the 804th and 800th Signal Training Regiments, and was awarded the Legion of Merit and a commendation.

Hirsch & Co. Open Two New Branches

Hirsch & Co., members of the New York Stock Exchange, announce the opening of a branch office in the Keyser Building, Baltimore, Md., under the management of John S. Hardin, and at 1624 Eye Street, N. W., Washington, D. C., under the management of Oscar Coolican.

Mr. Hardin was formerly comanager of the Baltimore office of Starkweather & Co.

The State of Trade and Industry

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

Total industrial production in the United States the past week gave indications of a slight falling off as compared with the week preceding. It was, however, mildly higher than the level prevailing in the corresponding period of 1948.

In keeping with the decline in aggregate output, employment last week dropped fractionally in many sections of the country.

* * *

The iron and steel industry contributed more than any other manufacturing industry to the national income in 1947. Its production of national income was nearly tripled as compared with 1929, the American Iron and Steel Institute currently reports.

Since the middle thirties, steel has been in first place or very close to the top more consistently than any other manufacturing industry. It was first in 1929 and in six later years.

The steel industry's contribution in 1947, according to the Institute, totaled $8,186,000,000, or 4.99% of private, nonagricultural income. This was $5,200,000,000 higher than in 1929, an increase of about 175%. The industry's payments in wages, salaries, social security, pensions and other compensations constituted nearly three-quarters of its contribution and also rose 175%.

In the same interval the industry's income taxes, the Institute points out, increased more than 10 times; net after taxes gained 118% and dividends 11%.

* * *

Noting that the United States Government has begun to tighten credit controls by law, "Electrical Merchandising," a trade publication, recently advised dealers in the credit business to follow suit and take added precautions when making a sale on time.

Three important points stressed by the publication were to obtain reports on everybody you sell; not to fail to get the information from the customer while he is in the mood and not to fail to impress upon him that payments must be paid when due or suffer the consequences.

While it is estimated, the magazine notes, that not more than 1% of people buying on time are poor risks, nevertheless, these delinquents can cut the margin of a dealer's profit. Experience tables have shown that if a customer will resort to deception once, he will do it again. A lot of dealers suffer by accepting contracts that their credit agencies have warned them against.

* * *

Building permit valuations for January fell rather sharply from the December level, and from the volume recorded in January a year ago, according to the latest compilation by Dun & Bradstreet, Inc. Total value of permits issued in 215 cities last month amounted to $222,489,796, the smallest monthly figure reported for the past 20 months. It represented a drop of 19.3% from the December level of $275,532,434, and a loss of 22.3% from the January, 1948, sum of $286,513,248. The decline was most pronounced in the New England, Pacific, South Atlantic and South Central regions. Advances over a year ago appeared only in the East Central and Middle Atlantic States.

* * *

Although aided by favorable weather and promotional sales in many sections, total retail dollar volume declined slightly in the week and was a trifle below the level of the comparable week a year ago. The weekly decline was generally attributed to the holiday closing of many stores on Washington's Birthday.

The total dollar volume of wholesale orders reflected a modest drop in the holiday-shortened week, but was fractionally above that of the similar week in 1948. Spring merchandise was ordered in a sizable volume. Collections continued to be slower than they were a year ago.

STEEL OPERATIONS EXCEED 100% OF CAPACITY FOR 7TH CONSECUTIVE WEEK

Back-to-normalcy was coming to the steel industry at a fast pace this week, "The Iron Age," national metalworking weekly, states in its current review of the steel trade. Some steel people were worried that it might mean more than a mere trend to the regular way—competition—of doing business. However, there were no signs that the bottom was ready to drop out of steel.

Signs that things are changing in steel follow: some steel firms which had higher prices than the majority have dropped them to regular mill levels; cancellations although not too heavy are becoming more frequent; holes in rolling mill schedules are opening up oftener than a month ago; some holders of non-cancellable conversion contracts are trying to buy their way out of these commitments and customers of steel firms are getting as

(Continued on page 33)

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The Retail Pricing Situation

By Q. FORREST WALKER*

Economist, R. H. Macy & Co.

Retail specialist, in commenting on confusion and disturbance in business because of current low economic visibility, points out high level of business activity cannot continue unless we have price structures that support and increase flow of goods. Says it is joint responsibility of government, organized labor and management to promote both production and distribution and criticizes heavy government costs and high taxes as handicap to proper price structure. Sees public's spending pattern changing and more cautious and selective retail buying.

We are in a period of low economic visibility. The year-end forecasting season has come and gone, but the great outpouring of fact, sound opinion and mere wishful thinking in these annual reviews has not dispelled the fogginess of the business outlook. The visibility is low because the evidence is growing that really important corrections of the economic distortions of the postwar boom are now under way. Prices are sensitive barometers of economic change. There have been many sharp declines in the prices of basic commodities. Our official index numbers of wholesale and retail prices have been drifting downward for several months.

Q. Forrest Walker

We are confused and disturbed because we do not know how serious these readjustments may be, nor how long they may last. Early in 1947 and again early in 1948, there were expectations that the traditional pattern of postwar economic changes would be repeated, but they did not occur. Replacement demands were underestimated and a combination of fortuitous circumstances gave the postwar expansion renewed vigor. But we cannot now foresee any fresh impetus to the ebbing boom. In the press and over the radio, we shudder at some abatement of our economic fever. We accept with enthusiasm new high records, however unsound and artificial the means by which they are attained, but we take a dour attitude toward the signs of a return of more normal times and the unlimited opportunities such a return offers to build a stronger and better economy. We gravely need a positive, not a negative, attitude toward healthy economic readjustments.

The war saddled us with very high governmental costs. High level business activity is needed to carry the very minimum of necessary and prudent governmental expenditures. That level cannot be maintained unless we have price structures that support and increase the flow of goods. During the past two years, the official index of the physical production of goods has increased only slightly, while prices have moved substantially higher. In the department store trade, we have achieved new high record of sales, but the physical volume of our trade has moved sidewise. Our gains have come from rising prices, not from the sale of greater quantities of merchandise. A similar situation prevails in many other lines of trade. Squeezed by high food costs, sharp rises in new housing costs, and urgent needs for many types of durable goods that now cost much more than before the war, the typical customer has curtailed his buying of the vast range of ordinary goods. When customers cannot afford to pay prevailing prices or believe them to be too high, lesser quantities are bought and fewer people are needed to produce them. That is why we need price structures that will move more goods into consumption.

*An address by Mr. Walker before the New York Chapter of the American Marketing Association, New York City, Feb. 25, 1949.

This is a joint responsibility of government, organized labor, management and all who play a part in production and distribution. While this discussion is primarily concerned with prices at the retail level, it may be desirable to comment briefly on some aspects of the impact of governmental costs on the price structure. High governmental costs are a substantial part of the cost of living. We cannot broaden our markets by increasing our tax burdens.

Within the proper exercise of its powers, government can only spend what it takes from the people by taxation, or borrows directly or indirectly from their savings. Moreover, except within narrow limits, it is not possible to shift the burden from local to state to national government because the burden really comes to rest on the whole people. These costs are part of the prices we pay for everything we eat, drink, wear or use. We know what we pay directly, but we do not always realize that these governmental costs are pyramided through the whole gamut of production and distribution. Under the American theory, government is not something apart from the people. There are limits to what we may do in our collective capacity without destroying the initiative that got us where we are.

The narrow, and often purely political, approach to the taxation question is not only a serious handicap to larger markets for particular types of goods, but it carries deeper threats to longer run economic stability. There is a vast difference between the political and the business approach to the problem of producing more income. In industry, we pay incentive wages, or grant merit increases, to raise production so that costs may be spread over a broader base. In government, we do not tax to generate a larger flow of income and spread our governmental costs. We do not reform antiquated, make-shift and punitive methods that set up powerful obstacles to the creation of new and additional income; and there is perennial search for new devices that often result in still greater burdens on productive efforts. Government, as well as private industry, can price itself out of revenues. Higher net rewards for constructive effort will do more for us than a good five cent cigar.

Consumer Attitude Toward Prices

But we are here more immediately interested in consumer attitudes toward prevailing prices and what we may do to change them. We may as well recognize that the declines in prices of many important food products have focused considerable consumer attention on the prices of other merchandise. Spending patterns are changing. Buying is more cautious and more selective, whether the purchase is entertainment or the smaller size of a favorite toilet preparation. There is an increasing disposition to wait for better values and lower prices. If figures mean anything, the trouble does not seem to be lack of buying power, because the flow of income remains near record levels, savings are increasing, and liquid assets are still very large. For some months, it has been the almost universal experience of merchants that when they can offer better values at somewhat lower prices goods move rapidly into consumption. It is a fair guess that few people expect to satisfy their needs at prewar prices because they recognize that basic changes have occurred which make the return to such levels a practical impossibility. But they want more for their money than they have been getting.

High Costs Impede Price Reductions

High production costs still impede the return of better qualities at more attractive prices. In the dismal thirties, we added quality and many refinements to merchandise to maintain price structures. During the war, most of these disappeared; and at the end of the war retailers liquidated large quantities of merchandise that were acceptable only under wartime conditions. Better qualities and more reasonable prices began to reappear, but the improvements were soon checked by rapidly mounting costs and what appeared to be an insatiable demand. Satisfactory quality for many types of goods became obtainable only at prices beyond the reach of the ordinary customer. Somehow we must find ways to produce goods to meet this new demand that grows more insistent day by day.

At times it is surprising how long manufacturers and merchants will cling to prices and qualities that have outlived their productive possibilities despite fresh advertising expenditures and vigorous sales promotion. Many producers are still nibbling away at long established trade discounts that have always been figured in the original pricing and that are powerful stimulants to continued dealer interest. They jump to the easy conclusion that all the merchant needs to do is to raise his price to a public that has repeatedly shown its lack of interest in higher prices. Most of these indirect means of raising prices can result only in throwing prices into retail zones that are not acceptable to the customer and that are injurious to the producer as well as the distributor.

There is, of course, no easy solution for getting costs down either in production or distribution; but it is impossible to believe that we have exhausted the possibilities. After all, costs are functions of volume. Many expensive mistakes in pricing could be avoided by the kind of pretesting that capitalizes on dealer knowledge of the most productive price levels. This kind of information does not require expensive research. It yields better results than multiple correlation studies and costly consumer surveys. The dealer is close to the customer. He knows what the customer wants and what he will pay. The first thought of a merchant after looking at goods is what he can get for them. Too often, products are designed and costed without adequate consideration of what the ultimate consumer is willing to pay.

We know that quality, style, "eye appeal" and utility are often much more important than mere price. There is still a vast range of opportunity to improve the

(Continued on page 39)

From Washington Ahead of the News

By CARLISLE BARGERON

Every time Mr. Truman talks about Wall Street and the "Interests" I think of a story I heard down in Tennessee a few months ago. A constable laid his defeat for reelection to Wall Street.

"Wall Street beat me," he would say on every occasion that presented itself.

"How do you know it was Wall Street?" he would be asked.

"Oh, they came down here."

"Did you see them?"

"No, they came at night."

"Well, how could you tell it was Wall Street?"

"They barked," he insisted.

Carlisle Bargeron

Nevertheless, Mr. Truman made the officeholders and the labor lobbyists deliriously happy at the recent $100 a plate banquet with this sort of stuff. Incidentally, there were 50 of the downtrodden labor leaders at the dinner, smoking big cigars and as well fed and comfortable as the labor caricatures of the capitalist. The way these labor birds are spending the hard earned money of their subjects these days is a caution. A. F. Whitney, head of the trainmen, thinks no more of tossing away a $10 bill than he would a dime.

But Mr. Truman—it is doubtful if demagoguery has ever been worse than it is in Washington these days. Roosevelt, at least, coined some new expressions such as Economic Royalists. Truman has taken us back to the vocabulary of the Bryan times. Yet it is doubtful if any President ever had so many Wall Streeters in positions of high influence.

The President told his worshippers that he might find it necessary to make another one of his trips around the country and they nodded at each other to the effect that this would certainly fix things up. After all, look what he accomplished in the campaign.

I would give a pretty penny if he would essay something of the sort. It is my conviction he would be in for the surprise of his life because this time he would have Bob Taft going right along with him or closely behind. Indeed, if some of Taft's friends prevail he would challenge the President to make it a joint debate. In either event, a joint debate or with Taft following closely on his heels, Truman would come back a very much shrunken figure. He's feeling his oats now, the President is; seems to be getting cockier every day. I can't imagine anything that would more deflate him than a set-to at close range with Taft.

No one would want to see him get the hang dog expression he had in his last term but a good chastisement just now would do him and the country immeasurable good. A few weeks after his reelection he told a private gathering that there were thousands of men in this country who could make as good or even better President than he. But after all he happened to be the President, he pointed out.

This was a trace of the humility that has characterized him. But he seems to be loosing it fast. He is coming more and more to look upon himself as a great leader. It is hard to think, too, of anybody more out of character.

Even the opposing Senators used to have a sneaking admiration for Roosevelt but they make little effort to disguise their contempt for Truman. After all they served with him. They had an intimacy which makes them scoff at talk of mandates.

Everything considered, Truman's increasing belligerency and the attitude toward him on the Hill, the prospect for any sizable portion of his "program" being accomplished is far from bright. The Conservatives, Republicans and Democrats, seem to have entirely recovered from the shock of Truman's reelection. They are becoming less and less impressed with it every day.

A group of business friends was telling me about the depression in the offices of the NAM as the Taft-Hartley hearings got underway. According to these friends, the NAM had completely thrown up the sponge on this particular Act. They assumed it would go through as the Administration wanted it. Put out by the NAM's attitude, these men got busy toward perfecting an opposition to repeal of the Act. It now appears that the Administration will get nothing like what it wants.

There is little or none of the Roosevelt gang's finesse at Truman's command. His henchmen seem to fumble the ball at every turn.

The Secretary of Agriculture, Brannon, has been placed in charge of the domestic program; that is, he is directing the strategy. You recall that when he was elevated to the secretaryship he was introduced as a man who had worked up from the ranks, just an honest, hard working civil servant. The fact is he is a professional politician who came here with the Roosevelt gang. He had to start at a lower level but he is far from the civil servant type. He did a good job of hoodwinking the farmers in the last campaign, played them on a strictly political basis.

But he hasn't the political ability of Roosevelt's hatchet men. The only ones on Capitol Hill who are going along with Truman are those who are for the program. They are, in fact, leading Truman not following him. Conversely those who are against the program are not being frightened by Truman's big words or any axe he might wield.

Schwabacher Adds Three

(Special to The Financial Chronicle)

SAN FRANCISCO, CAL.—Alfred P. Otto, Jr., Frank S. Sperry and Ernest Stent have been added to the staff of Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

With Frank Knowlton Co.

(Special to The Financial Chronicle)

OAKLAND, CAL.—Paulding Chichester has become associated with Frank Knowlton & Co., Bank of America Building. In the past Mr. Chishester conducted his own investment business in San Francisco.

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Newspapers and Economic Illiteracy

By JAMES P. SELVAGE*
Partner, Selvage & Lee, Public Relations
President, French & Preston, Advertising

Public relations expert decries the relegation of business' stories to the financial page in contrast to the general news publicity commonly given to the demagogic attacks by government and labor leaders. This entails situation of business talking to itself. Recommends general readers' exposure to doings of industry indispensable for preservation of capitalism.

The general topic of our discussion here tonight is Public Relations and the Financial pages. This is a broad question subject to many interpretations. We might spend a happy and exciting evening tossing dead cats at each other under the aegis of such a topic. I have no doubt you can recite many instances where men bearing the self-chosen epaulets of public relations on their shoulders have sought to misuse your pages. I conceivably might be able to retaliate with a story or two of having faced irate corporation presidents to explain why a wrong conclusion was drawn from a release or why I did not control your headline.

James P. Selvage

It could be a rollicking evening of fun. But, with your permission, I trust, I choose to delimit my part of the discussion tonight to something more basic and vital than the purely occupational relationships between public relations and the gentlemen of the press as represented by the financial and business editors.

My broad premise is—There is no way through the daily press of the nation to get across to the great unknowing masses the simple verities of our industrial system—the answers to the politicians, to the radicals, to the radical politico-labor leaders who, either through ignorance or deliberate distortion, seek the Glory Road through economic confusion.

The immediate response to that broad statement might be threefold:

(1) No institution believes more firmly in the capitalistic system than the newspapers as a group.

(2) The newspapers carry, proportionately, each day more news about business and industry than any other subject, except, perhaps, sports.

(3) Business does not package its news and tie it up with pink ribbon so it will be attractive to the average newspaper reader.

Business Confined to Financial Pages

I agree. But, whatever the reason, it does not deny the fact that almost invariably, whatever business has to say appears on the financial and business pages.

I know I am wading in treacherous waters in even seeming to impugn the value of these pages. But bear with me, I am not. I am now trying to propel our thinking. I have an orchid or two in my kit, but I am saving them.

What are the financial pages? They comprise the most selectly edited parts of the newspaper. They are written for a very compact business-financial audience. A single sentence wrongly written, or with a few misplaced facts, might do incalculable economic damage to a great many people. I think it is not too broad a statement that commerce in America would dry up more quickly than we can imagine without the financial and business pages as the nerve center tying varying interests together.

Yet, there are millions who turn to the sports pages, to the comics, to the women's pages—sometimes stop even to read the rape story on the front page—who think that the financial pages are not for her or him.

And I think we can accept the sequitur that the less this guy is likely to read the financial pages, the more economically illiterate he is, the more he is a prey for any demagogue, who portrays a businessman as a fathead with a big bay window, a top hat, and a consuming desire to starve widows and children, break unions, and establish Fascism in America.

Publication Research Service reports on its surveys of Sunday newspaper readership that, among men, 71% read the rotogravure, 51% the main news section, 66% the sports and 21% the financial pages. Among women, 76% read the gravure, 57% the main news, 65% the society section and 7% the financial.

So what happens almost daily? Mr. Truman tells the world that the steel industry is falling down on its job and that the government should become a steel producer. It is eight column headline news. The steel industry makes its reply, similarly economic in its phrasing and implications, but it lands on the financial pages.

You know, and no doubt some of you have told your public, that many of the people who are now demanding industrial expansion were expounding the thesis 15 and 18 years ago that it was over-expansion industrially that caused the depression; that we were a mature economy; that we needed a 30-hour week, and other panaceas. Today they have completely contradicted themselves.

But the millions to whom Mr. Truman addressed himself remain just as economically dumb as at the time they finished reading the President's messages.

Let's take a couple of more examples.

The NAM works for weeks on a statement from its Board, its

(Continued on page 38)

*Remarks of Mr. Selvage before New York Financial Writers Association, March 1, 1949.

Price Outlook Portends No Depression

By EWAN CLAGUE*
Commissioner of Labor Statistics

Predicting overall cost-of-living would remain steady in immediate future, and recent price readjustments will not be violent or extreme, leading government statistician looks upon recent developments as promoting stable and healthy price relationships. Points out lower farm prices have been offset by higher metal prices, and says there is no likelihood of price collapse experienced after World War I. Stresses importance of balance between prices and income, and a healthy distribution of national product between consumption and investment.

These days, even more than usually, everybody is concerned about prices—hoping for a drop in the prices of things that he buys and fearful of a drop in the prices of the things he sells. Whether it is the farmer, the businessman, the purchasing agent, or the ordinary consumer, everyone is half-hopeful and half-fearful of what may be happening to prices. With one eye on current wages and the other on 1920, we are wondering what will happen next, and what will happen when it happens. It is easy to understand why there is so much interest in prices. In a real sense, prices are the "governor" of an enterprise economy, since they are so influential in determining what things will be produced and in what quantities, and how the national product will be divided among various producers. During the war the governor was "rigged" through price control to keep prices at predetermined levels. When the controls were lifted, the machinery of the economy started to race, and only recently has it begun to return to what appears to be more nearly normal. The question in everyone's mind now is: Are we approaching a plateau from which we can proceed at reasonable speeds and in the right direction, or are we passing through one phase of what may turn out to be a rather violent readjustment?

Ewan Clague

It is certainly premature to give a dogmatic answer to that question, but our analyses in the Bureau of Labor Statistics leads us to believe that the readjustment need not be violent nor extreme, and that it can bring us to the threshold of a period of stable and healthy price-income relationships.

The Past Record

Now let us go back and look at the record of the past. Our principal long-time measure of the general price level is the Bureau's Wholesale Price Index, which has been compiled continuously for nearly 60 years. The record of the past 35 years is on this chart, which shows clearly the two wartime peaks, separated by a valley of depression. Let us look at that first wartime peak. It represents the accumulation of a 6-year price rise with only occasional and brief interruptions. One of the remarkable things about this rise was that it swept up farm prices and nonfarm prices together. They started at about the same point in 1914, and although farm prices rose more rapidly for a time, they reached about the same relative position in 1920. Then came the collapse. It was spectacular, and nothing escaped. Farm prices and nonfarm prices started down, all within the span of a few months, and fell almost at the same rate, although farm prices hit a lower floor before they bounced back. The declines in prices of individual commodities were equally spectacular. Corn dropped from a high of $2.00 a bushel in 1920 to a low of 44 cents in 1921, cotton from 42 cents a pound to 12 cents, and lead from 9 cents a pound to 4 cents. These are not isolated instances; they are typical examples of what happened when a speculative inventory boom, without firm underpinnings of demand, broke simultaneously in almost all industries.

Now you may ask: What is there in our present situation to prevent a repetition of this? Let us look at our present situation in the light of the recent developments. The same chart shows the prolonged price rise from the post-depression lows in 1939 to the postwar highs in 1948. Except for a period of firm price control, from 1943 to 1946 (which appears as an all-too-brief plateau on the chart), the price rise was about as steep in the second World War as it was in the first. This was particularly true of the spurt that followed the lifting of price controls in the latter half of 1946.

You will notice that this postwar rise has lasted much longer beyond the end of the war than the rise that ended in 1920. The postwar boom then lasted 18 months from the end of war. We are now 42 months beyond V-J Day, and we have as yet encountered nothing approaching a general liquidation of prices.

In the past two years the price level has been several times put to very severe tests. In the spring of 1947 there was a period of hesitation and a momentary contraction in the economy, in view of the uncertainties generated by the very rapid price rise of 1946. For a short time it appeared as though we might be reaching that plateau of stability that we were all looking for, but in the summer of that year our corn crop and the crops of bread grains abroad were seriously damaged by drought, which created a world-wide shortage of grains both for food and for feed. This stimulated a new spurt in prices of farm products and foods. At the same time increases in costs and prices in coal mining and steel-making, and a

(Continued on page 35)

*An address by Dr. Clague before the Economic Club of Detroit, Detroit, Mich., Feb. 21, 1949.

We take pleasure in announcing that
MR. JEROME P. MURTHA
(formerly with Graham, Parsons & Co.)
has been elected a Vice President
HOMER O'CONNELL & CO.
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March 2, 1949

WE ARE PLEASED TO ANNOUNCE THAT
WITH THE ADMISSION OF
MR. C. FRED RICHARDS
MEMBER OF THE NEW YORK STOCK EXCHANGE
TO OUR FIRM AS GENERAL PARTNER. WE HAVE BECOME
MEMBERS OF THE NEW YORK STOCK EXCHANGE
AS OF THIS DATE.
OUR OFFICES HAVE BEEN MOVED TO
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MARCH 1, 1949

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Financial News Coverage and the American System

By EMMETT CORRIGAN*
Chairman, Albert Frank-Guenther Law, Inc.

Public relations executive points to progressively lower volume of space devoted to financial news, for which he finds publishers and owners at fault. Concludes this is importantly undermining American Way of Life.

When your President, Gene Dickhuth, invited me to appear before this group for a discussion of the subject "What's Wrong with Public Relations in the Financial Press," my natural reaction was to say that as far as I know, there is nothing wrong. And I said that to Gene. I told him that any field of endeavor is susceptible to improvement but that I had no fault to find with the manner in which public relations and financial news writing was being conducted. Well, he persuaded me as you see, and I hope that in the few words I am going to say tonight that I can leave some thoughts with you, which will not be too irrelevant to the topic.

Emmett Corrigan

It would be a simple matter for me to say "the trouble with you fellows is that you do not run every single piece of copy that we send you, word for word as it is sent out." I don't intend to say that because, as you know better than I, a lot of the material labeled "news," which reaches you, hasn't much merit and deserves little, if any, space in the newspapers and often arrives late anyway. That perhaps is a weakness of the public relations system, but I don't see how it is going to change as long as there are so many public relations people with clients who want to get into the news columns on the slightest provocation.

The ideal of public relations people would be that every single story they send would be of such tremendous interest that you folks would wait breathlessly for them to come in, and the papers couldn't afford to go to press without them. Unfortunately, I don't think any of us will live to see such an Utopia.

And yet, there is something wrong with the financial press and you are not to blame. The fault lies with the publishers and owners. For two decades there has been a progressive decline in the volume of space given financial and business news. I know that you financial writers have waged and are still waging a constant battle for more space and I think you are right. I don't say this merely because I think you want to hear it. I don't want you to label me like the candidate for office in an agricultural county in a Southern State. He said over and over again in his campaign, "I am in favor of the State giving free seed to every farmer in this county and I don't care if my stand on this issue beats me for election."

*A talk by Mr. Corrigan before the New York Financial Writers' Association Forum, March 1, 1949.

Declining Allocation of Space

When I say that the financial and business sections of newspapers are not accorded enough space, I am not referring to every newspaper. There are exceptions but it is the exception which proves the rule. However, if you gentlemen think you are not getting enough space, I would like to call your attention to the conditions which exist outside of New York. In too many instances the financial sections tend to evaporate into thin air. Two or three years back, the firm with which I am connected conducted a survey of 184 papers in 84 cities in 29 states. The circulations ranged from five thousand to one million. Here are the results:

60 carried no financial news whatsoever.
18 carried only 1/8 of a column.
18 carried 1/4 of a column.
12 carried 1/2 of a column.
12 carried one column.
Only 23 papers carried 2 or more columns.

It should be pointed out that this study was made during the newsprint shortage but I feel that the situation has not greatly improved.

I have repeatedly called the attention of publishers, both here and out-of-town, to this sad condition and their replies invariably have been "We don't get enough financial advertising." They do, however, give ample space to the sports pages, and how much revenue and how much advertising emanates from this classification? Are the baseball, football or hockey clubs big advertisers? How much advertising does Belmont run? Or Aqueduct? Or Jamaica?

The Injury to the American System

We hear a lot these days about the necessity of educating the public on the American System, the American way of life. And one of the surest ways of defeating these aims is for the publisher to neglect their most important section. In my opinion this is not even good business because most of the leading metropolitan papers throughout the country have attained their leadership by appealing to the business community.

Sometimes I am told that there is not sufficient interest in securities and things financial. In my opinion that is a mistaken viewpoint. People are just as interested in business, finance and the securities market as they ever were. The reason that there is very little in-and-out trading and the reason for the low volume of the stock market is because of the tax laws, as you know.

To illustrate this interest, I should like to cite a case: One of our clients, Merrill Lynch, Pierce, Fenner & Beane, a few months ago ran a full page, 6,000-word all-type advertisement in a morning newspaper here, explaining fundamentals of the securities market. It was not designed to produce bulk inquiries but the firm received approximately five thousand responses, letters, telephone calls and personal visits. An independent readership survey showed that more than half of the readers of the paper noticed the ad, and the firm which made the survey concluded that "very few ads, even those with appealing, human interest illustrations, equal this record."

While we are on this subject, I would like to point out that the current issue of "Time" magazine devotes almost three times as much space to finance and business as it does to sports. In this same magazine, issue of Feb. 21, the publisher said in his usual letter, "Among the favorite-department-first of male readers the first seven favorites in order were: National Affairs, Finance and Business, Medicine, Foreign News, Science, People, International." He arrives at this conclusion, of course, through letters which come to the editor.

This shortage of space, to which I have referred, has other disadvantages. Very often when a story is abbreviated too much it becomes misinformation. If the earnings of a bank for 1948 are merely reported at $3.50 a share as against, let us say, $3.00 for 1947, and attention is not called to the factor of non-recurring security profits and losses, a true picture is not shown.

We have Trading Markets in the following

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G. Brashears Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Donald W. Stubblefield has become connected with G. Brashears & Co., 510 South Spring Street, members of the Los Angeles Stock Exchange.

With Bailey & Davidson

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF. — Alexander Brown has become affiliated with Bailey & Davidson, Fulton Fresno Building. Mr. Brown was formerly with Walston, Hoffman & Goodwin and G. H. Chance & Co.

Walker With Gross, Rogers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Allen L. Walker has joined the staff of Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Walker was previously with Floyd A. Allen & Co.

Dealer-Broker Investment Recommendations and Literature

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

Air Transport—Review—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Atomic Age — Stocks for an Atomic Age — Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Atomic Energy—Industrial possibilities of atomic energy and companies now making use of radio-isotopes—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Copper Industry — Analysis of outlook—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are analyses of **Curtiss-Wright Corp., Danciger Oil & Refining Co.,** and **Sterling Drug, Inc.,** and a bulletin on current developments in **Railroads.**

Low Priced Utility Common Stocks—List of 10 issues—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

New York City Banks—Breakdowns of government bond portfolios and sources of growth income 1948 on 19 New York City Bank Stocks — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York City Banks—Tabulation of maturity distribution of government securities in portfolios of 17 banks—First Boston Corp., 100 Broadway, New York 5, N. Y.

Also available are comparative figures on **Insurance** company stocks based upon preliminary figures for 1948.

Over the Counter Industrial Stock Index—With 10-year performance of 35 industrial stocks—booklet—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Income Bonds—Discussion of possibilities for liberal yield plus tax shelter—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a tabulation of commissions, taxes, fees and margins on purchases and sales of securities and commodities, analyses of **Shamrock Oil & Gas** and **Campbell Red Lake Mines,** and leaflets on **Air Reduction, American Airlines, Granite City Steel, Gulf, Mobile & Ohio, Inland Steel, International Shoe, Monsanto Chemical, Public Service of Indiana, U. S. Gypsum, Visking, Victor Chemical Works.**

Railroad Prospects—Outlook for the industry—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Security and Industry Survey—Quarterly guide for investors—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

* * *

Bingham Herbrand Corporation—Circular—Wm. J. Mericka & Co., Inc., 150 Broadway, New York 7; Union Commerce Building, Cleveland 14, Ohio.

Central Arizona Light & Power—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Central National Bank of Cleveland—Circular—Prescott & Co., Guardian Building, Cleveland 14, Ohio.

Also available are circulars on **Cleveland Trust** and **National City Bank of Cleveland.**

Central Public Utility—Analysis —New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Diana Stores Corp.—Analysis—Newborg & Co., 30 Broad Street, New York 4, N. Y.

Glass Fibers, Inc. — Circular — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Home Insurance Company — Analysis — Blair & Co., Inc., 44 Wall Street, New York 5, N. Y.

Also available is a leaflet on **Security Insurance Company,** and a tabulation of 1948 insurance stock earnings.

Industrial Brownhoist—Circular —Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

International Cellucotton Products Company — Analysis — William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Kentucky Utilities Company—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Lehigh Valley Railroad—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Longhorn Portland Cement Company—New analysis—Russ & Co., Inc., Alamo National Building, San Antonio 5, Texas.

Northern States Power—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Revere Racing Association, Inc. —Descriptive circular—William S. Baren Co., 42 Broadway, New York 4, N. Y.

Safway Steel Products, Inc.—Analysis—In current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

South Jersey Gas Company—Review—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

Southern Union Gas Co.—Circular—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Sport Products, Inc.—Circular —Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Tucson Gas, Electric Light & Power — Circular — Ernst & Co., 120 Broadway, New York 5, N. Y.

Victor Fuel Co. — Descriptive literature—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

Youngstown Sheet & Tube—Circular—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

With Cohu Corp.

Gordon R. Moon, Henry J. Kirby and William V. Hewitt have become associated with The Cohu Corp., 1 Wall Street, New York City, in the retail distribution of Mutual Funds.

Paul R. Flynn Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—James H. Shaw has been added to the staff of Paul R. Flynn Co., 411 West Seventh Street.

Parmely Herrick Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Parmely W. Herrick has opened offices at 84 State Street to engage in the securities business.

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Martin Sees Need For Hastening New Business Ventures

Republican leader in House of Representatives says Administration instead of pressing for more business controls and higher taxes, should devote itself to constructive measures to encourage business, and expand private investment to create new jobs.

Speaking at Fairfax Court House, Va., on Feb. 22, Joseph W. Martin, Jr., Republican leader of the House of Representatives, warned "the economic weather had changed abruptly" and "instead of pressing for more business controls, for government-owned steel plants, for more taxes, more spending and more bureaus, the Administration should be devoting itself to constructive measures to encourage business, expand private investment, and to hasten new business ventures which will provide jobs. We simply cannot afford the luxury of a depression and every effort must be made to avoid it.

Hon. J. W. Martin, Jr.

"This is no time to ask the American people for more taxes, for more spending on things we can't afford," Congressman Martin stated. "Our thoughts and energies must be devoted to keeping the people at work and maintaining the national income." Continuing he remarked:

"During the two years of the Republican Congress, this country enjoyed the highest level of prosperity and business activity, and the highest level of employment, ever experienced in our peacetime history.

"Now that the strong tide of business has been halted, we are not immediately faced with the problems of inflation, shortages and runaway prices, but rather with the problems of a possible business recession, which must be handled with wisdom and vigorous purpose if we are to head off further unemployment.

"I hope the Administration thinkers and planners catch up with the business picture as it exists today, before it is too late. The Republican 80th Congress passed a tax reduction bill which made a real beginning toward cutting back the cost of government to levels the American people can afford.

"Today, in millions of American homes, as the final tax returns for 1948 are being prepared, there is a wider appreciation of the work of the 80th Congress in its tax-reduction program. Everyone, as he makes out his tax return and realizes the tax cut given by the 80th Congress, must conclude it was a pretty good Congress.

"I predict tonight that if the present Administration has its way with its fabulous new plans for government spending, the tax reduction bill passed by the Republican 80th Congress will go down in history as the last tax cut ever given the American people in the 20th century.

"This is no time to consider further tax increases. The great need of this hour is for less government spending, lower taxes and less interference and obstruction to the normal American instincts for business expansion and new economic ventures. A stimulant to employment could be given by reducing the excise taxes at least to their prewar levels. They are killing some businesses and depriving people of jobs. The government at Washington has been over-spending for 16 long years. That is why we have the 60 cent dollar today, as measured in terms of 1940 purchasing power. We must stop this senseless retreat to fiscal chaos."

Charles W. Flesher Joins Floyd A. Allen & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Charles W. Flesher has become associated with Floyd A. Allen & Co., Inc., 650 South Grand Avenue. Mr. Flesher was previously Sales Manager for Bartling & Co. and prior thereto was with Paine, Webber, Jackson & Curtis.

COMING EVENTS

In Investment Field

March 3, 1949 (Chicago, Ill.)
Stock Brokers Associates of Chicago educational program, 3 p.m. Floor, Chicago Stock Exchange.

March 8, 1949 (New York City)
National Federation of Financial Analysts Societies Second Annual Convention.

March 11, 1949 (Detroit, Mich.)
Bond Club of Detroit 33rd Annual Dinner in the Crystal Ballroom, Book Cadillac Hotel.

March 11, 1949 (New York City)
Security Traders Association of New York forum on over-counter securities, 4 p.m. at Schwartz's Restaurant, 54 Broad Street.

March 15, 1949 (Cleveland, O.)
Cleveland Security Traders Association Annual Spring Party at the Allerton Hotel.

March 16-17, 1949 (Chicago, Ill.)
Central States Group of IBA Spring Meeting at Drake Hotel.

April 22, 1949 (New York City)
Security Traders Association of New York dinner at the Waldorf-Astoria.

May 14-15 (San Francisco, Calif.)
San Francisco Security Traders Association Annual Outing at Mt. Diablo Country Club.

May 18-21, 1949 (White Sulphur Springs, W. Va.)
Investment Bankers Association Spring Meeting of the Board of Governors at the Greenbrier.

June 4-5, 1949 (Minneapolis, Minn.)
Twin City Security Traders Association Summer Party.

June 17, 1949 (Boston, Mass.)
Municipal Bond Club of Boston Annual Outing at the Concord Country Club, Concord, Mass.

Oct. 5-9, 1949 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at The Broadmoor Hotel.

Dec. 4-9, 1949 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

With Edgar P. Hetzler Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Lura A. Pelton is with Edgar P. Hetzler & Co., 10 South La Salle Street.

BASIC CHEMICALS FOR INDUSTRY

At Saltville, Virginia, more than a half century ago, MATHIESON CHEMICAL CORPORATION started operation of the first alkali plant in the South. Forty years later, Mathieson established another large alkali plant at Lake Charles, Louisiana. An extensive postwar expansion program at these two plants, involving the expenditure of nearly $20,000,000, has recently been completed.

These plant facilities, coupled with the company's electrolytic operations at Niagara Falls, New York, have been an important factor in the development of many basic industries, especially in the South and Southwest. For Mathieson chemicals, including caustic soda, soda ash, bicarbonate of soda, chlorine and ammonia, are essential raw materials in the manufacture or processing of rayon, paper, textiles, metals, fertilizer, soap, plastics, glass and petroleum.

Also at Saltville, Mathieson Chemical Corporation operates one of the largest carbon dioxide plants in the world, producing dry ice and carbonic gas. These two products are distributed through 16 company-owned-and-operated warehouses extending from New York to New Orleans.

In recent months, the company has purchased from the War Assets Administration the ammonia plant facilities at Lake Charles which were built and operated by Mathieson for the Government during World War II. Here, by a process similar to that pioneered by Mathieson at Niagara Falls 25 years earlier, nitrogen from the atmosphere is combined with hydrogen from natural gas to produce pure anhydrous ammonia. While this production went entirely into the making of explosives during the war, it is anticipated that ammonia and other nitrogen products manufactured at Lake Charles will become increasingly important as fertilizers in the great Delta agricultural area.

This is another advertisement in the series published for more than 10 years by Equitable Securities Corporation featuring outstanding industrial and commercial concerns in the Southern states. Equitable will welcome opportunities to contribute to the further economic development of the South by supplying capital funds to sound enterprises.

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John G. Sheldon Joins F. S. Yantis & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John G. Sheldon has become associated with F. S. Yantis & Co., Inc., 135 South La Salle Street. Mr. Sheldon was with Television Shares Management Corp. and prior thereto was representative for Vance, Sanders & Co. in the Middle West.

Herrick, Waddell Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CAL. — Frank Searle has been added to the staff of Herrick, Waddell & Reed, Inc., 8943 Wilshire Blvd.

PORTSMOUTH STEEL

Bought — Sold — Quoted

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Phila. Elec. Co. Common
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Pennsylvania Brevities

The stockholders of five industrial firms located in Pennsylvania will vote on approving increases in the authorized indebtedness of their companies. These firms and the date of the scheduled meetings are: **Armstrong Cork Co.** on April 13; **Pittsburgh Consolidation Coal Co.** on April 20; **Aluminum Co. of America** on April 21; and **Jones & Laughlin Steel Corp.** and **Lehigh Coal & Navigation Co.** on April 26.

Armstrong plans to authorize an indebtedness of $25,000,000, from nothing at present; Pittsburgh Consolidation to increase its authorized debt to $50,000,000 from $20,000,000; Aluminum from $150,000,000 to $200,000,000; Jones & Laughlin by $62,266,000 to $150,000,000; and Lehigh by not more than $9,000,000. Jones & Laughlin stockholders also will vote on increasing the authorized common stock to 3,500,000 shares from 2,500,000 shares, of which there are currently outstanding 2,472,502 shares. The latter firm is engaged in a $260,000,000 postwar expansion and improvement program, in connection with which approximately $104,000,000 already has been spent.

* * *

A nationwide group of underwriters, headed by Halsey, Stuart & Co. Inc. of Chicago, Ill., on Feb. 16 publicly offered $40,000,000 of Duke Power Co. first and refunding mortgage bonds, 2⅞% series due 1979, at 101.31% and accrued interest. The Pennsylvania bankers participating in this offering were: Geo. G. Applegate & Co., Arthurs, Lestrange & Klima, Fauset, Steele & Co. and Thomas & Co. of Pittsburgh, and Aspden, Robinson & Co., Biddle, Whelen & Co., Bioren & Co., C. C. Collings Co., Inc., DeHaven & Townsend, Crouter & Bodine, Hallowell, Sulzberger & Co., Harrison & Co., E. W. & R. C. Miller & Co., Rambo, Close & Kerner, Inc., Edw. Lowber Stokes Co., Walter Stokes & Co., and Wurts, Dulles & Co. of Philadelphia. The net proceeds are to be used to pay for construction, etc.

* * *

Stroud & Co. and Yarnall & Co., both of Philadelphia, participated in the public offering on Feb. 25 of $20,000,000 Beneficial Industrial Loan Corp. 15-year 3¼% sinking fund debentures due Feb. 1, 1964, at 101½ and accrued interest.

* * *

The City of Philadelphia effected Feb. 24 the competitive sale in the capital market of a new issue of $44,200,000 of its municipal bonds for sewers, streets, paving and various other purposes. Drexel & Co., headed a banking group which submitted the better of two bids for the securities, which mature from 1950 to 1999. The bankers paid 100.019 for a combination of 1½, 2¾, 3 and 4% coupons, equal to a net annual interest cost of 2.577%.

National City Bank of New York submitted a bid which equaled a net interest cost of 2.607%.

The Drexel group reoffered the securities at prices to yield 0.75 to 2.90%, according to maturities, and announced at the close of the day that demand had made it possible to close the books.

* * *

The Pennsylvania Power & Light Co. of Allentown, which is expected to be in the market later this year for funds to help finance its four-year construction program, reports a net income, after charges and Federal income taxes, of $866,767 for the month of January, 1949, against $772,746 in the corresponding month last year. For the 12 months ended Jan. 31, 1949, net after charges and taxes amounted to $8,017,932 compared with $7,126,731 for the preceding 12 months' period. After deducting dividends applicable to the preferred stocks for the 12 months net available for the common stock totaled $5,863,067, against $5,146,731 for the year ended Jan. 31, 1948. It is expected that the decision as to the character of the financing, the amount and the timing will be made about the middle of this year. Charles E. Oakes, President of the utility firm, estimated the total cost of the four-year program at approximately $91,000,000, of which $41,400,000 will be raised through the sale of new securities. The remaining $59,600,000 will be taken from cash on hand, retained earnings and cash from other reserves.

* * *

Allegheny County, of which Pittsburgh is the county seat, has issued a call for sealed bids until March 8 on an offering of $7,260,000 bonds for various municipal improvements.

* * *

The City of Pittsburgh will open bids on March 17 for $6,600,000 in general public improvement and funding bonds, its first bond sale since April 1, 1948. At that time the city sold $4,000,000 general improvement bonds at a net interest cost of 1.99%.

* * *

Koppers Co., Inc., Pittsburgh, announces that it will take over all the properties, liabilities and obligations of Missouri-Illinois Furnaces, Inc., a wholly-owned subsidiary, which owns a blast furnace and coke plant at Granite City, Ill. The latter firm will then be dissolved.

* * *

H. J. Heinz Co., Pittsburgh, has arranged to borrow $15,000,000 from five institutional investors at an interest rate of 2.90%. The proceeds will be used for expansion of the company's properties in Pittsburgh. On March 24, the stockholders will be asked to approve a resolution authorizing the Heinz firm to borrow up to $20,000,000.

* * *

Allegheny Ludlum Steel Corp. total sales and revenues for 1948 were $126,780,255, and net earnings for the year were $6,833,384, equivalent to $5.05 per common share after providing for dividends on the preferred stock. The earnings were the highest in the company's history, being $830,727 in excess of 1947 earnings of $6,002,657 when sales and revenues totaled $106,783,183, and $234,038 more than the previous record in 1946 when earnings of $6,599,346 resulted from sales and revenues totaling $95,277,573. The ratio of earnings to sales was 5.4% in 1948, as compared to 5.6% in 1947 and 6.95% in 1946.

* * *

Sun Oil Co., Philadelphia, reported that 1948 was the biggest year of oil operations in its history and at the same time forecast for this year a return of "spirited, wholesome competition" in a market in which supply has caught up with demand. Sun's record volume of business brought record profits for 1948. On a gross operating income of $447,309,191 for the corporation and its subsidiaries, net earnings totaled $42,853,839, or $8.61 per share on the 4,928,597 full shares of common stock outstanding at the year-end, or $9.37 per share on the 4,528,532 full shares outstanding on Dec. 31, 1947, which is comparable with the $5.28 per share earned during 1947. Capital expenditures during 1948 to replace and expand facilities totaled $54,292,000; additionally intangible development expenditures for the proving and development of prospective oil fields amounted to $21,938,000.

* * *

An issue of $25,000,000 Bell Telephone Co. of Pennsylvania 25-year debentures will be sold under competitive bidding next month, the proceeds to be used to pay off borrowings which by the end of last year had reached $16,156,250.

* * *

The year 1948 was significant in the history of the Mesta Machine Co., Pittsburgh, as it marked the completion of 50 years service to world-wide industries. At Dec. 31, 1948, the company was owned by 7,100 shareholders and provided employment for 3,350 people. Net income for the year, after all expenses, provisions for depreciation and taxes was $5,025,281, equal to $5.02 per share, compared with $3.03 per share for the previous year. Uncompleted business carried over on the books of the company at the end of 1948 amounted to approximately $35,000,000, compared to $46,000,000 carried over the previous year. "However," said Lorenz Iverson, President of the Mesta firm, "orders on hand fluctuate periodically, coincident with the entering of large contracts." Current assets at Dec. 31, 1948 amounted to $16,274,946, against current liabilities of $7,172,484.

* * *

Net earnings of National Supply Co., Pittsburgh, in 1948 were the highest in its history, equaling $8.01 per common share, compared with $5.47 in 1947, and $1.48 in 1946. Sales were the second best, being exceeded only in the war year of 1944, and totaled $160,100,318, compared with $133,570,590 for 1947, and $98,894,858 for 1946.

* * *

Armstrong Cork Co. reports a net profit after taxes of $11,567,524, equal to $7.54 per common share, for the calendar year 1948, which compares with a net of $9,648,592, or $6.41 per common share for the preceding year, and $4,402,705, or $2.69 per common share, for the year 1946. Current assets at the close of 1948 amounted to $47,646,510, and current liabilities $14,935,011.

City of Philadelphia Bonds

Bought — Sold — Quoted

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Eugene C. Baldwin Is With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Eugene C. Baldwin has become associated with Sutro & Co., Van Nuys Building. Mr. Baldwin was formerly with Cohu & Co. and prior thereto was an officer of John B. Dunbar & Co.

Elected to Board of Lee Higginson Corp.

Lee Higginson Corporation announces that the following Vice-Presidents of the company have been elected to the board of directors: Charles A. Capek, Chicago office; George J. Gruner and Richard de La Chapelle, New York office, and Henry S. Rogerson, Boston office.

Business and Financial Reporting Needs Substantial Improvement, Says Louis W. Munro

Public relations leader holds his profession has not adequately explained business to the press.

At a dinner meeting of the New York Financial Writers' Forum at Schrafft's Executive Dining Room in Rockefeller Center, New York City, March 1, Louis W. Munro, Vice-President, Doremus & Company, in speaking on the subject, "What's Wrong With Public Relations and the Financial Press?", set forth three major premises:

Louis W. Munro

First, that public relations counsel has been short-sighted in not explaining their business in greater detail to the business and financial press. He outlined how public relations men were responsible for having many corporations release figures and facts at regular intervals to the press and how continuing public relations effort could assist business and financial editors in supplying them with corporate information.

Secondly, he stated that many newspaper publishers seem to underrate their financial and business sections as a builder for their papers. A good financial section attracts readers with money to invest, and the resulting volume of financial advertising is proof that the paper is a worthwhile market for commercial advertisers.

Finally, he suggested that a departure from established methods of business and financial reporting might be found refreshing and would likely increase readership and advertising volume to the paper that initiates it.

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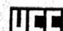
UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN UNITED STATES AND CANADA



CONSOLIDATED BALANCE SHEET

December 31, 1948

ASSETS

CURRENT ASSETS		
Cash		$102,136,913
United States Government Securities (Cost or Market, whichever lower)		54,975,562
Other Marketable Securities (Cost or Market, whichever lower)		1,257,161
RECEIVABLES (After Reserve for Doubtful)		
Trade Notes and Accounts	$ 59,015,301	
Other Notes and Accounts	12,462,959	71,478,260
INVENTORIES (Cost or Market, whichever lower)		
Raw Materials and Supplies	$ 48,310,515	
Work in Process	36,204,242	
Finished Goods	41,627,230	126,141,987
TOTAL CURRENT ASSETS		$355,989,883
FIXED ASSETS (Cost or less)		
Land, Buildings, Machinery, and Equipment	$631,729,639	
Deduct—Reserves for Depreciation and Amortization	301,435,529	330,294,110
INVESTMENTS (Cost or less)		
Affiliated Companies	$ 6,288,107	
Foreign Subsidiaries	24,046,204	30,334,311
DEFERRED CHARGES		
Prepaid Insurance, Taxes, etc.		4,447,538
POSTWAR REFUND OF EXCESS PROFITS TAX (Canadian Subsidiaries)		1,626,691
PATENTS, TRADE-MARKS, AND GOODWILL		1
		$722,692,534

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable		$ 31,370,166
Dividend Payable January, 1949		14,403,657
ACCRUED LIABILITIES		
Income and Other Taxes	$ 70,369,500	
Interest	337,500	
Other Accrued Liabilities	8,468,620	79,175,620
TOTAL CURRENT LIABILITIES		$124,949,443
2.70% PROMISSORY NOTES PAYABLE DECEMBER 1, 1967 (See Note 2)		150,000,000
RESERVE FOR CONTINGENCIES		6,541,043
CAPITAL STOCK OF UNION CARBIDE AND CARBON CORPORATION		
No Par Value—Not Including 409,947 shares held by the Corporation		
27,877,314 shares	$194,468,771	
930,000 shares held by the Corporation as collateral under the Stock Purchase Plan for Employees (See Note 3)	32,889,684	
28,807,314 shares	227,358,455	
Less present amount of Agreements	32,660,376	
	194,698,079	
EARNED SURPLUS	246,503,969	441,202,048
		$722,692,534

CONSOLIDATED INCOME AND SURPLUS STATEMENTS

Year Ended December 31, 1948

INCOME STATEMENT

INCOME		
Gross Sales—Less Discounts, Returns, and Allowances	$631,619,557	
Other Income (Net)	8,394,899	$640,014,456
DEDUCTIONS		
Cost of Goods Sold, Selling, General, and Administrative Expenses	$454,705,410	
Depreciation and Depletion	21,742,995	
Interest on 2.70% Promissory Notes	4,050,000	
Income Taxes	57,180,998	537,679,403
NET INCOME FOR THE YEAR		$102,335,053
Net Income Per Share—On 28,807,314 shares outstanding December 31, 1948	$3.55	

SURPLUS STATEMENT

EARNED SURPLUS AT JANUARY 1, 1948		$195,195,410
ADDITIONS		
Net Income for the Year	$102,335,053	
Increase in Market Value of Marketable Securities at December 31, 1948	4,746	
Reduction of Valuation Reserve—Securities sold during the year	11,375	
Cancellation of Deferred Liabilities Under Government Contracts	1,648,144	103,999,318
		$299,194,728
DEDUCTIONS		
Dividends Declared		52,690,759
EARNED SURPLUS AT DECEMBER 31, 1948		$246,503,969

NOTES RELATING TO FINANCIAL STATEMENTS—1948

1—The principles used in preparing the accompanying consolidated statements for the year 1948 are as follows:

All subsidiary companies that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and income of Canadian subsidiaries consolidated are converted at the official rate of exchange. Other assets and liabilities of Canadian subsidiaries consolidated are converted at the prevailing rate at time of acquisition or assumption.

Foreign subsidiary companies, one hundred per cent owned, and affiliated companies, less than one hundred per cent but not less than fifty per cent owned, are shown as investments. As of the date of latest financial statements, some of which are unaudited, the Corporation's equity in the net assets of these companies exceeded the amount at which these investments are carried by $13,846,954. The Corporation's equity in the net assets of these companies increased $3,558,412 between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest financial statements. Of this increase, $3,226,387 is applicable to the current period.

Income includes dividends paid by foreign subsidiaries and affiliated companies out of surplus earned since date of acquisition.

2—Promissory Notes provide for annual payments of principal in the amount of $10,000,000 beginning on December 1, 1953.

3—During 1948 the Corporation entered into Agreements with 318 employees, including 6 directors, all of whom devote their full time to the Corporation, and 5 officers who are not directors, covering 122,650 shares of its capital stock under the Stock Purchase Plan for Employees as approved and authorized by the stockholders in 1946. The Agreements set forth a price of $104.50 per share, which was the closing quotation on the New York Stock Exchange on the date preceding the offering. Under the terms of the Plan the price or prices shall be such price or prices as shall be fixed by the Board of Directors in its discretion, but not lower than seventy-five per cent of the market price. The Agreements provide that each participant has five years to complete payment, and that interest at the rate of two per cent per annum will be paid on the unpaid balance. The Board of Directors may take such action from time to time with respect to extension of time of payment as in the discretion of the Board is in the best interest of the Corporation. Stock covered by the Agreements is pledged by the participating employees as collateral security for payment. Shares in blocks of 25 are released from the pledge to the participants as payment therefor is completed. Each participant has also agreed to apply against the unpaid balance the amount, if any, by which the dividends paid to him on the pledged shares exceed the interest. The Plan provides that if a participant shall die the Corporation will offer, for a period of six months following his death, to repurchase the unpaid-for shares at the price to be paid by the participant. After giving effect to the three-for-one stock split on April 21, 1948, the shares covered by Agreements entered into since the adoption of the Plan in 1946 aggregate 973,950 shares of which 930,000 shares are held by the Corporation as collateral.

4—No final settlement of the refund to the Government for the year 1945 under the Renegotiation Act has been made. In 1947 the Accrued Provision for Wartime Adjustments was charged with $271,196, representing the estimated cash refund to the Government. Should an additional amount be required upon final settlement it will be charged to the Reserve for Contingencies.

5—Union Carbide and Carbon Corporation has agreed to maintain the assets held by the Trustee of the Savings Plan for Employees in an amount sufficient to permit the distribution of the Trust Estate to the persons entitled thereto.

AUDITORS' REPORT

TO DIRECTORS AND STOCKHOLDERS OF
UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1948, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1948, and the results of its consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HURDMAN AND CRANSTOUN
Certified Public Accountants

New York, N. Y., February 26, 1949

Trade-marked Products of Divisions and Units of UCC include

LINDE Oxygen • PREST-O-LITE Acetylene • PYROFAX Gas • BAKELITE, KRENE, VINYON, and VINYLITE Plastics • NATIONAL Carbons • EVEREADY Flashlights and Batteries
PRESTONE and TREK Anti-Freezes • ACHESON Electrodes • ELECTROMET Alloys and Metals • HAYNES STELLITE Alloys • SYNTHETIC ORGANIC CHEMICALS

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Public Utility Securities

By OWEN ELY

Central Maine Power

Central Maine Power, with total assets of about $123 million, serves the central, southern and western parts of Maine, with a population of 560,000 and some 262 cities and towns. Industries served are as follows in order of electric sales: pulp and paper, textiles, shipbuilding, metal trades, lumber and woodworking, boots and shoes. Agriculture and the resort business are also important. While there is a general impression that New England is losing ground with respect to manufacturing, in 1937, 25 new industries located in the area served by the company. The trend toward decentralization of industry has brought additional large national concerns into Maine for branch operations and development of new products. New methods of food processing, etc., have helped to diversify industrial products.

The company was handicaped in 1947-48 by drought conditions which for some months were the worst in 110 years. The company in 1945 produced 85% of its power requirements through hydro-generation and only 8% from steam, but was forced in 1947 to use steam plants to supply 25% of output, thereby reducing net income. During the years 1943-47 earnings fluctuated between $1.34 and $1.45. The number of common shares was increased nearly 30% in 1946 through issuance of rights, and the company is now again offering rights on a 1-for-6 basis. Further stock financing may be undertaken later in the year, in order to balance bond financing.

New England Public Service Company, a holding company in process of dissolution, owns a substantial part of the stock, which will probably be distributed when a dissolution plan is worked out. NEPSCO will not subscribe to the stock to which the current rights would entitle it.

Earnings in 1948 advanced to $1.49 per share compared with $1.35 in 1947. The company was successful in obtaining a rate increase from the Maine Commission, and has also increased the use of fuel adjustment clauses in its industrial rate structure. Water conditions are now more favorable, and the new unit at the Shelton hydro station will improve the outlook for 1949. Moreover, the Dead River Project—creating a lake 26 miles long—will impound nearly 12 billion cubic feet of water and add to the existing storage in the Kennebec River, thus helping to stabilize hydro operations in the event of future droughts.

In the 12 months ended Jan. 31, 1949, the balance for common stock was $2,784,000, equivalent to $1.41 per share on the increased number of shares (1,976,911) to be outstanding by March 31; and for the month of January, earnings were 22 cents per share compared with only 5 cents last year. The management estimates potential share earnings of $1.79 for the calendar year 1949. (This does not, however, make allowance for another possible increase in common shares which might occur later in 1949.) A projection has also been made for 1950, indicating an increase in the balance for common stock to $3,800,000 compared with $3,547,000 estimated for 1949. However, since the management may continue its practice of selling common stock along with bonds, it is difficult to work out a per share figure for 1950. In any event, the $1.20 dividend rate now seems to be well protected even under drought conditions.

Capitalization rations have been estimated as follows (the 1949 figures reflect two stages in the company's financing, $5 million bonds and 286,496 shares of common stock to be issued in March, and $3 million bonds and about $4 million worth of common stock late in 1949):

Ratios—	Dec. 31, 1948	March 31, 1949	Dec. 31, 1949
Bonds	52%	52%	51%
Preferred Stock	22	20	19
Equity	26	28	30
Totals	100%	100%	100%

Average electric revenues per residential customer in 1948 were 3.68 cents per kwh. and residential usage averaged 1,260 kwh. The rate increases received in August, 1948 were expected to produce about $1,400,000 increased revenues per annum, plus any benefits obtained from the additional fuel clauses during periods of low water and heavy industrial demand. The rate of return on the rate base does not appear excessive.

The stock is currently selling around 16 over-counter, to yield 7½%; the price-earnings ratio is about 11 but on the projected 1949 earnings would approximate 9 times. The price range since the stock came into the hands of the public was as follows:

	1948	1947	1946
High	19¾	23⅝	24¼
Low	14½	15½	19¾

Dividends have been paid at the annual rate of $1.20 since May, 1946 when the stock was first publicly issued. The current 30-cent quarterly dividend will be paid March 31, to holders of record March 21.

Central Maine Power Co.

Common Stock

Prospectus available to Dealers and Banks

G. A. Saxton & Co., Inc.

Teletype NY 1-609

70 PINE ST., N. Y. 5 WHitehall 4-4970

Floyd D. Cerf Jr. Co. Opens in Chicago

Floyd D. Cerf, Jr., formerly Director and Vice-President of Floyd D. Cerf Co., Inc., announces the opening of his own investment securities firm with offices at 120 South La Salle Street.

Floyd D. Cerf, Jr.

The name of the new organization which will engage in the general investment business specializing in chemical and industrial securities, is Floyd D. Cerf, Jr., Co., Inc.

Commenting on the establishment of his own company at this time, Mr. Cerf, Jr., who will serve as President and Treasurer, stated that in his opinion ownership of common stocks of many American corporations affords an excellent opportunity for profitable participation in the gains resulting from scientific research and development. He said:

"The leading industrial and chemical corporations are spending hundreds of millions of dollars annually in research and development of such discoveries as penicillin, streptomyacin, nylon, cellophane, radar and television, atomic energy and jet propulsion.

"Common stocks of many of these companies, which undoubtedly will produce even more spectacular products and services in the immediate future, are available to investors today on a relatively low times-earnings basis and an excellent dividend yield."

Mr. Cerf, Jr. entered the investment securities field in 1935 upon graduation from the University of Illinois and has been on LaSalle Street continuously, with the exception of four years in the Coast Guard, during which time he saw active service in the European Theatre as a Lieutenant j.g. He participated in the D-Day invasion of the continent.

Formation of the new firm was previously reported in the "Chronicle" of Feb 10.

F. Thomas Kemp Joins Jones, Cosgrove & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CAL.—F. Thomas Kemp has become associated with Jones, Cosgrove & Co., 234 East Colorado Street. Mr. Kemp was previously with Edgerton, Wykoff & Co. and Paine, Webber, Jackson & Curtis. Prior thereto he conducted his own investment business in Pasadena.

T. O. Leydecker With Walston, Hoffman Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Theo O. Leydecker has become associated with Walston, Hoffman & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Leydecker in the past was an officer of Stephenson, Leydecker & Co. of Oakland.

Col. Otto Miller Retiring From Investment Business

Col. Otto Miller, Cleveland investment banker, is retiring at the age of 75 after more than 45 years in business. He began his career in the securities business in 1899 with Lamprecht Brothers and four years later in 1903 established the firm of Hayden, Miller & Co. with Warren S. Hayden.

NSTA Notes

CLEVELAND SECURITY TRADERS ASSOCIATION

The Cleveland Security Traders Association will hold their annual spring party on March 15 at the Allerton Hotel.

Carl H. Doerge

George Placky

George F. Opdyke

Don W. Plasterer

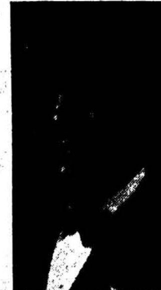
Officers of the club are Carl H. Doerge, Wm. J. Mericka & Co., Inc., President; George Placky, L. J. Schultz & Co., Vice-President; George F. Opdyke, Ledogar-Horner Co., Treasurer; and Don W. Plasterer, Hornblower & Weeks, Secretary.

James Russell, Gottron, Russell & Co.; Mr. Opdyke, and J. L. Quigley, Quigley & Co., Inc., are National Committeemen.

NATIONAL SECURITY TRADERS ASSOCIATION

Edward H. Welch of Sincere & Co., Chicago, President of the National Security Traders Association, announces the appointment of the following National Committee Chairmen:

Harold B. Smith



Jay L. Quigley

Phillip P. Jackson

R. M. Ergood, Jr.

Collins L. Macrae, Jr.

John J. O'Kane, Jr.

Advertising: Harold B. Smith, Pershing & Co., New York.
Legislative: J. L. Quigley, Quigley & Co., Cleveland.
Membership: Phillip P. Jackson, Jackson & Smith, Gastonia, N. C.
Municipal: Russell M. Ergood, Jr., Stroud & Co., Philadelphia.
Public Relations: Collins L. Macrae, Jr., Wulff, Hansen & Co., San Francisco.
Publicity: John J. O'Kane, Jr., John J. O'Kane, Jr., & Co., N. Y. C.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The first of a series of forums being sponsored by the Security Traders Association of New York will be held Friday, March 11, at Schwartz's Restaurant, 54 Broad Street (third floor). The subject of

L. E. Walker

R. Victor Mosley

the first forum will be "New Price Index for Oldest Securities Market." Speakers will be L. E. Walker, President of the National Quotations Bureau, and R. Victor Mosley, Stroud & Co., Inc., Philadelphia, past President of the National Security Traders Association.

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Similar talks in Chicago and Philadelphia have been most successful.

The long histories of local industrials going back over the years and the size of many over-the-counter industrial companies is a surprising one, one company having assets of over $200 million.

All members of STANY, their partners, and salesmen are invited to attend. It is felt that the talks will be particularly interesting and instructive to salesmen. All those who attend will be given a brochure on the over-the-counter market.

Henry Oetjen, McGinnis, Bampton & Sellger, is Chairman of the Forum Committee of STANY.

SAN FRANCISCO SECURITY TRADERS ASSOCIATION

The San Francisco Security Traders Association will hold their annual outing May 14-15 at the Mount Diablo Country Club.

TWIN CITY SECURITY TRADERS ASSOCIATION

The Twin City Security Traders Association will hold their annual summer outing June 4-5 at a northern Minnesota summer resort. Cars will leave Minneapolis about 3:00 p.m. June 3 for a weekend of fishing, golf and other entertainment.

Business and the Reading Public

By EDGAR G. BOWERFIND*
Public Relations Director, Republic Steel Co.

Steel company official holds humanizing of news writing is necessary to make business and finance understandable to general public. Maintains newspapers' financial pages can develop far greater readership.

It would enlighten newspaper operation if the business and financial writers were allocated space away from the financial pages In these days of short paper stock, however, that might require a bit of selling. I think it's a good idea not because you might necessarily treat the stories differently in the two parts of the paper but it would give you more space to deal with one of the most important segments in our society—namely, business.

When you strip all nonessentials away from our modern-day civilization, we find that all of us, to one degree or another, depend upon commerce and business for our livelihood. We either earn our living directly in some form of business or, if we are one of those fortunate few (and they are decreasing in number), our living comes as the result of the earnings on investments in business.

I have always felt that all but a few newspapers devote little space to business. It has always seemed to me that if the same measure of importance were placed on business stories that is placed on say stories from the police beat, we might have more of them and they could be equally interesting.

When you call the roll, even of metropolitan papers, you find relatively few skilled business writers who have a reasonably fundamental knowledge of what makes business tick.

Any good reporter can interview a company official and come back with a factual story, but too few are able to add that spice of interest which comes from a thorough grounding and background in business.

So, while I agree that it would be desirable to have these extra columns on page 2, 3, 4, or 5, in which to tell a story of business, it is, I believe, possible to write even financial news so that it is interesting and informative.

It was only a few years ago that newspapers began dealing seriously with science and medicine. As a matter of fact one of the early writers in this field was a one-time newspaper associate of mine. He has built up a very large following and does it not by writing of scientific accomplishments or achievements in scientific language or in describing medical discoveries in the technical language of the profession, but rather by translating the technical words into words which are simple and understandable to the lay person. This reporter is not unique in the field. You all have science writers who have developed great skill in making the obscure interesting.

Science Has Been Simplified

So it would seem to me that if a scientific or medical discovery can be translated into the English language, financial matters can be treated in a similar way.

I have some slight familiarity with this subject because one of the things that men in my line of work are trying to do is to interpret business to employees. They are trying to tell in plain, ordinary language—and by that I don't mean writing down—the story of the companies for which they work. They're trying to explain to the employees something of the financial and production problems, particularly financial. They're trying to explain profit and the need of profit and why it's not unholy for a business to make a profit.

That's one of the jobs we have. And while we approach it from a partisan viewpoint which you cannot, I still think that you would find it an interesting experiment to work toward the same end we do, only on a broader scale.

It's well to remember that American stockholders today are numbered in the millions. Fifty years ago that was not the case but today many companies have more stockholders than employees. As a result there is an audience for business and financial news which was unknown a few decades ago.

Perhaps instead of audience I should say "potential audience" because it's obvious that literally millions of these capitalists, and I use the word "capitalists" advisedly, do not follow the financial pages.

Promoting Readership

Which brings me to the next point of my thesis. If the people who run newspapers would devote only a fraction of the ingenuity and imagination in promoting readership for their financial pages that they use in promoting readership for, let us say, their sports section, it would also be a great help.

There is no reason why a newspaper should not attempt to get more readers for that part of the paper which tells the story of the nation's business life.

Certainly readers would cultivate the same readership habits in connection with the business and financial section that they cultivate in connection with sports, drama or books.

A good business and financial section, simply written, might attract a lot of readers to a newspaper. It seems to me the experiment is worth trying.

The third idea is one about which I have talked with a great many business and financial writers—in New York particularly.

As you know, I am with Republic Steel Corp. My great interest is steel and the proper interpretation of facts about steel.

Reporters Should Know Business

I was amazed when I first started coming to New York at reasonably regular intervals and talking to business and financial writers, to find out how few of them knew very much about steelmaking, beyond what they had read or gotten second-handed from steel people. I was amazed to find that many of them had never been in a steel plant. They had seen pictures of a blast furnace and open hearth but they had never seen one operate.

It occurred to me that they might perhaps write better stories about steel if they knew more about the steel business.

That, then, led me to a little broader field. As I talked to some of these writers I found they are tied to their desks in New York. week after week and month after month, writing about business They or their bosses, and I think it's largely their bosses, seemed to have the idea that all the business in the country is consolidated in New York. As a matter of fact, it isn't. There is a lot of business west of the Hudson River. There are a lot of big and important business people west of the Hudson—business people whom you writers should know not through letters or telephone calls, but personally. They should know you. That's equally important.

I've talked to a good many writers about the desirability of taking off a week or so at regular intervals and just making a prospecting trip out into our part of the country. If you went to Pittsburgh, Cleveland, Detroit, Cincinnati, Chicago and two or three other midwestern industrial centers and just made it a point to roam around and visit and talk to people, I'll lay you dollars to doughnuts, you'd not only expand your business knowledge but you'd pick up a lot of stories which today are buried.

So let me suggest to this group that you think seriously about this procedure. Look for a moment at the concentration of industry you have within a night's ride of New York. Think of the important business people who play a big part in our national welfare whose offices will be found within the same radius.

*A talk by Mr. Bowerfind before the New York Financial Writers' Association, March 1, 1949.

R. T. Coradine Joins Staff Of Oscar F. Kraft & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Reese T. Coradine has become associated with Oscar F. Kraft & Co., 530 West Sixth Street. Mr. Coradine was previously with Gross, Rogers & Co. and Carter H. Corbrey & Co. Prior thereto he was with Paine, Webber, Jackson & Curtis in Chicago.

With William R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Charles G. Schaefer has become associated with William R. Staats Co., 111 Sutter Street. He was formerly for many years with E. F. Hutton & Co. and prior thereto with Mitchum, Tully & Co.

Detzer With Seligmann

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—Harold E. Detzer has rejoined Seligmann & Co., 735 North Water Street. Mr. Detzer has recently been with Bell & Farrell, Inc.

Albert H. Bickmore Dead

Albert H. Bickmore, head of A. H. Bickmore & Co., New York City, died at the age of 79.

BARNSDALL OIL COMPANY

and Subsidiary Companies

Consolidated Balance Sheet—December 31, 1948

ASSETS

Current Assets:		
Cash		$ 9,055,152
U. S. Government Securities, at Cost		271,868
U. S. Treasury Tax Notes, at Cost		3,517,000
Accounts Receivable		5,926,478
Inventories:		
Crude Oil, at Market		939,624
Oil Products, at Market		343,520
Supplies, etc., at lesser of Cost or Market		1,166,267
Total Current Assets		$21,219,903
Cash Reserved for Dividend Payable January 12, 1949 (Contra)		$ 1,111,653
Investments in Securities of Other Companies, at Cost		$ 185,564
Barnsdall Oil Company Stock Held by Subsidiary Company Not Wholly Owned, at Par—(4,500 Shares in 1948)—(4,800 Shares in 1947)		$ 22,500
Fixed Assets:		
Plant and Equipment, at Cost		$56,228,089
Less: Reserve for Depreciation		26,879,617
		$29,348,472
Oil and Gas Leaseholds, Developed and Undeveloped		1
		$29,348,473
Deferred Charges to Operations:		
Prepaid Expenses, Advances, etc.		247,826
Total Assets		$52,135,925

LIABILITIES

Current Liabilities:		
Accounts Payable		$ 4,489,155
Accrued Expenses		102,476
Accrued Taxes, State and Federal		3,988,676
Total Current Liabilities		$ 8,580,307
Dividend Payable January 12, 1949 (Contra)		1,111,653
Minority Interest in Subsidiary Company:		
Capital Stock		$ 28,664
Surplus		22,041
		$ 50,705

STOCKHOLDERS' INVESTMENT

Capital Stock, Par Value $5.00 per Share (4,000,000 Shares Authorized):		
Issued	2,258,779 sh.	
Held in Treasury Dec. 31, 1948	35,472 sh.	
Held in Treasury Dec. 31, 1947	35,472 sh.	
Outstanding Dec. 31, 1948	2,223,307 sh.	$11,116,535
Outstanding Dec. 31, 1947	2,223,307 sh.	
Capital Surplus		4,163,424
Net Income Retained in the Business Since December 31, 1940		27,113,301
Total Stockholders' Investment		$42,393,260
Total Liabilities and Stockholders' Investment		$52,135,925

Consolidated Income Statement

For the Year Ended December 31, 1948

Gross Operating Income		$37,150,304
Deduct:		
Operating Charges:		
Costs, Operating and General Expense	$8,714,042	
Taxes, General	2,036,162	
		10,750,204
		$26,400,100
Add:		
Non-Operating Income:		
Dividends and Interest	$ 55,700	
Profit (*Loss*) on Sale Capital Assets	*(15,622)*	
		40,078
		$26,440,178
Deduct:		
Interest	$ 21,470	
Depreciation	1,697,339	
Lease Purchases and Geophysical Research Expense	2,612,800	
Intangible Development Costs	4,865,219	
Profit Applicable to Minority	5,649	
		9,202,477
		$17,237,701
Deduct:		
Provision for Federal Income Tax		3,764,072
Net Income for the Year		$13,473,629

Net Income Retained in the Business

Net Income Retained in Business from Dec. 31, 1940 to Jan. 1, 1948		$20,299,089
Add:		
Net Income for the Year Ended Dec. 31, 1948		13,473,629
		$33,772,718
Deduct:		
Dividends Paid—$2.50 per share	$5,558,268	
Dividend Payable January 12, 1949—$ .50 per share	1,111,653	
	$6,669,921	
Less: Portion of Dividends paid to Subsidiary Company	10,504	
		6,659,417
Net Income Retained in Business December 31, 1948		$27,113,301

Capital Surplus

Capital Surplus, December 31, 1947		$ 4,154,519
Add:		
Realization of Assets previously charged to Capital Surplus	$ 1,642	
Barnsdall Oil Company portion of excess realization over par of Barnsdall Oil Company stock sold by a subsidiary not wholly owned	10,857	
		12,499
		$ 4,167,018
Deduct:		
Barnsdall Oil Company portion of excess cost over par to a subsidiary not wholly owned of its own stock purchased		3,594
Capital Surplus, December 31, 1948		$ 4,163,424

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Since last November and particularly since the first of the year the uncertainties surrounding the business and political outlook have increased.

For the past several months there has been a growing number of indications that the postwar business boom as well as the accompanying inflationary pressures were leveling out. Readjustments in prices and production have become more numerous as the pipelines filled and inventories mounted. Unemployment has increased as output has eased from the previous high level.

Actually the present level of business is still very high. The Federal Reserve Board Index of Industrial Production for January of this year just released last week was put at 191% of the 1935-1939 average. This was only down one percentage point from the previous month and compared with the postwar high of 195 marked last October and November.

However, January was over a month ago and the principal concern at the moment is what has happened since that time and the trend indicated.

Therefore it is important to get some idea of what the current situation is. For this purpose weekly department store sales are useful. While they are but one factor in the total business picture, retail sales and the trend they indicate are a good general indication of what is happening in the economy. First of all they reflect purchasing power in the hands of consumers and their willingness to spend. Second, they indicate how goods are moving through distribution channels.

After a disappointing December and only a fair January which was aided considerably by promotional efforts, department stores sales in February were down considerably. The decline continued throughout the month of February and for the four weeks ended last Saturday sales of New York department stores were approximately 5% below a year ago.

On this basis the present outlook may not be considered too favorable. When viewed along with such other indices as declines in carloadings and lower scrap prices, a further slackening in business activity is indicated. The major uncertainty at the present time would seem to be not so much, whether, but how far the decline will go.

As usual there is a difference of opinion on this question. Some people see in the present situation a similarity between previous periods of declining business—1920 and 1937. From this they project a decline of major proportions. Others believe that the decline has already ran its course and that from here on there will be a period of only minor adjustments.

Still others, principally those prominent in the Administration, believe that the major concern at this time is still inflation and that the present declines in business activity are temporary which will later be effected by a resurgence of inflationary pressures.

While it is not my intention to attempt to resolve these differences of opinion, I believe that some of the recent statements by Administration officials have been inspired for political reasons in an effort to impose the Truman program of controls.

Certainly, it is not possible nor in many ways desirable to maintain the high rate of business of the past year. Possibly the readjustment is to a lower but more secure level.

If such is the case, it may be significant from the standpoint of business as well as banking operations. In the first place political considerations are one of the most important factors in the present economic outlook. A decline in the level of business activity might mean a more cautious attitude on the part of governmental officials with respect to taxes and new legislative controls.

Even if such controls were enacted, which seems less likely than a month ago, the monetary authorities might hesitate to use them under such circumstances. This opinion was reflected in a recent statement of Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System in which he indicated that the use of additional restraints for anti-inflation purposes may not be necessary even though we thought they should be enacted.

From this point of view and providing business is moving to a lower level, one can see an eventual relaxation of credit restraints in the form of reducing required reserves. The monetary authorities were active in using this power last year to restrict the expansion of credit by increasing reserves at New York and Chicago banks three times by two percentage points each time.

It seems reasonable to believe that they would exercise similar powers to lower requirements as soon as they were convinced the business outlook had changed.

BANK and INSURANCE STOCKS

GEYER & CO.
INCORPORATED

BOSTON 9 — 10 Post Office Square — HUbbard 2-0650 — BS-297
NEW YORK 5 — 67 Wall Street — WHitehall 3-0782 — NY 1-2875
CHICAGO 4 — 231 S. La Salle Street — FRanklin 2-7535 — CG-105
CLEVELAND 15 — Schofield Building — SUperior 7644 — CV-394
LOS ANGELES 14 — 210 W. Seventh Street — MIchigan 2837 — LA-1086
SAN FRANCISCO 4 — Russ Building — YUkon 6-2332 — SF-573

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TELEPHONES TO: Hartford, Enterprise 6011 — Portland, Enterprise 7008 — Providence, Enterprise 7008 — Detroit, Enterprise 6066

Halsey, Stuart Offer Worcester Gas Lt. Bds.

Halsey, Stuart & Co. Inc. offered to the public March 2 $2,150,000 Worcester Gas Light Co. first mortgage sinking fund 3¼% Bonds, Series A, due Feb. 1, 1969 at 101.47% and accrued interest. The firm was awarded the bonds on its bid of 100.517.

Of the net proceeds, $750,000 will immediately be applied to the payment of outstanding notes in that amount, thereby terminating a loan agreement existing since Dec. 11, 1947 with the First National Bank of Boston; $1,000,000 will be applied to retirement of first mortgage Series A Bonds, due 1954; $250,000 will be applied to the payment of a short-term promissory note to the First National Bank of Boston; and the balance, with funds from working capital, will be repaid to the company's plant replacement fund.

The bonds will be redeemable at general prices ranging from 104.47% to 100% and at sinking fund redemption prices scaled from 101.43% starting on Feb. 1, 1950 to 100% on Feb. 1, 1968.

The company is engaged principally in the production, distribution and sale of gas either directly or by sale to its associate companies, Marlborough-Hudson Gas Co., Milford Gas Light Co. and Dedham and Hyde Park Gas Co. in 26 communities in central and eastern Massachusetts, having an approximate year-round population of 425,000. The territory served includes the cities of Worcester and Framingham.

Halsey, Stuart Group Offers Northern States Power (Wis.) Bonds

Halsey, Staurt & Co. Inc. heads a group which is offering $10,000,000 Northern States Power Co. (a Wisconsin corporation) First Mortgage Bonds, 3% Series due March 1, 1979 at 102.75% and accrued interest. The group was awarded the bonds on its bid of 102.20%.

Proceeds from the sale of the bonds will be used to provide part of the new capital required to finance the 1949 construction budget of the company.

The bonds will be redeemable, other than for the sinking fund, at at prices ranging from 105.75% to 100% and for the sinking fund at prices ranging from 102.75% to 100%.

The company is engaged principally in supplying electric energy in west central Wisconsin and in continguous territory in Minnesota. Approximately 87% of its gross operating revenue in 1948 was derived from the sale of electricity, 10% from the sale of gas and 3% from heat and other miscellaneous services. Among the large communities served by the company are LaCrosse, Eau Claire and Chippewa Falls in Wisconsin and Winona and Red Wing in Minnesota.

Associated in the offering are: Dick & Merle-Smith; Otis Co. (Inc.); Wm. E. Pollock & Co., Inc.; Auchincloss, Parker & Redpath and Laird, Bissell & Meeds.

BANK and INSURANCE STOCKS

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)

LETTER TO THE EDITOR:

"Yes, the Market Public Is Always Wrong"

Citing recent market history, reader commends Major Angas for citing misguided mass psychology.

Editor, "The Commercial and Financial Chronicle":

Anticipating that the article by Major Angas in your issue of Feb. 17, 1949 will produce considerable comment, I for one would like to get in my thoughts. Major Angas has again brought to light his interesting and independent thinking. There are far too few of us who can take the facts of life put them together in another way and come out with a new, but correct, answer. Everyone should read and ponder on his article.

Is it not almost always the truth that the public is always wrong? Is it not correct that them that has gits? Do not the leaders always come out on top? Yes, they always do. And they do so by being ahead of the herd.

We don't have to go back many years to see how well the unorthodox have done. In 1938 and 1939 most railroads were in receivership and their bonds selling for 20 cents on the dollar. The orthodox course to follow was to sell them. And many was the bank and investor who did. But those who attempted the unorthodox made a fortune. Yet, all the while, it was an open issue and one could not possibly lose. In 1943 the orthodox procedure was to buy RR bonds at 90 cents on the dollar and War Stocks. Well, the bonds are still there and the War Stocks could have been sold in 1946, 1947 and 1948 at two to five times their original purchase prices. But the unorthodox was Public Utility Holding Company stocks. This group only appreciated 100 times in the same period.

Major Angas says: "A charming living delicatessen—this over-infested canyon of Wall Street. Passing the buck; passing the stock; finding some hick to hold the sinking baby." Well, seems like as if we had found the hicks all right. How about the Investment Trusts, Mutual Funds and Managed Funds. Seems as if they are always willing to buy them when they look good, earnings are high and they are at the top. The trees never grow to the skies and it always has worked out well to let someone else have the last 10%.

Today most investors and their wives' half-cousins are buying their heads off on the orthodox defensive issues, but the unorthodox are going to hell in a hanging-basket with yields ranging from 8 to 20%. Why not grab yourself a slice of the gravy that is being handed around right now but won't last long, I'll bet.

GRENVILLE G. GARCEAU.

South Hanover, Mass.
Feb. 25, 1949.

Notes Heavy Increase in Debt Financing

Georgeson & Co., in a report to clients, says tendency of corporations to obtain capital out of earnings and through creation of debt became more pronounced during past year.

In a booklet, entitled "A Report to Our Clients," Georgeson & Co., 52 Wall Street, New York City, specialists in services for corporations, attorneys, and underwriters, in connection with reoganizations, recapitalizations and new financing, calls attention to the more pronounced trend toward debt financing by corporations requiring new capital.

"In last year's report," the Report states, "we noted the tendency for corporations to obtain new capital either out of earnings or through the creation of debt rather than by the sale of equities. This trend has become more pronounced during the past year.

"In our own business the increase in debt financing was particularly marked. Meetings to authorize mortgages, bonds, or debentures were 10 compared with only 3 in 1947. Preferred authorizations were the same in each year, but stockholder resistance was far greater in 1948. Additional common was authorized in two cases compared with one in 1947, but in both instances for the purpose of conversion of stock purchase programs for officers and not for public offering.

"Among the more interesting proposals were those of several operating utility companies which required the consent of their preferred stockholders to remove or modify restrictions to permit additional debt or preferred stock financing.

"The trend toward financing through debt, while generally recognized as unsound, has come to be regarded as a necessary evil in view of the continued investor apathy toward equities. With well-seasoned stocks selling in the market at 4 to 7 times earnings and yielding from 7 to 9%, it is hardly surprising that both corporations and their bankers hesitate to bring out new equity financing.

"The reasons advanced for this state of affairs are as numerous as the remedies proposed. Lack of confidence due to the uncertain course of legislation and the fear of war has had a material effect in retarding market stability. The elimination of double taxation, revision of the capital gains tax, and a more cooperative spirit between Washington and business interests would be helpful. There is evidently no lack of available funds for equity investment, as proved by the volume of savings bank deposits, life insurance and savings bonds purchases. In searching for reasons and remedies there is one factor which is just beginning to be realized as perhaps the controlling one. This was well expressed by Julien H. Collins, retiring President of the Investment Bankers Association, when he said in his address to that body: 'Fortunately, this problem can be met. It can be met by expanding our sales effort to reach today's broader market. It can be met by introducing improved methods of business solicitation which are designed to reach the thousands of individuals who hold these unprecedented amounts of liquid assets.' Emil Schram, President of the New York Stock Exchange, also looks upon it as a selling job. As reported in 'Time,' Mr. Schram thought it was time for the Exchange to try to 'sell' the market out of its slump."

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Richard R. Cooley, Donald B. Mead and Robert F. Shields have become associated with Reynolds & Co., 208 South La Salle Street. Mr. Mead was formerly with Eastman, Dillon & Co. Mr. Shields was with Bear, Sterns & Co.

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Britain's Overseas Investments

By PAUL EINZIG

Recounting losses of British foreign investments since World War I, Dr. Einzig looks for its continuation due to further uncompensated nationalization of British assets abroad in Russia's satellite nations as well as in the Far East. Calls attention, also, to deliberate liquidation under auspices of Labor Government of some valuable overseas investments.

LONDON, ENG.—Britain is rapidly losing the remainder of her overseas investments, left over after the inroads made into these reserves by the two World Wars. No figures are available about the present value of the remaining investments. Even before the war the only detailed statistics of overseas assets were compiled privately by Lord Kindersley. These statistics have not been compiled for the last ten years, and the government has not made any effort to bring out figures relating to Britain's overseas capital position. From time to time, official or unofficial information indicates further liquidations or losses of overseas assets.

Dr. Paul Einzig

The reduction of British overseas investments assumes the following forms:

(1) Direct sales by the government of stocks acquired compulsorily from private investors. This practice was very much in evidence during the war, but even though the government still has the power to commandeer privately owned stocks this right is not exercised now.

(2) Sales by private interests negotiated under the auspices of the government. The sale of the Argentine railroads for £155,000,000 was the outstanding example of such transactions. At the present moment the Brazilian Government is negotiating the purchase of the Leopoldina Railway and the Great Western of Brazil Railway.

(3) Repayments of maturing loans or repurchases of bonds by the overseas debtors.

(4) Repatriation of stocks through private buying on the Stock Exchange. The sales of South African gold mining stocks to South African investors is the best known example.

(5) Privately negotiated sales of private assets. Many British firms with industrial or commercial undertakings in India for instance, sold out the whole or part of their assets to Indian interests.

(6) Flight of capital through loopholes in the exchange control. Internationally negotiable securities have found their way abroad in circumvention of the restriction measures.

(7) Defaults or repudiation of liabilities by overseas debtors. Bankruptcy or depreciation of assets of British-owned foreign firms.

(8) Nationalization of British property abroad without adequate compensation to the owners.

This latter heading is likely to assume particular importance in the not too distant future, owing to developments in Asia. During the last three years much British property in countries behind the Iron Curtain has been nationalized on more or less confiscatory terms. Negotiations with the governments concerned resulted in some agreements under which the owners receive in compensation a fraction of the value of their investments. The bargaining position of the British Labor Government in these negotiations has very weak moral foundations, owing to the fact that in Britain too compensation paid for nationalized industries is far from adequate. The Eastern European Governments, in their measures of partial expropriation, can claim to follow the example set by the British Government.

In Burma the prospects of receiving compensation for the £200,000,000 of British capital invested there are none too favorable. The Burmese Government is in a very difficult position, owing to Communist propaganda demanding the expropriation of foreign capital without compensation. This demand is naturally very popular, and it is politically impossible for the government to oppose it very firmly. The same situation is bound to arise also in Indonesia and French Indo-China the moment native governments assume full control. Expropriation of British and other foreign interests will then be forced on the government by left-wing propaganda.

Repatriation of overseas investments within the Sterling Area cannot be prevented, except in the case of South Africa where some restrictive measures have been devised. It is a natural result of the change of the economic and financial balance of power within the British Commonwealth. Most dominions are large creditors of Britain, even though some of their old pre-war loans are still held in British hands and occasionally new loans are issued in London.

The deliberate liquidation of some valuable overseas investments under the auspices of the government are viewed with much concern in many quarters. It is regarded as an instance of the way in which the Socialist regime is living on wealth accumulated by capitalist enterprise and thrift. The sale of the Argentine railroads barely paid for one year's supply of meat and grain from The Argentine. Admittedly, in some instances, such as the Leopoldina Railway, the assets sold are very much depreciated, so that the government is right in realizing them. But generally speaking only valuable assets are easily marketable, and what is left consist largely of irrealizable assets. The annual report of the Council of Foreign Bondholders gives a full list of the large amount of foreign investments in British hands which are in default.

Admittedly, there is a certain amount of new British investment in the Colonies and also in other countries. But on balance the declining trend continues. If, as is feared, the Communist victory in China should result in the confiscation of the large British assets in that country it will deal a very severe blow on Britain's international capital position.

NEW ISSUE

$44,200,000

City of Philadelphia, Pennsylvania

4%, 3%, 2¾% and 1½% Bonds

Dated March 1, 1949 *Due in varying amounts January 1, 1950-1999 incl.*

Coupon Bonds in the denomination of $1,000, registerable as to principal only. Registered Bonds in denominations of $100 and multiples thereof. Bonds in authorized denominations, of the same loan and maturity, are interchangeable, at the option of the holder, from registered to coupon form and vice-versa. Principal and interest payable at the office of The Philadelphia National Bank, Fiscal Agent of the City, Philadelphia, Pa. Interest payable semi-annually, January 1 and July 1, except that the first interest payment on January 1, 1950 will be for ten months. Non-callable.

Legal investment, in our opinion, for Savings Banks and Trust Funds in Pennsylvania and New York. Interest exempt, in the opinion of counsel, from Federal Income Taxes under existing law.

Principal and interest payable without deduction for any tax or taxes, except gift, succession or inheritance taxes, which the City of Philadelphia may be required to pay thereon or retain therefrom under or pursuant to any present or future law of the Commonwealth of Pennsylvania, all of which taxes, except as above provided, the City of Philadelphia assumes and agrees to pay.

These Bonds, to be issued for various purposes as set forth in the enabling ordinances, will, in the opinion of Counsel, constitute valid and legally binding general obligations of the City of Philadelphia, Pennsylvania, and the City will be obligated to levy ad valorem taxes upon the taxable real property within the City without limitation as to rate or amount, sufficient to pay the principal of such Bonds when due and the interest thereon.

We offer these Bonds, if, as and when issued and delivered to us, and subject to a favorable joint legal opinion by our Counsel, Messrs. Townsend, Elliott & Munson and Messrs. Morgan, Lewis & Bockius, Philadelphia, Pa.

It is expected that temporary bonds in bearer form, in the denomination of $1,000, will be delivered on or about March 10, 1949. It is expected that definitive bonds, as described above, will be available for delivery before November 1, 1949.

$10,740,000	4% Bonds due serially 1950 to 1959, incl., priced to yield 0.75% to 1.90%
$ 4,680,000	3% Bonds due serially 1960 to 1963, incl., priced to yield 2.00% to 2.30%
$24,280,000	2¾% Bonds due serially 1964 to 1990, incl., priced to yield 2.35% to 2.85%
$ 4,500,000	1½% Bonds due serially 1991 to 1999, incl., priced to yield 2.90%

(Accrued interest to be added)

Drexel & Co. The Chase National Bank Bankers Trust Company Chemical Bank & Trust Company

Smith, Barney & Co. Harriman Ripley & Co. Incorporated Kidder, Peabody & Co. The First Boston Corporation

Moncure Biddle & Co.

Yarnall & Co. Lee Higginson Corporation Merrill Lynch, Pierce, Fenner & Beane White, Weld & Co.

Bear, Stearns & Co. Seattle-First National Bank Graham, Parsons & Co. F. S. Moseley & Co.

Schoellkopf, Hutton & Pomeroy, Inc. Coffin & Burr Incorporated Central Republic Company (Incorporated)

The Marine Trust Company of Buffalo Alex. Brown & Sons American Securities Corporation

Reynolds & Co. Trust Company of Georgia Laurence M. Marks & Co. A. G. Becker & Co. Incorporated

Ira Haupt & Co. C. F. Childs and Company Incorporated R. S. Dickson & Company Incorporated W. H. Morton & Co. Incorporated

Geo. B. Gibbons & Company Incorporated Heller, Bruce & Co. W. H. Newbold's Son & Co. E. W. Clark & Co.

February 28, 1949.

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News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Announcement was made on March 2 of the election to the board of directors of **Credit Suisse** of Maurice Paternot, Vice-President of the Nestle Alimentana Company, S. A., and of J. Straessle, Vice-Chairman of the Swiss American Corporation in New York City. Mr. Paternot for many years has been managing director of Nestle Co., now Nestle Alimentana Company, S. A., at Vevey, Switzerland, and was recently elected Vice-President of the board. Mr. Straessle is also President of American European Securities Corporation. In 1942 when the Swiss Government was acting as the protecting power for United States interests in Japan, Mr. Straessle went to Mozambique as representative of the Swiss Government in charge of the transfer of the repatriated American Ambassador to Japan and his staff. During the war he served as financial adviser to the Swiss Legation in Washington.

* * *

Grenville S. Sewall has been appointed a Vice-President of the **Chase National Bank of New York** and will serve as associate legal counsel, it is announced by Winthrop W. Aldrich, Chairman. Mr. Sewall has been a partner in the law firm of Milbank, Tweed, Hope & Hadley. He was a member of the Rye, N. Y. City Council, 1940-43 and Mayor, 1944-47. He was also President of the Rye Community Chest in 1940.

* * *

John E. Bierwirth, President of the **New York Trust Company**, at 100 Broadway, New York, announced on March 1, the promotions of John T. Degnan and Alfred Hayes from Assistant Vice-Presidents to Vice-Presidents. Mr. Degnan, now associated with the banking division, will be in charge of the new office of the company at 39th Street and 7th Avenue upon its completion and Mr. Hayes will be associated with the foreign division.

* * *

The **East River Savings Bank of New York** announces that two geographically remote human relations programs have resulted in an unusual art exhibit at its 291 Broadway office. Ten original oil paintings depicting the story of employee relations at Avondale Mills of Alabama are on view as the first of a series of exhibits featuring representative industries in the bank's neighborhood. The exhibits are a part of the bank's community relations plan under the direction of George A. Smyth, Assistant Vice-President. It is noted incidentally that cotton is an important territorial industry in the downtown section of New York City and Avondale Mills and numerous other cotton textile firms have sales headquarters there. The bank's outside window displays, which call attention to the art exhibit inside, include background of cotton fabrics woven by Avondale and reproductions of the paintings as used in advertisements in the "Saturday Evening Post."

* * *

The promotion of George H. Auffinger, Jr., to Vice-President of the **Marine Midland Group Inc.** was announced in New York on Feb. 24 by President George E. Becker, said the Buffalo "Evening News" of that date from which we also quote:

"Mr. Auffinger, has been an Assistant Vice-President. The company is the service organization for the 19 Marine Midland banks. Mr. Auffinger had been with the Marine Trust Company since 1927 and became associated with the Marine Midland Group Inc. when it was organized in 1930. Two new directors have been elected. They are: President George W. Eaton of the Niagara County National Bank & Trust Company, Lockport and President Irving T. Skeels of the Elmira Bank & Trust Company, Elmira.

* * *

In accordance with plans previously made known by the **Lincoln National Bank of Newark, N. J.** its capital has been increased from $1,000,000, to $1,200,000 by a stock dividend of $200,000 effective Jan. 14. In indicating in our issue of Dec. 30, page 2761, the plans regarding the enlarged capital we reported that an additional $200,000 would be transferred from undivided profits to the surplus as a result of which the latter is similarly increased from $1,000,000 to $1,200,000.

* * *

Albert T. Shinkle, Assistant Treasurer of the **Girard Trust Company of Philadelphia** and head of its customer service department died on Feb. 24. The Philadelphia "Inquirer" states that Mr. Shinkle was in the treasury department of the Pennsylvania Railroad before joining the Girard Trust staff in 1925.

* * *

Harry J. Wood has been elected Assistant Secretary of the **Peoples First National Bank & Trust Company of Pittsburgh,** with which he has been associated since 1923, serving as a teller until 1942 when he entered military service, it is learned from the Pittsburgh "Post Gazette" of Feb. 24.

* * *

The election of Justin D. Bowersock 3rd as Executive Vice-President of the **Union Trust Company of Washington, D. C.** was announced on Feb. 23, it was made known by S. Oliver Goodman in the Washington "Post" of Feb. 24, who said:

"Mr. Bowersock will assume the newly created position on March 14, according to Linwood P. Harrell, Union Trust President. A Missouri banker for 20 years Mr. Bowersock is now a Vice-President of the Union National Bank of Kansas City, Mo."

* * *

Effective January 26 the **Cosmopolitan National Bank of Chicago** increased its capital from $400,000 to $500,000, this having been accomplished through a stock dividend of $100,000.

* * *

Reporting that the **City Bank of Detroit, Mich.**, recently organized, would open its doors on March 1 in the Penobscot Building, the Detroit "Free Press" of Feb. 25 stated that the institution is the first new bank to open in that city in 10 years. As noted in our issue of Feb. 17, page 770, Joseph F. Verhelle was named as the first President of the bank at the initial meeting of the directors. The election of James M. French as Vice-President was announced by Mr. Verhelle on Feb. 26, and also the appointment of Seward N. Lawson and John H. McAskin as Assistant Cashiers, said the "Free Press." Mr. French was formerly Assistant Secretary of the French Mortgage and Bond Co. An earlier reference to the bank appeared in these columns Dec. 2, page 2299.

* * *

A change in the name of the **Empire National Bank & Trust Company of St. Paul, Minn.** to the **Empire National Bank** became effective Feb. 1, according to a recent bulletin of the Office of the Comptroller of the Currency.

* * *

Through a stock dividend of $250,000 the **Simmons National Bank of Pine Bluff, Ark.**, has increased its capital from $750,000 to $1,000,000. The new capital was made effective January 24.

* * *

Under the name of the **First National Bank of Jackson, Miss.** the consolidation was effected on Feb. 21 of the **Jackson-State National Bank** (capital $500,000) and the **Capital National Bank of Jackson** (capital $600,000). Effected under the charter of the Jackson-State National Bank the consolidated bank has a common capital stock of $1,100,000, divided into 110,000 shares of the par value of $10 each, and a surplus of $1,700,000. Plans for the consolidation were noted in our issue of Nov. 18, page 2085.

* * *

W. K. McGee, Cashier and Trust Officer of the **First National Bank of Wichita Falls, Texas,** has been elected a Vice-President of the **National City Bank of Dallas,** effective March 15, it is announced by President De Witt T. Ray. This is learned from the Dallas "Times-Herald" of Feb. 20, which said that Mr. McGee, son of W. B. McGee, President of the First National Bank of Lampasas, Tex. began his career in his father's institution. He later served as Assistant National Bank Examiner in the Dallas Federal Reserve District, becoming Auditor of the Wichita bank in 1937, subsequently advancing to his present post.

* * *

Through the sale of $1,000,000 of new stock, the **National Bank of Commerce of Houston, Texas** increased its capital on Feb. 3 from $4,000,000 to $5,000,000 it is learned from the weekly bulletin of the Office of the Comptroller of the Currency.

* * *

The El Paso National Bank of El Paso, Texas, reports a capital of $1,250,000, enlarged Jan. 18 from $1,000,000. Of the $250,000 increase, $100,000 represented a stock dividend, while the additional $150,000 was brought about through the sale of new stock.

* * *

The **Valley National Bank of Phoenix, Ariz.** increased its capital from $3,000,000 to $3,250,000 through stock dividend of $250,000 effective Jan. 14, it was reported in a recent bulletin issued by the Office of the Comptroller of the Currency.

Columbus Stock & Bond Club Elects Officers

COLUMBUS, OHIO—At the annual meeting of the Columbus Stock and Bond Club the following new officers were elected:

Bert C. Linder — John B. Joyce

James F. Crum

President: Bert C. Linder, The Ohio Co.

Vice-President: John B. Joyce, John B. Joyce & Co.

Secretary-Treasurer: James F. Crum, W. M. Zuber & Co.

Trustees: The officers, George T. Currier; Ralph Elam, Sweney, Cartwright & Co.; Fred B. Paisley, Freeman & Paisley, Inc.; and Morgan C. Penn, Hayden, Miller & Co.

Stock Brokers Assoc. To Hold Meeting

CHICAGO, ILL.—On Thursday, March 3, the Stock Brokers Associates will present a special education program at 3 p.m. on the trading floor of the Chicago Stock Exchange, with the cooperation of the National Association of Securities Dealers, Bond Traders Club and Street Club.

Hon. Harry A. McDonald, SEC Commissioner, will make a special address on "1949 and the Securities Business."

The meeting will be a closed one for the personnel of security and commodity firms and banks.

Business Man's Bookshelf

Centennial History of the Pennsylvania Railroad Company 1846-1946—George Burgess and Miles C. Kennedy—The Pennsylvania Railroad Co., Philadelphia, Pa.—Cloth.

Saving American Capitalism—A. A. Berle, Jr., Chester Bowles, Alvin H. Hansen, Leon Keyserling and others—Edited by Seymour E. Harris—Alfred A. Knopf, New York City—Cloth—$4.00.

Security Dealers of North America 1949 Edition—Entirely revised edition of complete directory of stock and bond houses in the United States and Canada—fabrikoid—$9.00—Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.

$5,150,000

Chesapeake and Ohio Railway
Second Equipment Trust of 1949

2⅛% Serial Equipment Trust Certificates
(Philadelphia Plan)

To mature $515,000 on each March 15, 1950 to 1959, inclusive

To be guaranteed unconditionally as to payment of par value and dividends by endorsement by The Chesapeake and Ohio Railway Company

Priced to yield 1.35% to 2.40%, according to maturity

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any state in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such state.

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FIRST OF MICHIGAN CORPORATION — FREEMAN & COMPANY — HIRSCH & CO.

WM. E. POLLOCK & CO., INC. — McMASTER HUTCHINSON & CO.

MULLANEY, WELLS & COMPANY — JULIEN COLLINS & COMPANY

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March 2, 1949

INACTIVE BANK and INSURANCE STOCKS

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Railroads Need a Fair Deal

By DONALD V. FRASER*
President, Missouri-Kansas-Texas Railroad

"Katy" executive, in recounting railroad progress and prospects, contends, if given a fair-competition basis, rail transportation can hold its own against other forms of transport. Sees freight rates reaching saturation point and sees relief from higher operating costs in new labor-saving improvements that require additional capital expenditure. Lays high railroad costs to unreasonable labor demands and practices together with high taxes, and urges railroads be permitted to earn a minimum return of 6% on capital so that surplus earnings can be made available for cost-saving tools.

Today, as in 1946, this invitation to talk with you comes in the wake of another Katy tour through the Southwest. A number of you were aboard the special train last October, which carried financial analysts and writers to the scenes of the greatest development in the nation—and I believe some of you were along on the 1946 trip. Those of you who were on these trips, and others who have seen the Southwest in recent years, will substantiate any of the claims I might make about this rapidly growing section of our country. Those of you who are familiar with the Southwest have an appreciation, too, of some of the particular needs and problems confronting the Katy Railroad because of the fact that it does serve this territory.

D. V. Fraser

The Katy Railroad, in common with other railroads throughout the country, enjoyed in 1948 the benefits of a year of full employment and generally good business. However, our nation's difficult readjustment to peacetime stability, involving rapid changes in our economic pattern, continued to complicate railroad operations and management functions during the year. In order to keep pace with traffic demands, and to effect greater efficiency and produce greater economies, it has been necessary to adopt some new methods of operation, provide new motive power, rolling stock, tools, facilities and other innovations.

Since my last meeting with you, and during the three years beginning with 1946, the Katy has continued with concrete forward strides its policy of capital improvements aimed at greater economies in maintenance and operation. During this period, expenditures for maintenance of way, structures and equipment totaled $54,500,000, or more than $18,000,000 a year. This money went for new, heavier rail, cross ties, ballast, strengthening bridges and modernizing buildings and other facilities.

During this period we also began a program of new equipment purchases, which was necessary to bring our property up-to-date in order to meet present traffic demands, and in order to operate more efficiently and more economically. In the past three years we have invested almost $20,000,000 in new Diesel locomotives, new freight and passenger cars, and other capital improvements.

The wisdom of this modernization program has already been well proven in the performance of our Diesel locomotive equipment. It is conservatively estimated that the operation of seven Diesel road locomotives, which were in service throughout the year 1948, produced a savings in overall transportation costs of at least one million dollars after income taxes—a splendid and continuing return on the investment in this equipment. It is interesting to note that slightly more than 31% of our gross ton-miles were handled by Diesel power, which operated only 18% of freight train-miles.

*An address by Mr. Fraser before the New York Society of Security Analysts, New York City, Feb. 25, 1949.

Saturation Poinr Reached in Rates

Orders have been placed, for delivery in 1949, for 18 additional Diesel locomotives, more than 500 new freight cars, and other new equipment involving capital charges of almost $10,000,000. As this new equipment is placed in service, we will benefit by still further savings in our operating costs.

We on the Katy Railroad believe that the policies I have outlined to you, which have been set into motion during the past three years, are our best insurance for sustained earnings in the future. We are convinced that the only immediate source of additional income, other than increased volume of traffic, of course, is savings in operations—we probably have reached the saturation point in higher freight rates—and relief from high expenses will be slow in coming, if at all. I will have more to say about these high expenses in a few moments.

The cost of putting these new policies in motion, along with the necessity of liquidating income tax and other obligations of prior years, has placed a heavy demand on our treasury. This is demonstrated by our requirements for cash during the year 1948 for capital expenditures and other essential purposes.

These included $2,150,000 in reduction of principal of collateral trust notes and equipment obligations, and $6,076,000 for additions to and modernization of roadway and equipment, or a total of $8,226,000 for capital purposes. In addition, current funds were used to pay $1,100,000 of Federal income and excess profits taxes for the years 1942-1944 and $872,000 in settlement of claims of the United States Government for refunds of over-collections of freight charges on war traffic.

We also deposited $1,500,000 with the Collector of Internal Revenue at St. Louis in payment, to that extent, of such anticipated additional income and excess profits tax liability for the years 1945 and 1946 as might be determined as a result of the audit of returns for these years now being made. This deposit will stop the accrual of interest at the rate of 6% per annum on that amount of additional taxes.

Railroad Problems

Let's look at some of the problems, as well as the possibilities, as they pertain to the railroad industry generally, and particularly to the Katy Railroad.

We all know that there are two major factors that affect the progress and fate of almost any business or industry, particularly the railroad industry. These two factors are the influences that can be controlled internally and those influences that are controlled by external forces. So far as the internal influences are concerned, they can be summed up in one sentence—the decisions that management makes from its analysis of facts and probabilities at its disposal.

As to the external influences, they can be broken down into three principal categories, not necessarily chronologically, insofar as the Katy is concerned. First, there are the national and international economic conditions; second, our natural handicaps and advantages, and third, government regulation and uncontrollable expenses.

National and international economic conditions affect all business, all industry, and every individual. I repeat that you gentlemen are in a far better position than I to analyze and predict what can be expected to happen on the national business scene this year. I tell you frankly, my own opinion in this respect is **not** a pessimistic one. We have continued since the end of the war in a state of capacity production, full employment, and a high-wage plateau. Commodity prices are now levelling off and we are experiencing a slight recession. Adjustments are taking place in our national economy and the general pattern of doing business is changing. I would be the last to say, however, that this is not a healthy situation.

Economic Trends

After all, little is known about how our economy behaves under conditions of full employment. Isn't it a little early to make predictions for the future on the trends that have developed within the past two or three months? Is the slight decline in commodity prices; the signs of some unemployment; the slackening in the pace of industrial activity; an adjustment?—a leveling off?—or will a more precipitous drop occur? That remains to be seen. But after all, we have moved at a fast clip during and since the war, and a "breathing spell," with opportunity to appraise our position and clear our thinking may be providential.

There is one thought that I should like to stress at this point. You cannot evaluate the future of the Katy Railroad by applying your predictions of the national economic trends to the Southwest en toto. The Southwest must be considered as a separate entity—for it is!

For example, since 1940 the population of our four great states —Missouri, Kansas, Oklahoma and Texas—has increased 15½ million. During this period the increase of population in Texas alone was 12.5% as against 8.9% for the nation as a whole.

Agriculturally, the Southwest has grown remarkably, with no end of expansion and diversification in sight. To illustrate, since 1940 the production of cattle and hogs has increased 30%; corn production has increased 62%; wheat 85%; rice 122%; peanuts 222%; grain sorghums 175%, and so on. This indicates a diversification as well as an increase in agriculture production.

Adequate water supply in the past has been a deterring factor in industrial and agricultural expansion in the Southwest. Today great damsites and artificial lakes, now in existence and proposed, at Denison, Wichita Falls and Whitney, Texas; Altus, Vinita, Fort Gibson and Eufaula, Oklahoma, on the Colorado River near Austin, Texas, are just a few of the developments in this direction that are and will provide ample water supply for industrial use and irrigation. Not to be overlooked is the continuing and heavy moisture the whole Southwest has received in the past 60 to 90 days.

In our experience in promoting the growth of the Southwest, we have found that when industry plans to expand or establish new plants, it considers a number of major factors—ample fuel and intelligent labor; good market outlets; proximity of minerals and raw materials; favorable climate and good transportation — though not necessarily in that order. The Southwest has all of these in abundance, and in addition, it has a progressive spirit and plenty of confidence in the future.

These favorable factors were recognized by military and government authorities, through the location of great military establishments and wartime industrial plants in this area, many of which have been retained by the government, and many others reconverted into peacetime production. The same factors for peacetime purposes are being recognized by industrial leaders not only of the Southwest, but throughout the nation, by the location of heavy industrial plants and many small and varied business concerns in this area.

On the other hand, some warnings have been sounded that venturesome spirit and private initiative may be stifled by ill-conceived government policies leading toward more government control of business, or an additional tax-bite on corporate income.

The fact remains, however, that the complexion of the Southwest is changing to one of great and continuing industrial growth, which has progressed to a healthy and stable development, permanent in scope. It is for this reason that I admonish you not to evaluate the future of the Katy Railroad with a cold analysis of figures and experiences of past years—there are intangibles that will have a bearing on our future, and which are reflected in the rapid development with which we must keep pace.

Government Regulations and Competition

The third external influence to which I referred was government

(Continued on page 39)

$12,300,000

New York Central Railroad
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(Philadelphia Plan)

To mature annually $820,000 on each March 15, 1950 to 1964, inclusive

To be guaranteed unconditionally as to payment of the par value and dividends by endorsement by The New York Central Railroad Company.

Priced to yield 1.50% to 2.90%, according to maturity

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

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GRAHAM, PARSONS & CO. — HIRSCH & CO. — THE ILLINOIS COMPANY

WM. E. POLLOCK & CO., INC. — WILLIAM BLAIR & COMPANY — BURR & COMPANY, INC.

FREEMAN & COMPANY — IRA HAUPT & CO. — HAYDEN, MILLER & CO.

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March 3, 1949.

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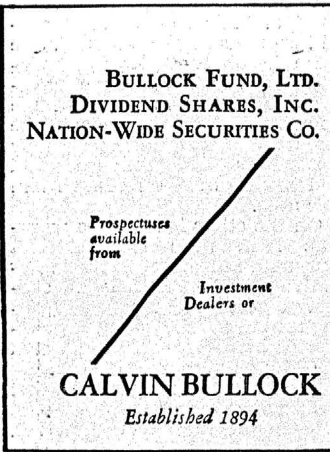

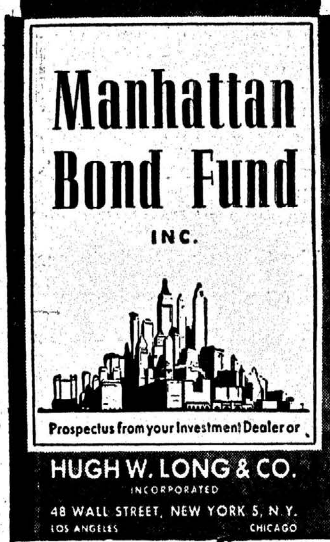

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Mutual Funds

By HENRY HUNT

Time to Retire?

Should the prudent investor now stay with his stocks? Does the long-range certainty of inflation make equities still an attractive hedge against further loss of purchasing power?

Or should he turn a substantial portion of his holdings into cash before an impending recession-depression materially marks down the value of his stocks?

These are hard questions. Inflation appears probable, recession seems possible.

In this period of multitudinous uncertainties and conflicting trends, investment companies with their wide diversification of investment risk and their continuous watching by competent, experienced management appear well fitted to serve the perplexed investor.

If—If—If! Peering long and earnestly into our crystal ball, we could see little but clouds. IF the recession is held to minor proportions—IF taxes are not increased importantly—IF labor production picks up—IF commodity prices recede (but do not break) to a "reasonable" level—**It would not be surprising to see stocks sell higher on lower earnings.** (And there's at least a reasonable possibility that all or most of these things might happen.)

Supporting Evidence for this idea is not hard to pick up. **Steel**, around 72, is selling at six times last year's earnings of about $12 per share, to yield about 8.33% from the $6 dividend. Steel earnings could recede to $9, which would still reasonably cover the $6 dividend, and with an improvement in sentiment, the stock could easily sell at ten times earnings to yield 6.66% at a price of 90.

General Motors at 60 is also priced at close to six times our estimate of last year's earnings of $9.50, to yield 8.33% from the $5 dividend. Earnings reduced to $8 per share would still afford fair coverage of the dividend; and were the stock to sell at ten times earnings, the price would be 80 to yield 6.25%.

Straws in the Wind—Like all weather forecasters and students of the market, we have our pet indicators that may—or may not—be infallible. Anyway, for what they are worth, here are some of the small things that we believe have been fairly reliable barometers in the past.

Action of utility stocks, frequently a reliable vane in uncertain market weather, has been favorable. **Action of government bonds** in rising above official supporting prices is another frequently reliable straw. This market turned down as early as January, 1946. Other favorable indications: recent sizable odd-lot sales; a group of sensitive stock that we call early birds has been on the firm side.—From **Arthur Wiesenberger's** "Investment Company News."

An Investment Opportunity?

For the investor the basic characteristic of the steel industry is quite simple—**for a steel company to make money it must make a lot of steel.** Except in wartime, when high excess profit taxes kept earnings down, the earnings of steel companies have always followed their production. And except for the present period, stock prices have **always** followed production and earnings. **It is this exception that provides the investment opportunity in steel stocks today.**

Steel production begins 1949 at about 100% of the industry's rated capacity. In actual tonnage, production is breaking all records. The probable future course of the production line is indicated by the current estimate of the United States Department of Commerce that for 1949 as a whole the demand for steel will exceed its supply by something under 5,000,000 tons. ("Steel" Market Survey, Jan. 17, 1949.)—From a bulletin issued by **Distributors Group.**

When Does an Expert Need Advice?

"A doctor is an expert in the ills which afflict all parts of the human body. Nevertheless, if a patient comes to him with a toothache, he will generally advise a trip to the dentist. This is not because the doctor knows nothing about teeth; on the contrary, he spent long hours studying teeth in medical school. But he does not have the tools—the drills, cutters, fancy mirrors and so on—which the dentist has; nor does he have the long experience and special training required of all practising dentists.

"Many successful businessmen find themselves in much the same position in regard to their investments. They have to know about stocks and bonds—their own company may have been brought into existence through their flotation. They have to know about dividends and interest because their companies have to pay them. Nevertheless, many businessmen have turned their investment problems over to an investment company. Again, this is not because they know nothing about investments—we have shown that on the contrary they must devote much time to investment problems to run their own business. Once again, it is because they do not have the tools—research facilities, investigations in the field, a full-time staff, etc.—that an investment company possesses; nor do they have the long experience in evaluating securities which is essential to the staff of a good investment company."—From a **Parker Corporation** bulletin.

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GEORGE PUTNAM

Chairman, The George Putnam Fund

George Putnam is one of the pioneers in the mutual fund movement as we know it today—one of the few in fact who is still active. He fitted rather naturally into this field—for the investing of money for others has been the heritage of successive Putnam generations. Pioneering appears to be a habit among the Putnams for Mr. Putnam's great great grandfather, Mr. Justice Samuel Putnam was a pioneer in his own right as was so well proved in 1830 when he jolted some of the more staid minds of his day with what was to become widely known and accepted as "The Prudent Man Rule."

George Putnam

The present Mr. Putnam's initial interest in the public type investment trust was in 1925 when he was an organizer of one of the largest common stock funds (still in operation in Boston). As he saw the picture unfold, however, he became more interested in a particular type of fund which he visualized as a mutual fund operating (under the guidance of trustees) more along the principles his own ancestors had used in the care of family monies. Late in 1937 saw the inception of his idea in The George Putnam Fund to which was first applied the term "balanced fund." Feeling, as he expressed it, "That the test of a cook's intentions was whether or not he ate his own cooking," Mr. Putnam has invested more than a half million dollars of his family money in The Putnam Fund.

In his late fifties, he is one of the most active men in the investment field. Never an arm-chair executive, he has met and talked with as many, if not more, dealers than most management executives. His thirst for knowing what investment-minded people think and want has been insatiable—even to the extent of meeting many of the Putnam Fund shareholders.

When you meet him you think of him as a big man physically — unhurried, kindly, soft-spoken — sparing with words, like many Bostonians—self-effacing. Yet, let occasion demand it and he can erupt with tremendous force and logic in support of his thoughts.

His hobbies and outside interests are few—characteristic of the man himself. He is fond of the ocean, and lives at Manchester-By-The-Sea just north of Boston. Here, in conjunction with his wife (his five children are married or at school) he devotes his odd moments to the breeding and raising of poodles. Dog show devotees throughout the country are well aware of Puttencove Kennels, and their propensity for collecting blue ribbons. Only last week a Puttencove poodle was judged "Best in Show" among more than 1,400 dogs at the Eastern Dog Club show. He likes an occasional game of bridge—is considered an excellent player by his associates.

His most important outside interest is The Blue Cross which he has fostered as a nonprofit means of filling the great need for hospital service at low cost. He became its President when through his efforts it was founded, and, serving without compensation has helped to guide its growth.

While he feels that mutual funds are still in their infancy, he is chary of too much regimentation of funds into one groove of thought. He believes that the various managements should have the right of individual thinking in accordance with their purposes—the opportunity to help their shareholders in the way they feel they want to be helped—. . . "there is much that the most informed can learn." He discusses economic problems like a philosopher—but one who has the tenacity and the strength of purpose to translate his philosophies into positive action.

A Letter to the Column

"Dear Henry:

"Several weeks ago in your Mutual Funds column you introduced Walter Morgan as 'a Philadelphian from way back.' While this is true, the family moved away from that city over 100 years ago. As proud natives of the picturesque Wyoming Valley in the northeastern anthracite area of Pennsylvania, I am sure that failure to mention the locality of his birthplace and early years might have disturbed Walter slightly as it did me.

"Both the President of Wellington and myself were born and raised in Wilkes-Barre. I think it is that independent spirit as well as intense concern for the problems of the smaller fellow, supposedly bred into natives of mining communities, which in part has been responsible for our mutual absorption in the rapidly developing institution of the investment company.

"Walter's father and my dad are old friends and have reached the worthy age of four score years with grace and honor. From time to time they can be seen greeting each other on Public Square in Wilkes-Barre as they say 'hello' to their unfortunately too few contemporaries still remaining in the community.

"I am sure you will like to acquaint our readers with this little personal postscript to your 'Philadelphia story.'

"Henry Ansbacher Long."

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Where and What Is Liberalism?

By DONALD R. RICHBERG*

Deploring misconceptions regarding "liberalism," NRA Chairman under Roosevelt Administration points to paternalistic trend in governmental policies under false guise of "liberalism," and proposes a coalition of Democratic and Republican leaders to fight paternalism and to support the "liberalism" of local self-government. Says this is essential to preserve constitutional government and its success could be achieved in a hundred days.

Presumably a major objective of higher education is to develop a leadership of trained and well-informed persons who may guide their fellow men toward a better world. It is not expected that this guidance will be always welcome or frequently followed. The idealized average man, or man-in-the-street, is the politically licensed official guide in a democracy. But now and then even the average man becomes distrustful of his own wisdom in approving a program of getting rich by spending more money, or of making more money by doing less work. In such a moment the beneficiary of higher education may get a hearing. The economist may be permitted to guide editorial writers. In the recent complexity of world-wide economic problems even columnists have now and then followed scientific thinking and occasionally caught up with it.

Donald R. Richberg

The political scientist, however, has as yet received little encouragement from the practical world. In this era when the improvement of the processes of government is almost everywhere essential to the survival of a ruling class, it is only the occasional, and usually the unsuccessful, politician who will share the platform with a political scientist, in public meetings or private gatherings. Perhaps scientific aid is rejected because there is such a small quantity of political science available that when it is poured into the seas of political controversy it immediately disappears.

Of course we have volumes of learned discourse on political movements and programs of the past, present and immediate future. Students of politics are being crammed with factual food; just as students of political economy have been stuffed with statistical carbohydrates and proteins for many decades. But science makes its great contribution to human welfare, not by research into the past and mere accumulation of reliable records. It is research into the unknown, and courageous experimentation, that nourishes the higher education from which may come the honorable, devoted leadership that humanity so needs in this intricate, bewildering world that lies around us.

In government, possibly more than anywhere else, the people need guidance to understand and to settle big issues and to avoid wasting their energies on petty issues. In government especially, the people need guidance to understand and to use the techniques necessary to achieve their ends.

We can leave it to the chemists, the physicists and the engineers to improve our physical world and the tools with which we can enjoy and exploit it. The radio is developed; and under our hands is placed an instrument which is utterly beyond our untrained powers of construction or even comprehension. But it is so fabricated that, after brief simple instruction, a child can use it to produce orchestral music, news of the world or a bedtime story of horror and crime.

Unhappily the political scientist must create for us better ideas and a better philosophy of government. He must instruct us regarding the function of government in a modern society, which should develop more and more centripetal force to hold men together against those multiplying centrifugal forces that drive men apart. Then, when this adult education has been accomplished, the political scientist must, by research and bold experimentation, develop new techniques of government and teach a multitude to use them.

Is it not clear why it is so difficult to advance new ideas and new techniques of government without tyrannical abuses of political power? The political scientist has little authority with which to persuade a people to follow his guidance. He may invent a voting machine and persuade commercial-minded manufacturers and politicians to install it; and persuade the voters to use it because it is not much more difficult to operate than a radio. But how can he sell the idea of voting for a government with a new principle?

Could a political scientist have persuaded the German people to accept the principle of leadership (which has scientific merit) without the aid of organized terror and military control? Could a political scientist have persuaded the Russian people to accept the principles of socialism (which have scientific merit) without the organized terror and ruthless rule of a communist dictatorship?

Can Self-Government Be Made Effective?

How, let us ask ourselves, can political scientists persuade the American people to accept new ideas of self-government and experiment with new techniques in order to make self-government effective, without resort to measures of compulsion which themselves would be destructive of self-government?

Perhaps this is an impossible task. If so it is a challenge to the unorthodox scientist. Indeed it is a challenge to be picked up first by an amateur, because it is the happy ignorance of the amateur that permits him to spend sleepless nights seeking to achieve the impossible. Thousands of such experiments fail, but now and then the amateur stumbles upon that "clue to the Treasure-house" that can be later exploited by more competent men of science and of commerce.

For the reasons indicated I am venturing on this occasion, as a penitent politician and amateur scientist, to suggest the desirability of research to develop a few new ideas and techniques that might be useful to ambitious statesmen, and might eventually improve the government of the United States.

One idea is that the fundamental division of political thought in our country is not between conservatives, liberals and radicals. Indeed the word "liberal" has been given so many meanings that we can all be called liberals of one sort or another.

The original liberal was a man who believed above all things in freedom for himself and for others. He believed particularly in individual freedom from all unnecessary government restrictions. The modernized liberal believes above all things in freedom for a strong government to liberalize and to angelicize weak human beings with all necessary restrictions on their personal conduct and activities.

The original liberal wanted to preserve your right to make and spend your own money, and other ancient rights of free enterprise, free speech and free association. The modernized liberal is most notably liberal in spending your money for you and in giving away your rights to control your own business and social relations.

The original liberal thought that a man should be free to make enough money to provide, for himself and his dependents, insurance against the hazards of accident, disease, unemployment and old age. The modernized liberal thinks that the government should tax away your surplus earnings, and with this money provide insurance for you and your dependents, and for anyone else who doesn't earn enough to pay for his own insurance.

Please do not think that I am scoffing at these modernized liberals. These humanitarians are far more admirable citizens and better neighbors than those greedy money makers who destroyed the freedom of private enterprises by operating them with a ruthless disregard for the welfare of their fellow men.

But I do scoff, as an amateur scientist, at the deception practiced when a humanitarian who is a paternalist calls himself a liberal. These miscalled liberals are promoting a paternal government that is to make sure that all its children are employed and properly housed and fed and have no fear of want, a paternal government that collects a large share of the earnings of its children so that Uncle Sam can provide them with insurance against all hardships, and can pay an army of public employees to watch over them and make them happy and virtuous.

Paternalists Are Not Liberals

These men are not liberals in any true meaning of that word. They are paternalists who call themselves liberals because they know that the American people are not yet reconciled to a paternal control of their lives. They know that the American people still cherish the illusion that they can remain free men and yet be protected by government from all the burdens and hazards that a free man must assume.

So the politician who is engaged in taking away your freedom disguises his thought and purpose by announcing that he is

(Continued on page 34)

*An address by Mr. Richberg at the American University, Washington, D. C., Feb. 24, 1949. Mr. Richberg is a member of the law firm of Davies, Richberg, Beebe, Busick & Richardson, Washington, D. C.

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February 25, 1949

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Canadian Securities

By WILLIAM J. McKAY

The opening guns have just been fired in the forthcoming Canadian election campaign. The Liberal incumbents in a bid for the Farmer vote have announced that the initial price for wheat for the five-year period ending Aug. 1, 1950, has been increased from $1.55 to $1.75 per bushel. The initial payment covers deliveries to the Canadian Wheat Board since Aug. 1, 1945 and applies only to wheat grown in the Prairie provinces. This attractive bonus to the Prairie farmers is estimated to total $214 million and the distribution will commence March 31. Whether this gesture will suffice to lure the disgruntled Farmer vote away from the CCF and Social Credit party lines back into the Liberal camp is highly debatable.

On the other side of the political fence the Progressive Conservatives have commenced their offensive against the Liberal government led by their new and virile Party Leader George Drew. In a recent speech at Montreal the Conservative spokesman castigated the government for its attempts to obtain extensions of its wartime emergency powers, which, in his opinion, have no place in the peacetime administration of any democracy. Mr. Drew pointed out that under wartime orders still in force the Canadian government is empowered, without reference to Parliament, to adopt sweeping arbitrary controls over agriculture, industry and finance. When therefore the bill that provides for the extension of the Foreign Exchange Control Board Act is presented shortly in the House of Commons, it is certain that it will be strongly contested by the Conservative opposition. The debate on this bill will also provide the Conservatives with an opportunity to criticize the action of the Canadian government in raising the Canadian dollar to its present parity.

In the course of his last weekly press conference Mr. Drew promised "that a Progressive Conservative Government would revalue the Canadian dollar as near its true value as possible and within the terms of the Bretton Woods Agreement." The Conservative leader also stated "that Canada had built up the highest reserve of U. S. dollars she ever had during the period when the Canadian was at 90 cents, and advanced the international position then, more than at any period in Canadian history."

In raising the issues of onerous restrictions on the freedom of the individual, and the government's action in raising the Canadian dollar to parity with the U. S. dollar, the Conservative opposition is attacking the Liberal regime at points where it is the most vulnerable. It has long been a source of general discontent and a certain bewilderment that, at a time when Canada is passing through a period of unprecedented prosperity, the Canadian individual is subject to so many personal restrictions and controls. Also although valid reasons can be advanced to justify the July, 1946 currency move, it unfortunately coincided with international developments, notably the British currency crisis, that were largely instrumental in throwing a heavy pressure on the Canadian exchange reserves.

It is thus no difficult task to convince a large body of the Canadian electorate that the unpopular austerity measures were the direct result of a grievous error on the part of the government in changing the parity of the dollar. The proposal to permit the Canadian dollar to find its "true" level and at the same time to remove all wartime restrictions would likewise make a wide popular appeal. Canada is perhaps the only country in the world still operating under wartime restrictions, which could take this step with favorable chances of success.

During the week there was little change in the external section of the bond market but there was a fractional rise in internal Dominions in sympathy with the strength of free funds which rallied on light trading to 6¾%. The corporate-arbitrage rate was steady at 14½%-14%. Stocks after touching in most instances the lowest levels of the year finally rallied in sympathy with the improved tone in New York. Base metals and Western oils, despite further spectacular drilling results in Alberta, were the heaviest losers in the decline. The gold issues on the other hand showed the greatest resistance to the downward trend.

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Halsey, Stuart Offers Calif. Electric Bonds

Halsey, Stuart & Co. Inc. offered to the public Feb. 25 $3,000,000 California Electric Power Co. first mortgage bonds, 3% series due June 1, 1978 at 100% and accrued interest. The firm was awarded the bonds at competitive sale on its bid of 99.515.

The net proceeds from the sale of the new bonds and from the recent sale of 100,000 shares of preference stock, together with company funds, will be used to retire a bank loan of $500,000 and to finance the company's estimated construction requirements for 1949.

Regular redemption prices of the new bonds are scaled from 104⅛% to 100%, while the special redemption prices range from 101% to 100%.

California Electric Power Co. is engaged principally in the generation, transmission, distribution and sale of electric energy. The territory served covers extensive areas in California, including San Bernardino, Riverside and Palm Springs and also sections of Nevada. The company, through a subsidiary, sells ice in portions of Imperial and Riverside Counties, Calif. Other subsidiaries of the company supply telephone and telegraph service in California and Nevada.

Spahr Answers Pleas for Gold Standard Delay

Denies gold reserve is insufficient and that nation would be safer from Communism under irredeemable paper. Says ratio of gold to money and deposits is greater now than during period when nation was on gold standard.

Statements stressing dangers from subversive elements through holdings of E bonds or from alleged inadequate gold supply as backing for our monetary system under a gold coin standard at 35 paper dollars per ounce of fine gold are challenged by Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, in a statement released on Feb. 25.

Walter E. Spahr

"The question of adequacy of gold reserve compared with liabilities and demand against it," Dr. Spahr says, "is linked since the 17th Century with the introduction of the fractional reserve system when the world began to depart from the 100% reserve of the goldsmiths and when banks created note and deposit liabilities in excess of their metallic reserves. The assumption was that while some claimants would be withdrawing funds, others would be making deposits, thus enabling banks to operate on the principle of averages and to economize in the use of their gold.

"There is never enough of anything to go around if it has value. There are not enough bridges, elevators, subways, ships, or trains for use if all who *might* demand their services demand them at once.

"During 1915-1932, when we were on a gold standard, the average ratio of gold to money and deposits was 8.6%. In 1948, the average was 12.3%. If $32 billion of E bonds were considered the equivalent to demand deposits and utilizable for subversive purposes as feared in certain quarters, the ratio of our gold stock to money deposits and such E bonds would still be as much as 10.5% for 1948.

"The argument that we are practically at war as a basis for opposition to a gold standard warrants a reminder that we fought the first World War without suspending gold payments domestically. Today, while our people are denied access to our gold stock, it is at the disposal and mercy of foreign central banks, some of which are dominated by Socialist or other authoritarian governments.

"The statement has been made that because of the danger from Communism we are safer with an irredeemable currency. This argument comes down to this: We should have irredeemable currency like Socialist England or Communist Russia because they might throw us into an irredeemable currency should we try to make our currency redeemable.

"If our Federal Reserve banks were able, under a gold coin standard of 35 paper dollars per ounce, to pay out gold against their note and deposit liabilities, they could pay out," points out Dr. Spahr, "over $23 billion, or 70-100 times as much as they could pay out in non-gold asset cash is recent months."

Objects to Spahr's Criticism of Gold Producers

Harry Sears, President of Calaveras Central Gold Mining Co., Ltd., in letter to Dr. Spahr, says gold producers, who contribute most effectively to beneficial effects of gold standard, are hampered by regulations that are unconstitutional and doubtful as to their validity. Scores denial of free gold market.

In a letter, dated Feb. 22, written to Dr. Walter E. Spahr in reference to statements made by the latter published in "The Chronicle" (see issue of Jan. 27, p. 24), Harry Sears, President of the Calaveras Central Gold Mining Co., Ltd., Angels Camp., Calif., severely condemns the injustice of denying a free market for processed gold and compelling gold producers to sell their output to the Treasury at a fixed price.

Harry Sears

The text of the letter, which has been furnished "The Chronicle," follows:

Dr. Walter E. Spahr,
New York University,
New York City, N. Y.

My Dear Dr. Spahr:

Although you are an ardent supporter of gold and clearly recognize that without it our monetary system would be impotent, part of your remarks published recently in the "Commercial & Financial Chronicle," New York, on the subject of a free gold market seems to indicate the necessity of reminding you that we are still citizens of the United States and that we still have our Constitution.

You have pointed out the very advantages for world economic uplift which a free market for newly mined gold will produce, when you say:

"Foreign trade will open up and expand when individual traders can get gold and other good money and go where they will in their search for profit."

But then you narrow your thinking, discard justice and equity and speaking of gold producers, the very ones who can contribute most effectively to the beneficial effects you outline, you have this to say:

"The gold miners' problems are simple ones basically. Their undertaking requires that they keep their costs below the fixed selling price of $35 per fine ounce, or close down. Today, they contend that they cannot keep their costs below $35 per ounce and, of course, they do not wish to close down. As a consequence, they are employing a variety of arguments in their efforts to obtain a higher price for gold. None of them can have validity since a higher price for gold would impair our monetary standard."

Aside from the impertinence of your words in thus airing your views from the ivory tower of the ardent economist, you seem to have overlooked several facts and speaking as an owner and operator of a California gold mine I would remind you that gold producers are hampered by regulations dating back to that era when Congress was told to pass laws in spite of doubts as to their validity or constitutionality. If the law did not give its New Deal planners the desired freedom of action this was achieved by a department order, rule or practice, under pretense of authority.

An essential part of the New Dealers' drive against gold was their claim of exclusive right to control it. They possess no such right. They never had it. Their propaganda over the years, however, has been so effective that even some gold producers do not realize that they are being robbed, and that they have important rights, if they will assert them.

There is a vast legal difference between newly mined gold, a commodity, and government gold stocks for monetary use.

A producing gold mine is a factory, the gold deposits its raw stock. Newly mined gold is its factory-processed product. The mine, or gold factory, is owned or operated by private capital. Grants or title to mining properties are issued by the government which having granted the full constitutional rights to own and hold property, thereafter denies the equal right to operate the business with the same freedom enjoyed by every other industry.

Gold in its natural state is exempt from government control under Treasury regulations, but few gold producers have much of their product in this form as they are compelled to process it to some extent in order to extract it.

This processing brings most gold producers under Treasury regulations which require that the gold be turned in at $35 per ounce, a price picked out of the atmosphere and established some 15 years ago.

Gold mines are held by their owners by direct grants from the government. Whether by claim location or as patented ground these grants are valid contracts, specifically conveying the gold, and they are property. Rights acquired against the United States, arising out of a contract with it, are protected by the Fifth Amendment of the Constitution which holds that no person

"Shall be deprived of property without due process of law, nor shall private property be taken for public use without just compensation."

All gold mines contain gold in its natural state, that is the condition in which the government granted it to the owners and that is the condition in which gold producers find it. In or out of the ground it still remains the private property of the owners. This is equally true whether the gold remains in its natural state or whether it is processed.

When a producer is compelled to yield up any of this processed gold at a price fixed by the government, and is denied the right to seek another purchaser and receive a higher price, it is clearly a violation of his property rights guaranteed under the Fifth Amendment. It is a direct instance of the extinguishment of private ownership and enterprise, within a national industry, and the substitution therefor of government authority.

If it be claimed that the Treasury acts in the interest of public policy, then, having denied the producer "just compensation" it is still a violation of his rights.

The principles of constitutional law involved have been directly decided by the United States Court of Claims which ruled in 1946 that private property cannot be "taken for public use without just compensation." The government had requisitioned 125,000 pounds of meat for the Army, and insisted that the packing house accept the OPA price in payment. The packing house said it would lose money at the OPA price. Admitting

(Continued on page 38)

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"Paper Is Paper And Gold Is Gold"

By NEIL O'DONNELL
Executive Vice-President, Idaho Maryland Mines Corporation, Grass Valley, Calif.

Answering Dr. Spahr's criticisms of gold mining industry for seeking higher price for gold, mining executive denies this is a case of "Gold Mine Interests vs. People of the United States." Asserts, since gold is standard of value, its value does not change, but actually the currencies increase or decrease in value in terms of gold. Says making the dollar redeemable in gold at $35 per ounce is impossible and undesirable unless we go back to 1939 wage and tax rates. Advocates free gold market.

On Jan. 20 of this year there appeared in the pages of the "Commercial & Financial Chronicle" an article entitled "The Question of a Free Gold Market" by Dr. Walter Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy. Dr. Spahr has taken the gold mining industry to task for (a) asking for an "increase in the price of gold," (b) asking for the establishment of a free gold market and (c) asking for a subsidy for the gold mining industry. He goes farther when he says:

Neil O'Donnell

"Their agitation, consequently, is creating a situation which is rapidly becoming a case of the *gold mine interests versus the people of the United States.*" (Italics are Dr. Spahr's.)

Before continuing further I would like to make the record clear. The gold miners do advocate "an increased price for gold" and they do advocate a free market, but they do not advocate subsidies. They do not believe in subsidies.

The statement that the agitation of the gold miners is developing into a case of the gold miners against the people of the United States is pure balderdash. In the first place these discussions are between people who profess to know something of the matter and for the most part represent personal opinions on what has appeared to be a highly controversial subject. In the second place, the gold miners are willing to concede a voice to anyone who has anything to contribute to such discussions, but they will fight for their right to do the same. In the third place, Dr. Spahr's arguments will not stand up under searching analysis.

The tenor of Dr. Spahr's article leaves one with the impression that he believes statements by the gold miners will lead to a great deal of confused thinking about the relationship between the value of gold and our paper money and that gold miners will use some sinister power to influence people to "raise the price of gold."

First of all, the gold mining industry has no more power to "increase the price of gold" than they do the price of chickpeas and perhaps even less. The forces which determine these variations in price are much stronger than they. In fact, Dr. Spahr makes this quite clear himself and I quote from his article:

"Whenever the fixed link between paper money and gold is broken regardless of whether the link rests upon a direct or indirect process of redeemability the value of the irredemeeable paper in terms of gold will decline and the price of gold in terms of paper will rise. This is simply because PAPER IS PAPER AND GOLD IS GOLD (the capitals are mine). Under such conditions, the paper money price of gold will be determined by the forces of supply and demand affecting both gold and paper."

I believe the above is a statement with which gold miners and economists would be in full agreement.

Value of Currency Changes, Not Gold

Dr. Spahr advocates the redemption of paper money by gold, one ounce of gold for $35. He is opposed to a "price increase" and he is opposed to a free market. We, the gold miners, believe that some of the most confused thinking is being done by Dr. Spahr and others who advocate such a policy, and I will explain why. These gentlemen start with the wrong premise and that is that the price of gold can be raised or lowered. Gold is a standard against which currencies are measured. Actually, currencies increase or decrease in value, the value of gold does not change. When Dr. Spahr talks of increasing the price of gold he recognizes not that the gold is worth more, but that the currency is worth less. He says, and rightfully, that when a currency is cut loose from gold it drifts to lower and lower levels of value. This has been the experience of centuries.

If one cannot measure the value of currency against gold then how can it be measured? The only measurement left is by the amount of goods it will buy. Today's dollar will buy about one-half of what it would in 1939, so the net result of cutting our dollar free from gold has been to decrease its purchasing power. How and why has the purchasing power of the dollar been decreased? In part by the increasing of wages and in part by the high increase in taxes, both of which are reflected in the selling price of every type of goods and services. Wages were increased as part of a political program and taxes were increased partly because of the war, partly because of a political program and partly because of changing world conditions. The paper dollar has no value in itself, its sole value is in what it will buy, and today it will buy only 50 cents (in gold) worth of goods. Dr. Spahr proposed to sell everyone who brings in a paper dollar 1/35 of an ounce of gold when the paper dollar will only buy 1/70 of an ounce of gold worth of goods. If any fraud has been proposed by anyone this is it.

Pursuing this type of thinking to its ultimate conclusion as one must with every new program, what do we have? We find ourselves establishing a new price in gold for our goods twice as high as it was in 1939. Every exporter of automobiles, of industrial machinery and of manufactured goods will find himself losing markets, perhaps forever, under a program of making the dollar redeemable with our present wage and tax rates.

Redeemable Currency at $35 per Ounce of Gold Impossible

The gold miners are practical men and they would not attempt the impossible. In this case, making the dollar redeemable in gold is attempting the impossible. As I have noted, such a procedure will double the cost in gold of our salable goods in the world's markets, and as such is undesirable. We can keep our goods at the same gold price as we had in 1939 and make the dollar redeemable in gold at $35 per ounce, but in order to do so we would have to go back to 1939 wage and tax rates.

In fact, the taxes for purely governmental purposes would have to be lower than 1939 because we have assumed new burdens which would have to be paid out of the same gross tax as was assessed in 1939. One of these is the cost of taking care of wounded and sick veterans of World War II, amounting to $5 billion per year or more; another is the interest on the debt increase amounting to another $5 billion per year. There are others.

No practical person would attempt to get wages and taxes back to 1939 levels. Therefore, the logical procedure is to recognize the new relationship of purchasing power of a dollar with gold. In various parts of the world various ideas pertain as to that relationship. In China, they say a dollar will buy the same amount of goods as 1/100 of an ounce of gold. In other places the ideas vary, but nowhere can you find anyone who believes that he should deliver as many goods for a dollar as he does for 1/35 of an ounce of gold.

The gold miners only ask that the present existing relationship be recognized. This applies not only to the dollar, but to all currencies. When one reads of nations resorting to barter because they cannot reach agreement on the relative values of their respective currencies one wonders if mankind is really as intelligent as it is purported to be.

A Free Gold Market Desirable

In order that the proper value be determined for the dollar as against gold the industry is requesting that a free market be established where normal trade will determine the price at which the miner will give his ounce of gold, whether that price be in pounds, pesos or dollars. They believe that this market should be a free market, established in the United States where not only the miner could trade his product for currencies, but where currencies could be traded for currencies or for gold.

The gold miner, besides being a practical man, is also a patient man. He has seen the government arbitrarily close his mines on short notice with no provision made for paying insurance on his plants, or taxes, or paying for keeping water pumped from his mines, not for days or weeks, but for nearly three years under the infamous Limitation Order L-208. He has read in the testimony presented before a House Committee in which Mr. Milo Perkins wrote Mr. Donald Nelson on Dec. 19, 1944, in part as follows:

"It is essential . . . that a reduction in gold mining should be envisaged for the postwar period."

Can you imagine that!

Now he has just about reached the conclusion that he will not be pushed around anymore by misguided theorists. He is going to have his say whether it is found palatable or not and he is going to stick as close to the facts as he can. He will serve his own and his country's interests best by seeing that the thinking about gold becomes less confused rather than the reverse.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$3,000,000

California Electric Power Company

First Mortgage Bonds, 3% Series due 1978

Dated June 1, 1948 Due June 1, 1978

Price 100% and accrued interest

HALSEY, STUART & CO. INC.

February 25, 1949

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$2,150,000

Worcester Gas Light Company

First Mortgage Sinking Fund 3¼% Bonds, Series A, Due 1969

Dated February 1, 1949 Due February 1, 1969

Price 101.47% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only the undersigned and such other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

March 2, 1949

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Securities Salesman's Corner

By JOHN DUTTON

Confidence

There is very little that is new that most of us do not already know regarding the art of salesmanship. Sometimes I feel certain that I am saying the same things over and over in this little column, but be that as it may, there is one thing that bears repeating over and over again. On this point I am certain that there is no substitute —that this is an axiom that will survive as long as men try to do and to create—that without this spark real success cannot be, and that if you have it, eventually success is a certainty.

Some years ago I knew a fellow who had a wife and two small children. He was out of a job. His sole assets consisted of some household furniture and $75 in his pocket. It was in 1933, at the very depths of the depression and he was out of a job. He had been a securities salesman back in the twenties but he got out of the business in 1930 and then he tried several other lines, but like many others he just could not make a go of it. Finally, he decided that he ought to go back to the investment business. He remembered that he had done fairly well in the good years, and after all there was little else that he hadn't tried. He was really up against it—like many others in those days. So possibly out of desperation he figured out that the securities business might offer him the chance to make a living that he could not seem to find in other lines.

He came down to Wall Street and he went to see the head of a certain firm where he thought he might be remembered, but things had changed so that his old friends were no longer connected with the investment house where he hoped he could get a job. Remember this was in 1933 (and if you think that business is a little bumpy today you should have been around then). Anyway he asked for a job as a salesman. In those days drawing accounts just were NOT. So one of the first things he was asked was, "How much money have you got?" He told his prospective employer that all he had was $75 in his pocket, and that he also had his wife and two children at home that had to eat and have a roof over their heads. Of course he was told to forget about it—that it wasn't possible in times like those which prevailed at that time to do enough business to get a start and make a go of a job such as he was attempting. But he said he thought he could DO IT. He told his prospective boss to give him a desk, a telephone and some names to call on, and HE SOLD HIS FIRST PROSPECT. **He got the job.** He not only got the job but he went to work. He told me that he never even thought of the rent that was due, of the grocery bills unpaid, of the clothes that had to be bought. He never even thought about what would happen if he didn't do business. He just went to WORK. He worked day and night. He worked until 10 at night for a whole year. HE PUT 93 ACCOUNTS ON THE BOOKS IN ABOUT NINE MONTHS AND HE MADE MORE MONEY IN ONE YEAR THAN HE HAD EVER MADE BEFORE IN HIS LIFE. He told me he finally had to quit such intensive effort because he couldn't keep it up. But the point is that he believed he could do it and he worked, and worked, and worked.

I do believe that work is the best antidote for worry. I am sure that it is the greatest tonic that anyone can ever find, and if you believe in yourself no one or anything can keep you from success. This may sound trite—in fact I know that it is—but if you want a classic example of the power of supreme self-confidence in the face of what everyone said was insurmountable odds—Harry Truman's campaign and his eventual election is living proof that the greatest force in life is SELF-CONFIDENCE. I also believe that if those of us in the securities business threw all thoughts of failure out of our minds—all pessimism about the future completely aside—all inhibitions regarding the market and the future course of prices—if we just went out and picked out a few GOOD SITUATIONS that we believed in with all our conviction and sincere understanding—and if we made up our minds that come hell or high water that this country was not going to the dogs—that people who bought good securities and received income from those securities would someday like to thank us for selling them—within TWO WEEKS AFTER EVERYONE OF US STARTED TO THINK THAT WAY, AND TO WORK AGAIN WITH OUR HEADS AND OUR LEGS AS WELL—IF WE GOT UP OFF OUR CHAIRS AND WE STARTED TO MOVE FORWARD FOR A CHANGE — WE WOULD HAVE A BULL MARKET STARTED AGAIN.

At least we can have one of our own. We can believe—and we can work. When a man has to do a job; if he is a man he does it—and when he gets started doing it, the funny part of it is THAT HE BEGINS TO LIKE IT.

Halsey, Stuart Group Offers Rockland Bonds

An underwriting group headed by Halsey, Stuart & Co. Inc. on Feb. 25 offered publicly $7,500,000 Rockland Light and Power Co. first mortgage bonds, series C, 3⅛% due Dec. 1, 1978 at 102¼% and accrued interest. The group was awarded the bonds at competitive sale on its bid of 101.58.

Net proceeds from the sale of these bonds will be applied to retire $7,500,000 of short-term borrowings already made for interim financing of a major part of the company's construction program.

General redemption prices for the series C bonds are scaled from 105¼% to 100% while special redemption prices range from 102¼% to 100%.

Rockland Light and Power Co. is engaged in the business of generating, manufacturing, purchasing, transmitting, distributing and selling electricity and gas for lighting, heating, industrial and general utility purposes. The company serves two areas in New York State, the Eastern Division comprising practically all of Rockland County, and the Western Division comprising parts of Orange and Sullivan Counties. The area served is about 625 square miles.

Associated in the offering are Otis & Co.; Gregory & Son, Inc.; R. L. Day & Co.; Byrd Brothers; and Roger S. Palmer Co.

Jerome Murtha V.-P. Of Homer O'Connell

Jerome P. Murtha, formerly sales and syndicate manager of Graham Parsons & Co., has joined Homer O'Connell & Co., Inc., 25 Broad Street, New York City, as a Vice-President and Director of the firm.

Cruttenden & Co. to Admit Robert Podesta

CHICAGO, ILL. — Robert Podesta will become a partner in Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges, on March 15. Mr. Podesta was formerly manager of the trading department for Julien Collins & Co.

Robert A. Podesta

Conrad Tuerk will retire from the firm on that date.

Dillon, Read Group Offers Utility Stock

Dillion, Read & Co. Inc. and associates are underwriting the offering by Southwestern Public Service Co. of 112,486 shares of new common stock, $1 par value, to its common stockholders. Under the company's offer, holders of the common stock may subscribe for the new stock at $25 per share at the rate of one new share for each 11 shares held of record Feb. 23, 1949. The subscription warrants which will expire at 4 p.m. EST, March 8, 1949, carry an additional right to subscribe, subject to allotment, to shares not taken by stockholders upon the exercise of their pre-emptive rights.

An agreement between the company and Dillon, Read & Co. Inc. provides that the investment banking firm will act as dealer-manager of a group of securities dealers in soliciting the exercise of subscription warrants.

Prior to issuance of the stock, the company will sell to three institutional investors $4,000,000 first mortgage bonds, 3¼% series due 1979, and $7,500,000 debentures of 3½% series due 1974 in accordance with a contract previously negotiated by Dillon, Read & Co. Inc. payment for $2,170,000 of the new debentures is to be made by delivery for cancellation of a like principal amount of outstanding serial notes of the company. Cash proceeds from the sale of the stock and from the private sale of the bonds and debentures are to be used for the construction of additions and improvements to the company's properties and to repay bank loans obtained for such purposes.

Giving effect to the offering to stockholders and the sale of the bonds and debentures the company will have outstanding funded debt of $44,133,000; 94,600 shares of preferred stock, and 1,349,832 shares of common stock.

Southwestern Public Service Co.'s business is the generation, transmission and sale of electricity. The territory served by the company includes the Texas and Oklahoma Panhandle, the South Plains region of Texas and the Pecos Valley region in New Mexico. Operating revenues for the 12 months ended Nov. 30, 1948, were $15,316,343 and net income was $3,674,116.

Dividends on the common stock totaled $1.70 per share for the fiscal year ended Aug. 31, 1948. A regular quarterly dividend of 50 cents was paid Dec. 1, 1948, and another dividend of 50 cents is payable March 1, 1949 to stockholders of record Feb. 15, 1949.

Marx Co. Opens Branch

SPARTANBURG, S. C.—Marx & Co., members of the New York Stock Exchange, have opened a branch office at 505 East Main Street, under the management of Gerald A. Fagan, Jr.

Prof. Slichter Analyzes Taft-Hartley Act

Harvard economist, in current issue of "Quarterly Journal of Economics," holds law has invigorated trade union movement and has increased political power of labor. Favors authorization of closed shop contracts.

Prof. Sumner H. Slichter, noted Harvard economist, in an article published in the February issue of the "Quarterly Journal of Economics," published by the Department of Economics of Harvard University, discusses the effects of the Taft-Hartley Act on trade unions and on employer-employee relationships and points out the good and bad points in the present and the proposed legislation.

Prof. S. H. Slichter

Some of the most important results of the Taft-Hartley Act, according to Professor Slichter, have been very different than those anticipated by either its supporters or the opponents of the law. Among the most important results have been the following:

(1) The Act has greatly invigorated the trade-union movement. It has made union leaders aware of the danger of letting their organizations become too dependent upon the government and has demonstrated to trade unions the importance of public good will or ill will.

(2) The Act has demonstrated the overwhelming desire of union members for the union shop or closed shop and has helped unions to establish the union shop in plants where the only form of union security had been a maintenance-of-membership clause.

(3) Although the Act temporarily interfered with the organizing activities of some unions by causing them to devote their organizing staffs to union-shop elections, it has not halted the rise in union membership which increased about as much during the first year of the Act as during the year preceding its passage.

(4) The Act has greatly stimulated interest in political activities among trade unions and has helped unions to increase their political power.

(5) The Act has had no lasting effect on the number of unfair labor practice charges brought against employers. About one unfair labor practice charge has been brought against a union for every five brought against employers.

(6) The Act has weakened the influence of Communists in the trade-union movement, but other conditions have contributed to this result.

Among the provisions which Professor Slichter finds good in the law are:

(1) Protection of employers against strikes and boycotts designed to compel them to violate the law by bargaining with a union other than the certified bargaining representative.

(2) Protection of employees in their right to choose their bargaining agents without coercion or restraint from either employers or unions.

(3) Removal of the ambiguity in the Wagner Act as to whether supervisors are employees within the meaning of the Act.

(4) Requirement that both employers and unions bargain in good faith.

(5) Limitations on financial payments by employers to union representatives — especially those provisions designed to protect health and pension funds against abuse.

Among the provisions in this act which Professor Slichter finds bad are the prohibition of the closed shop, the requirement of union shop elections, and the provisions for handling disputes which imperil the national health or safety.

The closed shop is a well-established institution which is the outgrowth of American conditions and which cannot be prohibited without gravely disturbing employer-union relations in many industries. The wise procedure, therefore, is to protect the closed shop against abuses by safeguarding the right of workers to obtain or retain union membership rather than to prohibit the closed shop altogether.

The union shop elections served a useful purpose by demonstrating the strong desire of workers for a union shop but they are no longer needed and should not be required by a new law.

The provisions of the Act for dealing with disputes which threaten the national health or safety are defective in a number of ways, including the ridiculous requirement that a government agency conduct a vote on whether or not the men shall imperil the national health or safety, and the failure to provide for any final settlement of the dispute beyond a report on the case by the President to Congress.

Among the provisions which should be included in a successor to the Taft-Hartley Act, according to Mr. Slichter, are the following:

(1) Protection of the right to organize, against the use of economic coercion by either employers or unions.

(2) Protection of the right of workers to pick their bargaining agents free from interference from any source.

(3) Authorization of closed shop contracts, but protection of the right of workers to join unions on reasonable terms and protection of union members from arbitrarily being deprived of membership or being disciplined.

(4) Provisions making strikes over the jurisdiction of unions an unfair labor practice.

(5) Workable provisions for dealing with disputes which imperil the national health or safety.

Lovejoy Admitted to Bache Partnership

Donald M. Lovejoy, a member of the New York Stock Exchange since 1933, has been admitted as a general partner of Bache & Co., 36 Wall Street, New York City, effective March 1, it is announced. Mr. Lovejoy was formerly a partner of Jenks, Kirkland & Co., of Philadelphia. He is a resident of Greenwich, Conn.

Donald M. Lovejoy

To Be Walters, Peck Co.

Effective March 1 the firm name of Stevens & Legg, 11 Wall Street, New York City, members of the New York and Chicago Stock Exchanges, was changed to Walters, Peck & Co.

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"Special Interests My Fight": President Truman

President, at Jefferson-Jackson Day Dinner, calls for enactment of his measures and threatens to tour nation for support. Calls for Taft-Hartley Act repeal, for broader social security and continued farm price support.

President Harry S. Truman at the annual Jefferson-Jackson Day Dinner of the Democratic party at Washington on Feb. 25 renewed his campaign attacks on the "special interests" which, he claimed, are obstructing the enactment of his proposals by Congress and he threatened to again tour the country to gain popular support for his program. The President was particularly critical of the refusal of "our Republican friends" to cooperate with his party in repealing the Taft-Hartley law.

President Truman

The full text of the President's address follows:

Mr. Chairman, ladies and gentlemen:

This is a happy occasion for the Democratic party. I know that all the gatherings of our party, throughout the country, are as cheerful as this one, and I give all of them greetings.

I am happy to be here talking to you once more from the same old stand.

Incidentally, this is where I expected to be.

What I feel tonight is not personal pride or elation; it is a deep satisfaction that our party has served its country so well that the people have indorsed it for the fifth consecutive time.

I am aware that this was something of a surprise in certain quarters. I am told that some persons were even making elaborate plans, with considerable relish, to buy the Democratic party and all that it stands for.

These persons were like certain friends of Andrew Jackson, whose memory we are honoring tonight.

Once upon a time there were a number of citizens who thought that Andrew Jackson ought to have a suitable coffin. At great expense they went to Syria and purchased a marble sarcophagus. A sarcophagus, as you know, is a tomb—a big marble coffin with a marble lid. These citizens then shipped this marble box to Washington, which was quite a job, as it weighed four or five tons.

At last, they thought, a suitable resting place had been provided for Andrew Jackson.

The only trouble with the project was that Andrew Jackson was not dead. Moreover, he wasn't ready to die. He did not intend to be hurried to the grave.

Courteously but firmly he wrote to these well-meaning citizens, and said, "I must decline the intended honor."

And they never did get Old Hickory into that thing. You can still see it, if you're interested, out in front of the Smithsonian Institution.

I think that this little story has a moral in it. It is this: Before you offer to bury a good Democrat, you better be sure he is dead.

There is another lesson you can derive from the more recent past: you cannot bury the Democratic party as long as it is working for the welfare and the advancement of the people of this nation.

People's Welfare Against "Special Interests"

The central issue of the campaign last fall was the welfare of all the people against special privilege for the few.

When we made it clear where the Democratic party stood on that issue the people made it clear that they stood with us.

The Democratic party has had a long and glorious history. Through its founders and leaders, whom we honor tonight, its roots go back to the American Revolution. But however ancient and glorious it may be, our party is not and never has been an end in itself. The only justification for the Democratic party is its usefulness to the American people in achieving the government they desire.

I am proud to say that never before has the Democratic party been more firmly dedicated to a program in the interest of all the people. The platform adopted at the Democratic Convention of 1948 is clear and forthright.

Our job now is to enact into law the programs that the people need and deserve.

That is exactly what we are doing.

We are meeting determined opposition. The special interests are fighting us just as if they had never heard of Nov. 2. For them campaigns and elections are just preliminary exhibition matches—the fight in Congress is the main bout.

The special interests are on the job year in and year out—seven days a week, and twenty-four hours a day. They work through their lobbies and pressure groups, through the editorial pages and the columnists and commentators they control. They twist and misrepresent the measures the people voted for. They are again trying to frighten the people with the old, wornout bugaboo that socialism is taking over in Washington.

This one-sided barrage of propaganda seems overwhelming at first. There are no full-page ads on our side. In fact—all we have on our side is the people.

But that is enough—because the people are aroused.

I did a lot of traveling around the country last fall, and I found that the people were vitally interested in what their government was doing. Make no mistake about it, there has never been a time when the people were so well informed about Congress, and the President, and the records of their Representatives and Senators as they are now.

This concern on the part of the people is a fine thing for the growth of democracy and responsible government, I proposed to do all I can to help it along. In fact, I may even get on the train again and make another tour around the country to tell the people how their government is getting on.

If we keep the people fully informed, I am confident that they will support the Congress and the President in our fight against the special interests.

It is important that the American people should be aware of the tactics that the special interests are using to obstruct our programs.

Right now the special interests are using every trick they can think of to defeat our labor policy.

Calls for Taft-Hartley Act Repeal

After the election, hardly anybody had a good word to say about the Taft-Hartley act.

But now, when I ask the Congress to repeal the Taft-Hartley act, exactly as I said I would in the campaign, there are great outcries from the special interests. "He can't mean it," they say, "repeal the Taft-Hartley act? Repeal that beneficent, charitable, kindly old statute—the charter of labor and the workingman's friend! Why, it's unthinkable!"

And they keep this up night and day in an effort to convince the people that the Taft-Hartley act is a good law. But it's no use. All the oratory in the world won't change a bad law into a good law.

When the Taft-Hartley act was before the Congress, a Republican Senator called it "a device for making unions so weak they cannot carry on effective collective bargaining."

That was true then, and it is true now.

The Taft-Hartley act is an insult to the working men and women of this country and they will not rest until it is destroyed.

After the election, I thought we would have the cooperation of our Republican friends in this effort. I felt sure that the Republican party would be anxious to throw the Taft-Hartley act overboard faster than the sailors got rid of Jonah, I am beginning to think that maybe I was wrong about that.

No matter what the Republicans do, the course our party should follow is clear.

The Democratic party, in its platform, is solemnly committed to work for repeal of the Taft-Hartley act.

We are working for its repeal; and with the support of fair-minded Americans, regardless of party, we will continue to work for its repeal until it is replaced upon our statute books with a labor law that is fair and decent.

The same die-hard reactionaries who want to cripple labor unions have also started a campaign of confusion against all our other measures for the welfare of the people.

They say they are for extending and improving social security—but they call our proposals a bureaucratic system that will destroy the character of every American.

They claim to be in favor of housing—but they say our low-rent housing program is a mistake because it does too much for low-income families.

They make speeches about the American home — but they encourage landlords to lock out their tenants until rent control is repealed.

They say they are in favor of good wages—but they argue that the minimum wage should be held down to a starvation level.

They claim to be in favor of developing our great river basins —but they raise the old cry of "super state" every practical step we propose.

We will not be deceived by their propaganda. Despite their efforts to confuse, we will enact the programs to which we are committed.

We can and we will provide a better life for our people.

Health of Our Economy

At the heart of our program lies our determination to preserve the health of our economy. We know that the welfare of the whole nation depends upon keeping our economy well balanced —seeing to it that each group gets its fair share of the goods we produce.

The special interests have attacked every governmental measure we have devised to keep our economy on an even keel.

As an example, last year some selfish groups tried to destroy our farm price-support program.

It is a good thing for the country that they failed.

These farm-price supports are actually supports for our entire economy. In the 20s, the collapse of farm prices brought on a depression in agriculture which ultimately spread to the whole economy and dragged the country down to bread lines and bank failures.

But this time the farmer and the economy are protected from such a collapse by the farm price-support program. I ask you to remember these facts when the special interests begin to raise their usual hue and cry about the cost of price supports.

In further support of nation-wide prosperity, I have submitted to the Congress proposals for maintaining full production and full employment.

The proposals I made are designed to aid business in increasing production and eliminating bottlenecks; they are designed to keep price movements balanced, and to prevent shortages from driving certain industrial prices higher while farm prices are leveling off.

These proposals are being attacked by those special interests who are making excessive profits out of present shortages. And the usual outcries about regimentation are now filling the air.

It is easy to be misled by a small group of special interests engaged in a campaign of misrepresentation. We must not let the selfish demands of special groups blind us to the common good.

The success of every business enterprise depends upon the prosperity of the whole country. Your government is pledged to use all its resources to maintain the economic health of the country and to prevent depression. To do this means that government must act —wisely and judiciously—but it must act.

A government able and willing to act in the interest of the whole economy is a better friend of free competitive enterprise than a do-nothing government ready to let

(Continued on page 24)

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

February 28, 1949

112,486 Shares

Southwestern Public Service Company

Common Stock

Par Value $1 per Share

Transferable subscription warrants in bearer form evidencing rights to subscribe for these shares have been issued by the Company to holders of its Common Stock, which warrants expire at 4 o'clock P.M. Eastern Standard Time, March 8, 1949, as is more fully set forth in the prospectus. Common Stock may be offered by the underwriters as set forth in the prospectus.

Subscription Price to Warrant Holders
$25 per share

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc.

E. H. Rollins & Sons Incorporated — Eastman, Dillon & Co. — Blyth & Co., Inc.

Goldman, Sachs & Co. — Harriman Ripley & Co. Incorporated — Kidder, Peabody & Co.

Stone & Webster Securities Corporation — Union Securities Corporation

White, Weld & Co. — G. H. Walker & Co. — Rauscher, Pierce & Co. Inc.

The Milwaukee Company

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Purchasing Agents See Business Leveling Off

Business Survey Committee of National Association of Purchasing Agents, headed by Robert C. Swanton, says reports indicate no panicky situations, but many sellers are unprepared to cope with sellers' market.

A composite opinion of purchasing agents who comprise the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corporation, New Haven, Conn., indicates the decline in industrial activity which began in November, and became more noticeable in December and January, has continued through February, but there are definite signs that its force is diminishing and there are indications that business may level off and maintain the present lower rate for a few months. Production, commodity prices, inventories and employment all are reported at lower levels in February. Back-order schedules showed some indication of increasing commitments during February, as 16% reported increases and 33% are holding satisfactory demand positions.

Robert C. Swanton

The general conditions reported may forecast a strengthening trend, says the committee. A downturn in production requires compounded adjustments in inventories and forward commitments. A 15% lower production schedule may temporarily warrant the reduction of purchases by 30% to 40%, to reduce all inventories and work-in-process to meet turnover targets at the new level. Making such cumulative adjustments abruptly, under a reduce-everything policy, may account for the recent sharp shrinkages in suppliers' backlogs. Such a drastic curtailment, however, can create delivery difficulties for buyers later, when, having worked off overstocks, it becomes necessary to secure full requirements to meet the new production schedules.

Overall, the recession has been moderate and orderly — the reports indicate no panicky situations have developed. A competitive market is gaining momentum, with many sellers unprepared to cope with it. Purchasing executives comment: "Business will probably face a series of moderate setbacks before stability for the long pull is attained." The opinion is expressed that capable and cautious management, without government interference, could probably stabilize business at these lower levels in the next few months. Therefore, much will depend on developments in Washington.

Commodity Prices

Many report price declines during February but few mention very sharp cuts. There is a general trend to taper off. Some overstocks are being offered at liquidation prices. There is much evidence of sellers' testing markets to determine buying levels. Business is being taken at lower prices at the expense of current profits, in the belief that lower material costs and increased labor productivity will take up the slack in the future. Escalator clauses are getting little consideration from buyers.

Long-term price protection, particularly on fabricated items, can be had. Right now, a buyers' market is evident in most commodities except steel and metals, and they may be softening.

Inventories

For the third consecutive month, over 40% of the members surveyed report a reduction in purchased inventories. With easing prices and supply, there is little need for large, protective stocks and some are, admittedly, uncomfortably low. Overdue commitments are frequently being canceled. It is expected that efforts to maintain and increase turnover ratios will continue.

Buying Policy

Forward commitment coverage continues—"hand-to-mouth to 90 days"—97% reporting within that range. More and more buyers are finding it possible to satisfy requirements in the lower section of this bracket. Extreme conservatism in procurement policy is expected to continue until finished goods, work-in-process and raw materials inventories are back in balance with lower production schedules and general business shows more definite signs of stabilizing.

Specific Commodity Changes

The long list of commodities reported **down in price** this month includes the following:

Acetone, fatty acids, alcohol, bolts, bottles, brass and bronze ingots, burlap, carpets, aromatic chemicals, gray market chromic acid, cocoa butter, all containers, copper scrap, buffing wheels, household appliances, fractional H.P. motors, ethyl acetate, pipe fittings, foodstuffs, fuel oil, coal, coke, furniture, glue, greases, pig iron, cast scrap iron, secondary lead, hides, leather, lumber, machine shop products, mercury, steel scrap, vegetable oils, paper and paper products, phenol, plumbing goods, propane, quicksilver, rope, rosin, rouge, rubber, soap, soda ash, starch, gray market steel, cotton textiles, light guage copper wire, caustic soda.

All of the above are **in easier supply,** plus: Cap screws, hose, good grades of lumber, nuts, pipe, procelain items, lead, steel wire.

A few items are **reported up** in February: Brushes, diamond powder, permachlor, pigments, silver, sulfa drugs, turpentine.

The **tightest supply** item is aluminum. Next is copper, but easing; also, diamond powder, redwood, nails, nickel, several sizes steel pipe; steel, tight but easing; tin, zinc.

Employment

Employment is off sharply from January—59% showing this as compared to 47% in January, 34% in December. A substantial part is in layoffs that are considered temporary. Others report the elimination of overtime by a shorter work week. Labor productivity is again reported on the increase. Both skilled and non-skilled labor is generally available.

Canada

General business in Canada is better than in the States. Production is slightly up and backorders have not gone off to the extent reported by U. S. business. Prices are holding firmer; inventories are down; employment is off, but not as much as in the U. S.; buying policy remains the same.

"Special Interests My Fight": Truman

(Continued from page 23)

the economy slide into a depression.

Problem of Boom and Bust

The great problem of the free Western democracies is the problem of boom and bust. The future of the world depends upon our ability to master that problem. During the last 16 years this country has made great progress toward finding the solution. This progress has been made over the protests of selfish and shortsighted people. We have not let them stop us in the past.

We will not let them stop us now.

In his first inaugural address, 148 years ago, Thomas Jefferson said that this country was in "the full tide of a successful experiment." He called our government "the world's best hope." Today we are again in the full tide of a successful experiment—the experiment of achieving economic abundance and basic human rights in a society of free institutions and free men. Today this experiment is again the world's best hope. Today it is the hope of a world confronted by greater dangers and greater possibilities for good than were dreamed of a century and a half ago.

Great as our responsibilities are, we have nothing to fear if we rely upon the energy, the resourcefulness and the common sense of the American people. So long as the people understand the issues of the day, the special interests cannot prevail against the general welfare.

With the understanding and energy of this mighty people, our nation can move confidently toward the goals of prosperity and peace.

SEC to Hold Hearing on Dealer Registration Revocation

Date set as March 22, in New York City to determine whether F. H. Winter & Co.'s broker-dealer registration shall be revoked or suspended.

The Securities and Exchange Commission announced on Feb. 25 that it will hold a hearing on March 22, in its New York Regional office, 120 Broadway, to determine whether the broker-dealer registration of F. H. Winter & Co., should be revoked or suspended.

The SEC alleges that in 1946, Frank H. Winter, while a partner of F. H. Winter & Co., induced a customer to sell to it securities, and with the proceeds to purchase certain other securities. Thereafter, it is stated, Mr. Winter delivered to the customer certain of the shares so ordered and paid for, but failed to deliver others, contending that delivery would be delayed because they were purchased from an estate and time would be required to have them transferred out of the estate. The SEC contends that Mr. Winter neither intended to and did not deliver the securities, but used the funds received from the customer for his own use and profit.

Clinton Hough With Schafer, Miller & Co.

Schafer, Miller & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that Clinton G. Hough has become associated with the firm as Manager of its Over-the-Counter Trading Dept. Mr. Hough was formerly with J. Arthur Warner & Co.

Cleveland Reserve Bank Doubts Spring Upswing

Sees return from seasonal unemployment not being supplemented this year by more liberal spending out of current spending or upward trend in money supply as in previous years.

In a statement, entitled "Business Trends," prepared by the Research Staff of the Federal Reserve Bank of Cleveland and broadcast over Station WGAR, Cleveland, on Feb. 26, it is questioned whether an upward swing in employment will entirely relieve the current "seasonal" unemployment. According to the statement:

"Prior to the war and its disruptions, a certain degree of sluggishness in both midwinter and midsummer was instinctively accepted and recognized as a routine development in many types of business. And on the basis of that precedent, it has been only logical to assume that long-established seasonal habits and patterns would eventually reassert themselves in the postwar period.

"There is no way of ascertaining precisely why this traditional trend should have manifested itself at this particular season, instead of last summer, next summer, or even a year from now. Presumably it was not simply a matter of chance. Nor can it be explained solely as evidence that industrial production has finally caught up with current demand. Perhaps demand itself has receded somewhat ahead of schedule. What is being widely described as only seasonal dullness undoubtedly has been accentuated by certain financial developments which bear little, if any, relation to changes in the seasons.

"One of these developments is the increase in personal savings. As early as last August consumers began to reveal a more conservative attitude toward the expenditure of current income. That was the first time in many months that savings deposits in leading cities of this District increased more than in the same interval a year earlier. The transition was not abrupt, nor has the trend been uniform in one direction, but by January the margin had become much more noticeable. Last month the increment in savings deposits in this area was the largest in the late postwar period.

"Another external factor is the slowing down in the rate of expansion of instalment credit. At various times during the past year the growth of instalment credit, either through the purchase of appliances or furniture on time, or in the form of personal loans seemed to ease up, but the real slow-down came in the closing months of the year and presumably had persisted right up to the present moment.

"The volume of instalment debt outstanding—or the amount owed by consumers—is still rising month by month, but at a much slower rate. The readoption of restrictions on consumer credit late in September may be the primary cause of this tapering off, but other factors such as resistance to high prices and the fact that the most urgent needs have been filled likewise have been retarding influences. In any event, the slackening in the growth of instalment debt has not been a seasonal development, and therefore it cannot be expected that a predetermined date on the calendar automatically will bring a brisk revival of instalment buying and borrowing.

"This leads directly to the consideration of a third adverse factor which is not attributable to seasonal causes, namely, the record high level of consumer indebtedness in the form of home mortgages. Such debt in the aggregate has risen much more rapidly than salaries and wages, out of which that debt has to be serviced. The incurrence of that debt and the subsequent disbursement of the funds borrowed were highly stimulative to business in general, but the debt has reached a magnitude where scheduled interest and principal payments are absorbing an unprecedented amount of purchasing power to the probable detriment of current business. The passage of a few months' time will not alter this situation.

"Another aspect that bears watching is the trend in the money supply, which has been either sideways or slightly downward for some time. The rise in checking account balances of individuals and corporations last fall was not as pronounced as it had been a year or two earlier, and the shrinkage thus far in 1949 has been somewhat more noticeable than a year ago even though income tax payments are a little lighter this year.

"For some months business has been functioning under conditions of a virtually static money supply which is in strong contrast to the steady and persistent inflationary expansion of the preceding decade. That long-term growth has come to a halt, at least temporarily, because of a combination of events. For one thing, there was less new commercial borrowing last fall than in several preceding seasons, and the probability of renewed expansion of commercial lending has not been enhanced by the decline in commodity prices. Industrial and trading enterprises may need less working capital to stock raw materials and to carry finished products.

"Real estate lending likewise seems to have run into some dullness in recent months. Borrowing for the construction of homes for owner occupancy is holding to a high level but residential construction for sale or rent has declined considerably, and in the absence of a revival in that type of building, real estate loans will hardly regain the pace that prevailed until a few months ago.

"Moreover gold imports, which on occasions have been a significant factor in deposit growth, have dwindled to a bare trickle. Many foreign nations which had been buying American products beyond their means are now obliged to conserve their gold resources.

"This deflationary trend in the money supply, for reasons just noted, may be modified or even reversed in some degree as soon as the period of concentrated income tax collections is past and when government expenditures begin to run ahead of receipts again. Yet unless the Federal cash deficit proves to be larger than is now contemplated, and unless there is a resumption of aggressive lending and borrowing for commercial and real estate purposes, there is little prospect that the money supply will show any striking gains during the remainder of this year.

"Although it is probable that within a few weeks normal seasonal influences will bring some spring upturn in business, there is no assurance that it will be supplemented once more by a return to more liberal spending out of current income, by another dose of instalment credit, by a repetition of last year's real estate lending boom, and by a resumption of the upward trend in the money supply. If production, sales, and employment should respond as vigorously as last spring, but without the support of inflationary tendencies heretofore inherent in the situation, then the internal strength of the economy has been greatly underestimated."

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Defends Commodity Speculation

William Reid, President of New York Commodity Exchange, and partner of Bache & Co., also upholds organized commodity exchanges as beneficial to people and as constituting important part of our economic life.

William Reid, President of the Commodity Club of New York, and a partner of Bache & Co., members of various commodity and security exchanges as well as of the New York Stock Exchange, in introducing the Hon. Harold D. Cooley, Chairman of the House Agricultural Committee, at a dinner of the New York Commodity Club at the Waldorf-Astoria Hotel, New York City, on Feb. 24, strongly defended the functions of commodity exchanges as a segment of our economy and denied they were gambling institutions.

William Reid

"Trading in commodity futures has had a good deal of publicity since the war," Mr. Reid stated. "About a year ago there was a Congressional investigation into futures trading caused by high prices. Now there is one due to the recent decline in prices. Other commodities which are not traded in on futures exchanges have similar or even wider price fluctuations, but those traded in on futures exchanges seem to be targets for such attention. The reason may be that the vast majority of people do not understand much about trading on Commodity Exchanges. I doubt that many people know that these exchanges do no business whatsoever for their own account, but merely provide a place where members can handle business either for their own account, or for nonmember and member customers under rules which clearly define just exactly what is being contracted. The rules insure that all trades are carried out, that everyone gets a square deal, and all trades are made public.

"I will give a brief example of benefits derived from our exchanges. Let us take a local grain dealer out West or cotton dealer down South in the harvest season who is offered grain or cotton by a farmer. The dealer keeps posted on the prices prevailing on the exchange and buys the grain or cotton figuring his profit at whatever margin he thinks he should make. Thereafter, he sells the cotton or grain to a mill or he sells the equivalent on the futures exchange. Now let us suppose that for some reason the exchanges cannot open. The dealer who has no guide as to prices, has to take the full market risk of buying when he cannot sell to a mill. He is certainly going to allow a much larger margin of profit than when he can insure against a fall in price by hedging on the Exchange. In fact, he may not be willing to buy at all. The flour or cotton mill by sales of futures contracts can similarly operate on a safer business and a smaller margin of profit. Therefore, the producer can get a better price and the consumer buy at a lower price because the dealer and manufacturer can operate at a smaller margin of profit because of the futures commodity markets.

"Another feature of the hedging value of commodity futures markets which I would like to mention is the fact that at the outbreak of the recent war, there were in warehouses in this country valuable stocks of cotton, rubber, cocoa, pepper, hides, silk and other commodities which would not have been there if the hedging facilities of futures exchanges had not been available."

Distinguishing speculation from gambling, Mr. Reid remarked:

"Speculation on the commodity futures market has often been referred to as gambling, which is very wrong. There is a vast difference. The speculator on the futures markets finds an ever present economic condition of fluctuating prices and endeavors to take advantage of it by anticipating price trends. He assumes a risk which the producer, the converter or the dealer is unwilling to assume. The gambler such as the poker player or the man who bets on a horse race, on the contrary, joins with other gamblers in deliberately creating situations out of which risks develop artificially, for the express purpose or hope of effecting a hazardous gain. The wide difference, of course, is based mainly on the fact that the commodity futures markets serve a very important and valuable necessity to the community. When you come to speculation, practically everything in life is a speculation if you want to characterize it as such. When Columbus sailed for America, he was taking a risk and might be considered to be speculating on discovering a New World. When our early settlers came over here and went out in the wilderness and settled among the Indians, they were certainly taking chances and might be said to have been speculating with their lives. The vast industry which has been built up in this country and which played so vital a part in the winning of the war was unquestionably started in a small way by men who speculated their savings in commencing such industries. Yet I do not believe that anyone would characterize say Henry Ford when he started his small machine shop as a gambler, or the Hartfords, when they started the Great Atlantic and Pacific Tea Co.; yet it is unquestionably true that a vast number of men who have embarked in the grocery business during the life of the A. & P. have lost their money. I don't know anyone who characterizes those people who started a grocery business as gamblers. The nearest analogy to our commodity futures markets in my mind is Lloyds of London where you can insure your ocean shipments, or any one of the myriad risks in daily life, but I don't believe that Lloyds is characterized as a gambling institution. The main difference between Lloyds and our futures markets is the fact that at Lloyds only the members can take the opposite side of your risk, whereas on the futures exchanges, not only members, but the outside public can share to the extent they wish in carrying your risk. Anyone who trades on these exchanges whether they are professionals or amateurs, earns any profits he makes because, while substantial profits can be made trading in commodities, there is a very great risk of substantial losses.

"Our Exchanges are an important part of our economic life. Our large harvests could not be marketed to the advantage of producers or consumers as well without them. As long as free enterprise continues in this country, there is still a tremendous growth ahead for those in this business, and I mean what I say when I call it a business. I think it is just as much a business as merchants handling any commodity."

Henry Herrman & Co. Admits NYSE Member

The firm of Henry Herrman & Co., March 1 became members of the New York Stock Exchange with the admission of C. Fred Richards into the firm as a general partner. Mr. Richards has been an indpendent floor member of the New York Stock Exchange since 1938 and is a former Major in the United States Army.

The company also announced the removal of its offices to One Wall Street, New York City. Henry Herrman & Co. has conducted an underwriting and brokerage business in industrial, public utility, railroad and municipal securities since 1939. Other partners are Henry Herrman, William O. Gay, Jr., and William M. Cahn, Jr.

Admission of Mr. Richards to partnership was previously reported in the "Chronicle" of Feb. 10

Los Angles Bond Club Hears Alben Barkley

LOS ANGELES, CALIF. — The Honorable Alben W. Barkley, Vice-President of the United States, made an exclusive Los Angeles address before the Bond Club of Los Angeles at a luncheon meeting at the Cocoanut Grove in the Ambassador Hotel, Los Angeles, on Feb. 25, which was presided over by J. Earle Jardine, Jr., Wm. R. Staats Co., President. In addition to members of the Bond Club and their guests, many of the leading civic and business leaders of the Southland were in attendance.

Rogers & Tracy Celebrate Silver Anniversary

CHICAGO, ILL. — Rogers & Tracy, Inc., 120 South La Salle Street, observed its 25th anniversary Feb. 25, 1949.

"We Shall Hope . . ."

"Since the war the United States has given to China approximately $2,000,000,000 for relief. Our country has also extended generous loans to numerous other countries. In Greece, to preserve its freedom and prevent its absorption by totalitarianism, $400,000,000 was authorized by Congress. To preserve the integrity of Turkey, more than $100,000,000 was extended.

"The most gigantic and generous act of its kind in all history was embodied in the Marshall Plan. Eighteen billions of dollars are to be devoted to the rehabilitation of the shattered economies in Europe.

Sen. Tom Connally

* * *

"This record covers some of the generous and unselfish efforts of the United States to contribute to the brotherhood of nations and peoples and to preserve and maintain the peace of the world. The United States will continue upon this lofty and worthy conception of international affairs. We shall hope to attain these noble objectives."—Senator Tom Connally.

If the Chairman of the Senate Foreign Relations Committee means merely to recount what this country is doing or has been doing in recent years, it is one thing; if he is boasting about it, he would be well advised to await concrete results.

Malon C. Courts Director Of Genuine Parts Co.

At a meeting of the board of directors of Genuine Parts Co., Malon C. Courts was elected a director. Mr. Courts, a graduate of the University of Georgia, is a partner of Courts & Co., investment bankers, and is a director of the Atlantic Realty Co. He is also Chairman of the Federal Taxation Committee of the Investment Bankers Association.

NASD District No. 11 Elects New Officers

District No. 11 of the National Association of Securities Dealers, Inc. has elected J. Murray Atkins, R. S. Dickson & Co., Charlotte, N. C., Chairman. John C. Hagan, Jr., Mason-Hagan, Inc., Richmond, Va., was chosen Vice-Chairman. Charles H. Pinkerton, Baker, Watts & Co., Baltimore, is the Governor from District 11.

This is under no circumstances to be construed as an offering of these Shares for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Shares. The offer is made only by means of the Offering Prospectus.

New Issue

286,496 Shares

Central Maine Power Company

Common Stock, $10 par value

Holders of the Company's outstanding Common Stock and 6% Preferred Stock have been issued subscription warrants expiring on March 14, 1949 to subscribe to the above stock. Rights to subscribe to an aggregate of 219,196 shares have been waived.

Subscription and Public Offering Price

$15⅞ per share

Copies of the Offering Prospectus may be obtained from only such of the undersigned as may legally offer these Shares in compliance with the securities laws of the respective States.

Harriman Ripley & Co.
Incorporated

Goldman, Sachs & Co. Lehman Brothers Stone & Webster Securities Corporation

Estabrook & Co. Hayden, Stone & Co. Hemphill, Noyes & Co. W. E. Hutton & Co.

Carl M. Loeb, Rhoades & Co. F. S. Moseley & Co. Townsend, Dabney and Tyson

Graham, Parsons & Co. Maine Securities Company The Milwaukee Company

Newhard, Cook & Co. H. M. Payson & Co.

March 1, 1949.

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Offers Tax Changes to Retard Liquidation of American Capitalism

In the Feb. 28 issue of the "Fortnightly Commentary" of "The Value Line Investment Survey," published by Arnold Bernhard & Co., Inc., Investment Advisers, a number of remedies are proposed "which would have the virtue of at least retarding the liquidation of American capitalism." According to the survey: "One remedy would be to exempt from income taxation that portion of a corporation's income which is reinvested in plant or working capital. A reasonable standard of working capital needs could be set up which would assure the Treasury that the retention of earned surplus for working capital was indeed a requirement of the business.

Arnold Bernhard

"A second remedy would be to exempt from taxation all earnings distributed as dividends. This remedy would eliminate the 'double tax' on corporation profits. (Corporation income is first taxed to the corporation at the corporate tax rate and then the portion that is distributed to stockholders is taxed again at the personal income tax rate.)

"If these two remedies were put into effect, corporations would probably pay little in income taxes, for what they failed to invest in plant and equipment and working capital, they would distribute to their stockholders. It would be no more than right. A corporation should not be taxed, because a corporation is not a person. A corporation is a business organization and the burden of taxation should lie upon those who benefit from the business in accordance with the benefits they receive and in accordance with their ability to pay taxes. The Treasury would lose some revenue, but not as much as might first be supposed. Dividend distributions would increase and the recipients would in many cases pay a larger tax than the corporate rate. The loss in revenue would be of small significance if the free enterprise system were reinvigorated and the trend to monopoly reversed.

"A third remedy would be to adopt the tax policy in effect in Sweden under which a corporation is allowed to charge any rate of depreciation it chooses so long as it holds to that rate consistently. Such a system would enable a small corporation to accumulate capital in the form of plant equipment and more rapidly than under the longer life-of-the-property rates recognized for tax purposes in the United States.

"A fourth remedy, which would be applied to individuals, would be to permit personal incomes to be averaged over a period of years. Assume, for example, that a man has an income of $50,000 in one year and no income in the following year. Under existing tax schedules, he would pay a tax of approximately $23,500 for 1948. Under the suggested remedy, he would be able to average his income over the two years and reduce his taxes to about $18,500—a saving of $5,000. The longer the period over which individual incomes could be averaged, the more equitable the tax would become.

"A fifth remedy would permit capital losses to be deducted from income in whatever amount the losses are incurred. At present, capital losses can be deducted to the extent of only $1,000 per year. At present if a man has a $25,000 capital loss during a year, he can deduct only $1,000 a year for five years from his income, if he has income in each of the five years. The other $20,000 loss is not recognized for tax purposes at all.

"A sixth remedy would be to permit flotation costs of new securities to be regarded as an expense instead of requiring that they be capitalized as a nondepreciable asset, as is the case with new equity financing now. If this last proposal were adopted, it might provide an incentive to increase the amount of equity financing in preference to bond financing. Under existing regulations, bond flotation costs may be amortized over the life of a bond, but the expense of an equity flotation cannot be amortized at all. It remains a permanent capital outlay.

"A much more radical remedy but one that offers hope of a definite cure would be to rescind income taxes altogether and to levy in their place a graduated spending tax. Such a tax would allow exemptions, as does the present income tax, and it would levy on the amounts spent by individuals according to a graduated scale. The effect of this tax would be to discourage high living and to encourage saving and investment. The high living would be discouraged because the more a man spent, the heavier would be his tax. Such a tax could be especially useful during a period of inflation, at which time the rates could be so regulated as to virtually prohibit extravagance. On the other hand, because such a tax would completely eliminate the need for income taxes, the incentive to invest would be far greater than it is today. The method for computing tax liability under the spendings tax is simple. Spending during the year is equal to the total income less the difference between the bank balance at the year-end and at the beginning of the year. Credits are taken for income invested. The effect would be to place the incidence of the tax on the man who spends money for his creature comforts and to relieve the man who uses his income to invest in productive goods.

"The great disadvantage of a spendings tax is that it is unfamiliar. Among tax experts there is an old saying that any old tax is better than any new tax. A radical innovation like the spendings tax would require some time for the public to become accustomed to it. Still, in its economic effect and its moral incidence, it is a sounder tax by any standard than the income tax. The chances of its being adopted are so slight that it is mentioned here only to inform investors that there is an alternative to progressive income taxation. The spendings tax can do anything the income tax can do, and do it better. In addition, it allows an incentive to the producer and would permit small business to grow. It could reverse the trend toward state socialism."

Moors & Cabot to Admit E. Richard Ehlbeck

BOSTON, MASS. — Moors & Cabot, 111 Devonshire Street, members of the New York and Boston Stock Exchanges, will admit E. Richard Ehlbeck to partnership on March 10. Mr. Ehlbeck was formerly Vice-President of du Pont, Homsey Co. in charge of sales and research.

Conn. Inv. Bankers Elect New Officers

HARTFORD, CONN. — At a meeting of the Connecticut Investment Bankers Association held in Hartford last week, Marshall H. Williams was elected President. Mr. Williams is President of the firm of Day, Stoddard & Williams, Inc., whose principal office is at 95 Elm Street, New Haven, with branch offices in Hartford, Derby and Middletown.

Marshall H. Williams

At the same meeting, DeWitt C. Ramsay of Smith-Ramsay & Co. of Bridgeport became Vice-President and Howard Breummer of Brainard, Judd & Co., Hartford, was elected Secretary and Treasurer.

Elected to the Board of Governors were: Everett B. Miller, Robert C. Buell & Co., Hartford; Pearl J. Skilton, R. F. Griggs & Co., Waterbury; and Charles W. Gould, G. H. Walker & Co., Hartford. Other Governors are Charles P. Cooley, Jr., Cooley & Co., Hartford; B. Rush Field, Eastman, Dillon & Co., Hartford; S. Jackson Steiner, Jackson Steiner & Co., Inc., Hartford; George L. Austin, G. L. Austin & Co., Hartford; W. Thurston Rowley, Conning & Co. and Ballard, Hartford; Harold E. Faust, Equitable Securities Co., Hartford; Andrew L Tackus, Putnam & Co., Hartford; E. Holbrook Bradley, E. M. Bradley & Co., New Haven; and E. Greenleaf Stewart, Smith, Barney & Co., Hartford.

Mr. Williams, a Yale graduate in the class of 1916, has served his entire professional career in the investment field and was a founder of the firm of Day, Stoddard & Williams, Inc., which carries on a general investment business with particular attention to securities issued by Connecticut corporations and municipalities.

The Association has been an important factor in the setting and maintenance of standards of practice by the industry in Connecticut and functions in the interest of investors as well as brokers and dealers.

Henry Christman Joins O'Neal, Alden & Co.

LOUISVILLE, KY. — Henry Christman, Jr. has become associated with O'Neil, Alden & Co., Inc., 421 West Market Street. Mr. Christman was formerly with James C. Willson & Co. which is being merged with O'Neal, Alden & Co., effective March 1.

Henry Christman, Jr.

Faroll & Co. to Admit

CHICAGO, ILL. — Faroll & Company, 208 South La Salle Street, members of the New York and Chicago Stock Exchanges, will admit Warren G. Hamer to limited partnership on March 10.

Schram Reveals Design of NYSE Advertising

In article in "The Exchange," President of New York Stock Exchange says purpose, in addition to educating public on Exchange's functions, is to speed flow of capital for industry and to encourage employee stock ownership.

In the February issue of "The Exchange," the monthly magazine of the New York Stock Exchange, Emil Schram, its President, revealed the scope and purpose of the new advertising campaign.

"The Exchange desires to do all that lies in its power to speed the flow of capital into industry," Mr. Schram asserts. "The Exchange is particularly eager to see a broader public participation in the equities of long-established corporations which have histories of profitable operation. The Exchange has been persuaded, after long study of conditions grown out of the aftermath of war, that an essential requirement of its program is to stress common stock ownership in ways understandable to many people who have not considered equities for *investment*."

Emil Schram

Continuing, Mr. Schram writes: "This intent is to be forwarded in large degree by the power of example. Advertising procedure will pretty well discard drab economic phraseology. On the other hand, the intent is to be directed toward the potential investor's natural desire to gain a solid benefit for himself and his family while, through investing, he is putting his shoulder to the wheel for the safeguarding of the American way of life.

"By referring to the power of example I have edged over into the second part of the theme—the design! As we all are well aware, nothing is more effective in stimulating interest than the sight of other people doing well for themselves. The pictured documentation of satisfactory investment will, we believe, be appreciated by people who may either have considered common stocks with deep skepticism, or never given them much thought. The design will be further rounded out by using facts and figures, taken from undisputed corporate records, which show simply that a great many well-selected equities possess recognized investment merits. The fact that a long list of stocks on the New York Stock Exchange have enviable dividend records will be emphasized.

"The design will also be to place before readers of the advertisements a series of mental pictures . . . of fulfilled ambitions inherent in all enterprising Americans. The pictures cannot be seen with the eye. They will be impressed, we trust, upon the inner vision and made more personal than they may have been before. The pictures will be of owners of worthwhile, valuable property; participants in productive industry; sharers in the rewards and risks of invention, skills, ingenuity, and American aggressiveness. The pride of ownership will be evident, with an accompanying satisfaction which branches from intelligently acquired interest in industry.

To Encourage Employee Ownership

"The Stock Exchange's design extends beyond the task of drawing public attention directly to the availability and function of good equities. As part of the program the Exchange hopes to encourage more corporations to broaden stock ownership among employees. The employee stock ownership principle is gradually finding wider acceptance among corporate employers. A variety of plans are coming forward; some involve additions by the corporations, themselves, to funds invested by workers; others provide special features to interest employees in the stocks of their companies.

"Now, the foregoing is, admittedly, a discussion which, in part, will stir no pulses among the readers of this magazine who are already familiar with equity investment. For them we believe, however, that the advertising messages will contain thought-provoking material. The nation is entering wider phases of social progress than it even contemplated a few years ago. Such progress will engage capital in large amounts, and it must be remembered that when social progress outruns economic progress in any country, national difficulties arise.

"The Exchange firmly believes that economic advancement, the very foundation of our standard of living, depends largely from now onward upon our development as a nation of investors. A nation of investors is a nation whose citizens bulwark the national welfare at the same time that they participate in industrial vigor and growth."

Pettit A. Myer Joins Cohu Inst. Dept.

Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Pettit A. Myer has become associated with the firm's Institutional Department. Mr. Myer in the past was with Van Alstyne, Noel & Co.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

On March 10, transfer of the Exchange membership of the late William E. O. Bebee to William T. Baker will be considered.

Transfer of the Exchange membership of the late William L. Wilson to Theodore Wechsler will be considered on March 10. Mr. Wechsler is a partner in Hay, Fales & Co.

George W. Ullman retired from limited partnership in Oppenheimer, Vanden Broeck & Co. on Feb. 28.

Carl H. Langenberg, general partner in Reinholdt & Gardner, became a limited partner on March 1.

William H. Gray, general partner in Talcott, Potter & Co., on March 1 became a limited partner.

Walton W. Cox, general partner in Robert Winthrop & Co., on March 1 became a limited partner.

R. Swinnerton & Co. dissolved Feb. 28.

Interest of the late George T. Adee in Mallory, Adee & Co. ceased Jan. 31.

Interest of the late Joseph J. Rice in Daniel F. Rice & Co. ceased Feb. 8.

Jennings & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

CLEARWATER, FLA. — David H. Jennings has formed Jennings & Co., to engage in the securities business.

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Railroad Securities

Atchison, Topeka & Santa Fe

The heavy snows in the western section of the country in January and February were fully publicized in the nation's press. It certainly must have been well known to speculators and investors that rail service as well as highway travel had been disrupted completely, and for extended periods, in many sections. It could hardly have been expected that the affected railroads or their connections could be impervious to the severe weather. The storms cut heavily into traffic and also added substantially to expenses.

Despite the preparation the financial community had had, the appearance of the reports of such roads as Southern Pacific and Union Pacific brought on another wave of selling with a consequent sharp break in prices. The good reports of a majority of carriers in other sections of the country were completely ignored. Illinois Central, for instance, reported January net income more than double that of a year earlier and still the stock acted just as poorly as the shares of some of the companies reporting substantial year-to-year earnings declines.

Compared with some of the other transcontinentals Atchison, Topeka & Santa Fe held up quite well in the opening month of the year. Car loadings for the month were off about 15% but gross revenues declined only 5.3%, from $39,686,000 to $37,572,000. A part of the drop in revenues was offset by a cut in costs. Net income for the month amounted to $2,107,000, off $1,839,000 from January 1948. Net was off the equivalent of only $0.76 a common share, a negligible decline in relation to last year's earnings of $23.33 a share. For the seasonally low 1949 month the company still reported a balance of some $0.66 a share for the junior equity. With nothing more than this slight recession in January earnings to feed the bearishness, the stock last week dropped to 87½ compared with the high of a few months ago of 120⅝.

Considering the basic investment status of the road, a price-earnings ratio of less than four times, based on 1948 results, and a yield basis of 6.86%, based merely on the regular $6.00 dividend rate, appear almost inconceivably conservative. One might think that the long term record of the Santa Fe was such that there was some question as to its ability to maintain earnings under what might be considered normal business cycles. Far from it. The road has an excellent record. In every year of its history, going back more than 50 years, it has been able to report net income. It was one of the minority that reported earnings even during the severe depression of the 1930s when western roads were additionally plagued by a series of droughts.

Added to its favorable long term record, the road's fundamental status has been improved materially in recent years. For the 10 years through 1948 aggregate earnings on the common amounted to around $146.00 a share. During that period dividends were distributed in the amount of only $47.00 a share. The balance of $99.00 a share, together with cash released from depreciation and amortization, was retained to strengthen the position of the company. Debt was reduced materially—fixed and contingent charges are now down to roundly $8.6 million compared with over $13 million 10 years ago. Net working capital has been built up to nearly $134 million. Large sums have been spent to improve the property and in the acquisition of new equipment, particularly diesel power.

The property expenditures and acquisition of new motive power have naturally been reflected in the road's operating efficiency. For a number of years prior to the war the profit margin of Santa Fe had been running consistently, but not substantially, below that of the industry as a whole. In line with the experience of the western roads generally its showing during the war was materially better. What has not been so general in the west, however, is that Santa Fe has continued in the postwar era to do better than the Class I carriers as a whole. In 1947 Santa Fe carried 19.3% of gross through to net operating income before Federal income taxes, compared with a carry-through of 12.4% for the industry. Reports for the industry as a whole for 1948 are not yet available but Santa Fe individually witnessed a further widening of the pre-tax profit margin to 20.7%, placing it well up toward the top among the major Class I carriers.

Last year Santa Fe reported earnings of $23.33 a share on its common stock. This was apparently a gain without drawing down any dividend income from the profitable wholly-owned subsidiary, Western Improvement Company. Including earnings of that subsidiary it is probable that actual earning power of the Santa Fe common was somewhat above $28.00 a share in 1948. It seems hardly likely that direct earnings this year could drop below $18.00 a share. The regular dividend of $6.00 a share may be considered as very well protected. Last year the company paid an extra of $2.00 and similar action, or perhaps an increase in the regular rate, would seem a logical expectation in 1949.

Sees Electric Generating Capacity Ample

Ernest R. Acker, President of Edison Electric Institute, points to new installations as indicating corner has been turned in providing sufficient reserve to meet increased demand. Looks for a 50% increase in installations in 1949 over 1948, when 4,253,000 kilowatts were made available.

The electric companies of the United States are successfully coping with their generating capacity problems, Ernest R. Acker, President of the Edison Electric Institute, says in announcing that installations of new generating capacity are being maintained at such a high level that the companies are intensifying their long-range sales efforts to make sure that the new capacity will be sufficiently utilized as it becomes available.

Ernest Acker

As specific evidence, Mr. Acker noted that, on the basis of final calculations, the industry's reserve margin of generating capacity during the December, 1948 peak period averaged 6%, on the basis of total installed capacity, as against the 1947 reserve of 5%.

This indicated that the corner has been turned, Mr. Acker said, since last year's record-breaking installation of 4,253,000 kilowatts will be topped by more than 50% during 1949 by a scheduled installation of 6,700,000 kilowatts; and the rate of increase in demand has come down from the abnormally high rates in 1946 and 1947, directly after the war.

A margin of reserve capacity of 10% is envisioned by the end of 1949; and the desirable normal margin of 12 to 15% as estimated by power system engineers under present-day pooling operations should be achieved in many parts of the country by the end of next year or early the following year.

Following is the latest summary report of the additions to the power supply as compiled by the Edison Electric Institute:

Additions to New Capacity:	Kilowatts	Increase	Load Growth	Margins of Spare and Reserve
1946	206,000	0.4%	13.8%	12%
1947	1,895,000	3.8	10.1	5
1948	4,253,000	8.1	6.8	6
Scheduled:				
1949	6,700,000	11.9	*7.3	*10
1950	5,800,000	9.2	*6.3	*13
1951	6,060,000	8.8	*5.5	*16

*Estimated.

Reserve Margins

Margins of reserve and spare capacity in past years are as follows:

1941	22%	1946	12%
1943	*20	1947	5
1945	27	1948	6

*At peak of war demand.

The outlook for reserve margins for 1949, according to the latest survey, is for a substantial improvement in nearly every section of the country. Normal reserve will be restored in nearly all sections of the country by late 1950 or early 1951.

The desirable normal margin of reserve, as estimated by power system engineers, is now 12 to 15%, depending on the degree of interconnection and adaptability of a group of power systems to operate advantageously in a pool. There has been a marked increase in pool operation over recent years with a resulting sharp decrease in the amount of reserve needed to assure continuity of service.

The lack of reserves created the worst operating problems in many sections of the United States in August, 1947. The load was growing very fast, the idea of a Marshall Plan took hold throughout the country and caused a rapid rise in power demand, an extraordinary hot spell caused many equipment failures at a time when there were many scheduled outages of generating units for their regular overhauling. The reserve problem was generally better in 1948 than in 1947. There was a severe water shortage in California for about a month, a severe water shortage in Wisconsin and northern Minnesota for a few weeks, and some drouth in upstate New York and New England for a few weeks.

The 1948-49 winter peak has gone by. Before the next hot summer weather and the next December peak demand come around, new capacity going in is expected to make a substantial improvement in reserve margins. This together with the fact that many companies are noticing a flattening off of demand has prompted electric utility companies generally to launch large sales promotion programs to try to increase their sales of electricity.

Bond Club of Detroit 33rd Annual Dinner

DETROIT, MICH. — The Bond Club of Detroit will hold its 33rd Annual Dinner in the Crystal Ballroom, Book Cadillac Hotel, on Friday, March 11, 1949.

Chairman Jones B. Shannon, Jones B. Shannon & Co., announced the guest speaker will be Raymond Rodgers, Professor of Banking, New York University. His topic is entitled "It Can't Happen Now."

Professor Rodgers received his Bachelor of Arts degree from the University of Kentucky in 1921, and in 1925 he was awarded his Master of Business Administration degree from the Graduate School of Business Administration of New York University. He came to New York University in 1921 and has held the following academic titles in the School of Commerce, Accounts, and Finance and in the Graduate School of Business Administration: Instructor, 1925-28; Assistant Professor of Finance, 1928-32; Associate Professor of Finance, 1932-47; Professor of Banking, since 1937.

Professor Rodgers also holds administrative rank in the School of Commerce, Accounts and Finance, having been appointed its Secretary in 1931. In addition, for several years, he served the University of Newark and the Graduate School of Brooklyn Polytechnic Institute as visiting lecturer on finance.

Professor Rodgers is co-editor and co-author of "Money and Banking," a standard text in the field of banking, and co-author of "Consumer Credit and Its Uses," an authoritative treatise on consumer credit. For several years he was editor of the Canadian Monthly Letter of the Alexander Hamilton Institute. His work and experience in business have been varied: in the marketing field he has been Assistant Advertising Manager of Alexander Taylor & Co.; in finance, he has been an Assistant Underwriter at National Surety Co., foreign correspondent for the National City Bank, and Office Manager and Executive Assistant at the Institute of International Finance.

Davidson Asst. Sec. Boston and Old Colony

BOSTON, MASS. — The Directors of the Boston Insurance Co. and the Old Colony Insurance Co. have elected Richard T. Davidson, head of the Investment Dept. of the two companies, Assistant Secretary.

From 1930 to 1941 Mr. Davidson engaged in the securities business as head of the firm of R. T. Davidson & Co. and devoted the greater part of this 12-year period to investment and economic research. In the early part of 1942 he became affiliated with Burr, Gannett & Co., of Boston and was put in charge of the Investment Research Dept. When this company was dissolved on June 30, 1942 he joined the Boston Insurance Co. and the Old Colony Insurance Co. and was made Investment Assistant to the President. Since April, 1943 he has been Manager of the Investment Dept. of the two companies.

Mr. Davidson is a member of the Boston Security Analysts Society and the New York Society of Security Analysts.

Robert D. Bowers & Co.

LONGMONT, COLO. — Robert D. Bowers is engaging in a securities business from offices at 1302 Sixth Avenue under the name of Robert D. Bowers & Co.

Kirt M. Chapman With John G. Kinnard & Co.

MINNEAPOLIS, MINN. — Kirt M. Chapman has joined the staff of John G. Kinnard and Co., Baker Arcade. Mr. Chapman was formerly an investment counsel.

This announcement appears for purposes of record only. These securities were placed privately through the undersigned, and have not been and are not being offered to the public.

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As We See It

(Continued from first page)

have escaped most, if not all the others similarly placed, since memory of man runneth not to the contrary.

But none of this, nor all of it, supplies any reason whatever why the informed and thoughtful citizen should not, or can not, appraise the general situation for himself and set down in his own note book what he finds to be the facts and their implications. The truth of the matter is that President Truman did not receive any specific mandate last fall at all. If the voting were so construed, it must at once be added that the voters at the same moment, and in the same balloting, denied him the conditions under which he could reasonably hope to go forward on a massive scale with any such command or directive. A Congress, a majority or more of whose members helped to override a veto of the Taft-Hartley Act, can scarcely be said to have ridden back into office on the coattails of a President who vetoed it, and made much of the veto throughout the campaign last November.

All Things Unto All Men

It is true, of course, that the President again and again and again outlined in vague terms an impossible program in which was included something for virtually everyone except the successful businessman. It is likewise a fact that he promised action. Unfortunately for those who would like to make a good deal of all this, it is likewise beyond contradiction that many legislative candidates of Mr. Truman's party were not and never had been in their public lives in step with the President on many of these questions. A number of them had been the bitterest of his enemies as regards some of them. In short, it was obvious that Mr. Truman could not speak for his party as that organization was represented in Washington in the 80th Congress, or as it was scheduled to be and is now represented in the 81st Congress. And, generally speaking, it must be recalled that the President ran behind, not ahead of, Congressional candidates. At most, it seems to us that the President could claim a real mandate merely to try to see what he could do to get his program through a Congress the leanings of which were well known and understood by the electorate which sent it to Washington.

But be this all as it may, the President has now issued a challenge to the Congress which his party controls, and scarcely takes the trouble to conceal a threat to visit the "whistle stops" again to marshal support for his program. He ignores the fact that such tactics as this on his part could succeed only on the basis of an implied threat of a wholesale party purge (which even Franklin Roosevelt could not effect)—and the further fact that his remarks would have to be directed at individuals elected more often than not with his implied if not expressed approval last November. He may do precisely what he now rather plainly threatens to do. Indeed such a course would be quite in character. The nature of the program he would then champion is, accordingly, of first rate importance regardless of the flimsy political ground on which the alleged mandate for it rests.

Program and Its Status

The major components (so far as they are essentially economic in their nature) were listed along with their then existing status on Sunday last by the New York "Times" as follows:

Labor Legislation. Bill to repeal Taft-Hartley Act and revive 1935 Wagner Act with "improvements" introduced in Senate Jan. 6. **The status:** Senate Committee on Labor and Public Welfare completed open hearings last Wednesday. Schedule for further action uncertain.

Minimum Wages. Bill to raise minimum wage from 40 cents to 75 cents introduced in both Houses on Jan. 6. **The status:** Public hearings completed by House Education and Labor Committee. No hearings held yet in Senate.

Social Security. Bills to enlarge social security payments and expand coverage and to set up permanent system of Federal aid for public relief introduced in House last Monday. **The status:** Hearings open tomorrow in House Ways and Means Committee.

Health. Bills to provide a national health insurance and public health program introduced Jan. 5. **The status:** Hearings not yet scheduled.

Education. Bills to authorize Federal aid to education introduced Jan. 6. **The status:** No hearings held yet.

Economic stabilization. Bills to give the President broad powers to control prices of critical commodities and some wages and to deal with production bottlenecks introduced Feb. 15. **The status:** No hearings held yet.

Housing. Bills setting up large-scale Federal program for slum clearance and low-rental housing introduced Jan. 5. **The status:** Bill approved last week by Senate Banking and Currency Committee; now ready for floor debate.

Rent control. Bill to continue and strengthen Federal rent controls introduced Jan. 24. **The status:** Bill to go before executive session of Banking and Currency Committee in House; hearings to begin in the Senate on March 3.

River development. The President outlined in White House statement program for development of Columbia River basin along TVA lines. **The status:** Bill not yet introduced.

From this compilation it is evident that if the 80th Congress was black, the 81st is hardly white—for which we thank kind Providence. We find it difficult to believe that the President, or any one else, can go before the people of this country and stir up much enthusiasm for this "fair deal" program. Conditions have changed since early last November, just how profoundly remains to be seen, but the changes are sufficient to give a good many of the rank and file of the people of this country considerable pause. They have quite evidently given many of the labor union leaders pause. Some of them who were so loudly proclaiming what they were going to do if the Taft-Hartley Act was not repealed, now seem to be roaring about as gently as a suckling dove.

People Becoming Tax Conscious

People are now becoming tax conscious—as Governor Dewey can testify. They are slowly beginning—at least we hope they are—to become interested in profligacy and its consequences. Controlling prices and wages begins to take on a different appearance with quotations declining and unemployment moving upward. It may be that the President can reverse popular thought on these subjects, but we certainly hope that he can not. The trend of political thought is in reality bad enough in all conscience, but we hope not bad enough to give "the Fair Deal" a green light.

Inquisitorial Practices of SEC

(Continued from first page)

of the Securities and Exchange Commission to brokerage houses when large transactions appeared on the ticker. These agents would demand full information not only as to the name of the customer for whom the transaction was put through, but also the details of all other transactions by that customer for a period preceding, and in some cases would then go to the customer himself. In any case, the broker would feel obligated to inform the customer of the visit. In one case in 1937, an agent of the Commission visited the executor of a large estate to inquire why he had sold a quarter of a million dollars worth of securities in a single morning. The agent was informed that the executor was selling to get cash with which to pay the United States Treasury the estate tax! A great many men simply withdrew from the market rather than have the details of their transactions thus inquired into by the government. However innocent their purposes, however legitimate their transactions, men do not welcome governmental inquiry into them. The effect upon the stock market was very bad. In more recent years there has been a shift in the occasion of these inquisitorial visits. They come less frequently upon the appearance of a large number of shares in a particular transaction on the ticker tape, and they come more frequently when transactions appear at a substantial change in price.

As late as Feb. 23, 1947, the New York "Times" reports an elaborate investigation made by the Securities and Exchange Commission of the stock market break of Sept. 3, 1946, involving such voluminous detail that the report, based on data in the Commission's hands by Oct. 7, 1946, had not yet been completed. "In addition to the data obtained from member firms of the Stock Exchange, the Commission's investigators also interviewed 100 of the largest buyers and sellers of stocks on that day in a nationwide canvass. Besides these individuals, a *random selection* (Italics mine) of 450 buyers and sellers, together with a miscellaneous number of firms throughout the country, was asked to give information on the subject. . . .

"The investigation was ordered on September 23, when the SEC said it would attempt to learn the cause of the market's decline on September 3 by reconstructing all roundlot transactions on the Stock Exchange on that date. . . . At the time, it was stated that if any irregularities in the sale of stock or if any pool operations were uncovered, the SEC was was prepared to take swift actions against such manipulators." (New York "Times," Feb. 23, 1947, page 2F, col 4.)

We have here apparently a pure fishing investigation, digging into the private affairs of a large number of people at random without even the pretext that the particular individuals investigated had acted in a suspicious manner, but merely on the chance that somewhere something suspicious might turn up. A Federal Grand Jury would be much more respectful of the rights of people to privacy in their personal transactions!

Action of this kind by the SEC continues to deter men from taking part in the stock market, and is no small part of the explanation of the "thinness" of the market which makes possible wide breaks on a single day—which in turn start the SEC on a new investigation!

Specialists and Floor Traders

At the instance of the Securities and Exchange Commission, the Stock Exchange itself had adopted complicated rules sharply restricting the activities of specialists and floor traders. These rules created a great deal of uncertainty as to what specialists and floor traders might do. It was often necessary at critical times, when quick action by specialists and floor traders was needed, for specialists to confer with members of the Stock Exchange Committee instead of taking the prompt action called for.

The Securities and Exchange Commission had even made a ruling putting the burden of proof upon the specialist, requiring affirmative proof that the specialist's action was beneficial. It is not easy for a man to act quickly with such a burden of proof against him. There was an immense area of uncertainty, paralyzing action.

The Margin Requirements

A further factor narrowing the market and intensifying the difficulties of the 1937 break was the high and inflexible margin requirement. The Congress, desiring to regulate the use of credit in the stock market, had given the Federal Reserve authorities control over margin requirements—a control that had previously been in the hands of the banks and the brokers. The Federal Reserve authorities had raised margin requirements to a very high level. As they calculated margins, it was called a margin of 55%. As the brokers calculated, it was a margin of 122%. If a man bought $10,000 worth of stock, the rule required that he pay in cash $5,500 and that he borrow only $4,500. His margin was 55% of the cost of the stock, but it was 122% of the $4,500 loan. In ordinary times, bankers and brokers had usually considered that 20% to 25% of the loan was a satisfactory margin from the standpoint of the safety of the loan, assuming that the loan was well diversified, though they always reserved the right to raise the margin if special circumstances called for it. Very much higher margins had been required by bankers and brokers in the wild stock market of 1929.

This sharp increase in margin requirements from 20% to 25% of the loan to 122% of the loan meant that anyone purchasing securities on margin must employ very much larger sums of capital than formerly. His capacity to act was greatly reduced. It further meant that his account was frozen the moment the market receded. Even with a very high margin from the standpoint of the loan, he could not buy any more stocks on moderate declines nor could he withdraw any cash from his account. This last factor very decidedly intensified the break in September of 1937, because many individuals had to use their large margins with the brokers for the purpose of paying the September 15 income tax, and this made it necessary for them to sell a great many shares of stocks in order to bring the margins up above the 122% so that cash could be withdrawn for income tax purposes.

In 1929 in the stock market break, the bankers and brokers who had raised margin requirements and placed "loan value" far below market values while the boom was on, promptly reduced margin requirements in the midst of the crash as a means of easing the credit situation, always keeping them high enough, however to protect the loans. The Federal Reserve authorities should have done the same thing when the 1937 break began, but they did nothing until after the break had gone very far, and until after the Chairman of the Chase National Bank had made the demand that they lower the margin requirements, and the Chairman of the Rules Committee of the House of Representatives had reinforced this demand. Governmental regulation of the stock market in 1937 by the Securities and Exchange Commission and by the Federal Reserve authorities was not a brilliant performance.

The margin requirements for customers were very high, but the margin requirements were made still higher for specialists and floor traders on the floor of the Stock Exchange. In May of 1937 the rule was promulgated that floor traders and other Stock Ex-

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change partners must have a margin of 122% on their maximum obligations during the course of the day, whereas customers need not put up additional margin until their net position was ascertained at the end of the day. It was estimated at the time that with margin requirements at 122%, the ability of the floor traders and specialists to carrying stocks was reduced by approximately 70% from what it had been under the old 20% rule, and that this was still further reduced by the rule promulgated in May.

Restrictions on Short Selling—Stock Exchange Rules, 1931-May, 1935

A further factor involved in the thinness of the market was the restrictions on short selling. These had been operative from late 1931 through the stock market smash of 1937, and continue operative today, originally as a matter of New York Stock Exchange voluntary action, and since 1935 as a matter of SEC recommendation or action. We have noted in discussing the decision to keep the Stock Exchange open on Sept. 21, 1931, when England abandoned the gold standard, that a rule forbidding short selling was adopted by the President and the Governing Committee of the New York Stock Exchange, due to the emergency. On Sept. 23 this rule was rescinded. But on Oct. 5, 1931, the Business Conduct Committee of the Stock Exchange ruled that before executing any sell orders on the floor, members should ascertain and notify floor members whether such orders were long or short, and that members would be held responsible under Section 4, Article XVII, of the Constitution, which covers the bringing about of a condition of demoralization in prices. At that time a practice grew up of giving preference to orders to sell for long account. On Nov. 23, 1931, the Business Conduct Committee, in conjunction with other committees, decided that no stock could be "stopped"[2] for short account below the last sale, and on Jan. 22, 1932, the Business Conduct Committe ruled that identification of orders applied to bonds as well as stocks. So far we have restrictions voluntarily created by the Stock Exchange itself on short selling.

SEC Rules on Short Selling Begin May, 1935

On May 27, 1935, however, a recommendation by the SEC led to a Stock Exchange rule that no member of the Exchange should use any facility of the Exchange to effect on the Exchange a short sale in the unit of trading below the last regular sale price. Exemption was provided for "odd lot" dealers and for equalization of prices on other exchanges. This rule went into effect on June 3, 1935, and remained in effect until 1938. It was under this rule, growing out of a recommendation of the SEC which the Stock Exchange felt obliged to accept, that the great smash of 1937-38 occurred on the Stock Exchange.

In 1938 on Feb. 10, the SEC began to make direct regulations which took the place of rules by the Governing Committee of the Stock Exchange. The rule of the SEC as it appears in *General Rules and Regulations . . . as amended to and including Feb. 15, 1944*, "Rule X-10A-1 Short Sales,"[3] reads in part as follows:

"(a) No person shall, for his own account or for the account of any other person, effect on a national securities exchange a short sale of any security (1) below the price at which the last sale thereof, regular way, was effected on such exchange, or (2) at such price unless such price is above the next preceding different price at which a sale of such security, regular way, was effected on such exchange."

This rule is stricter than the rule which prevailed in 1937, although a little less strict than the rule first promulgated by the Securities and Exchange Commission effective Feb. 8, 1938. That rule forbade "short sale of any securities at or below the price at which the last sale thereof, regular way, was effected." The difference between the rule quoted above which was in effect in 1944, and the rule promulgated in February of 1938 seems to be that under the 1938 rule, short sales could be made only at rising prices, whereas, under the rule in effect in 1944 short sales could be continued at an unchanged price, provided that the last **different** price had been lower.

The rule in effect in 1937 eliminated an effective short interest, which would bring about rallies in a declining market. It was a rule that prevented the short sellers from initiating a downward move in the market. Short sellers could operate only on a rising market. This was a very nice rule for the "bulls," superficially viewed, but it did not help if the purpose was to create a steady market for investors.

The short seller is extremely useful when prices are breaking. He must cover (i.e. buy) then to take his profits. It is perfectly legitimate that the short seller should be active in the early stages of a break, and, indeed, desirable that he should be, in order that there may be an adequate short interest in the market to cushion the bottom, in order that the magnitude of the break may be lessened by short covering, and in order that there may be frequent strong rallies in the course of the break.

Now, all of this legislation and all of these rulings were benevolently designed to protect investors and to prevent wild excesses in the stock market. They were designed to prevent a repetition of such events as the stock market rise of 1924-29, and the stock market crash of 1929. But the Dow-Jones Industrials rose from 108.64 on June 1 of 1935 to 190.38 on Aug. 14 of 1937, and then dropped to 97.46 by March 31 of 1938. This is not a brilliant record for a governmentally controlled, daily inspected, constantly managed stock market, designed to give protection to investors and designed to eliminate wide fluctuations in security prices.

"Truth in Securities" Legislation Needed

The Securities Act of 1933, designed by the Congress to compel "truth in securities" and full disclosure of all material facts in connection with new security issues, had a very laudable purpose. We had had an orgy between 1925 and the latter part of 1929 of new security issues, many of which ought not to have been issued, and many of which could not have been sold if full disclosure had been made regarding them.

Prior to the middle of 1924 our investment bankers on the whole had shown a great deal of concern for their reputations and a real sense of responsibility toward investors. There were occasional lapses, notably in the period 1897 to 1903, which was like the 1924-29 period in that there was a great excess of money and credit available, and a very eager public with too much cash in its hands and anxious to speculate in stocks. But with the appalling excess of money and credit created by the cheap money policies of the Federal Reserve Banks, particularly after the renewal of cheap money in the autumn of 1927, credit standards broke badly; financial judgment went haywire; and great abuses came.

The impressive fact is that so many men kept sane and remained responsible rather than the fact that a good many failed to keep sane and failed to meet responsibilities. There is no worse intoxicant than prolonged cheap money and excess credit. But control of this lay with a governmental institution, the Federal Reserve System, rather than with private finance.

But Actual Legislation and Administration Paralyzing

None the less, legislation compelling "truth in securities" was called for, and there was sympathy (which the present writer shared) among men informed regarding financial matters, with the purposes of the Securities Act of 1933. On the other hand, as such men read the bill there was general recognition that it was so drastic that it would stop normal functioning as well as prevent abuses. The business of issuing new securities became very pure but very sterile.

Taking the year 1923 as a standard — one should not make the comparison with the wild years, 1925-29—we find no year in the period, 1933-45, in which new corporate security issues amounted to as much as 50% of the issues of 1923. In 1934 new security issues were less than 7% of the 1923 levels, while in 1935 they were 15%. In the more prosperous years of 1936 and 1937 new corporate issues were higher, but even then they were only 46% of those in 1923, while in 1938 and 1939 they fell to 33% and 14%, respectively, of the 1923 levels.

SEC Does Much More Harm Than Good

The Securities and Exchange Commission has done very much more harm than good. The Securities Act of 1933 was itself incredibly drastic and imposed such limitations on the issue of new securities as virtually to stop them. It is to the credit of the Securities and Exchange Commission, as constituted at that date, that it aided investment bankers in getting from the Congress certain modifications of the extreme restrictions of the original Act. But the legislation, as administered by the Securities and Exchange Commission, has radically limited the issue of new securities as well as contributing to the stock market situation just reviewed.

SEC Versus Congress On Marketability

The concept of the stock market as a broad and active market in which men who need to sell can find buyers and men who wish to buy can find sellers, in which the spread between the bid price and asked price is narrow, a market in which securities can be marketable, encountered definite hostility upon the part of the Securities and Exchange Commission. The Commission questions the value and importance of liquidity in the securities market in pages 98 to 102 of its *Report on Segregation* of June 20, 1936. In this, the Commission runs definitely counter to the intention of Congress which, in the Banking Act of 1935, legislation more recent than the Securities and Exchange legislation of 1934, reasserts its long standing emphasis on *marketability* as an essential attribute of investment securities. Section 308 of the Banking Act of 1935 says, "As used in this section, the term 'investment securities' shall mean marketable obligations." This is in harmony with long established banking law and long established practice of the Comptroller of the Currency in dealing with National banks. The bank examiners, in examining a bank's bond portfolio, have been constantly concerned with marketability as measured by frequency of quotations and by number of transactions and they have always been concerned with marketability in examining the stock exchange collateral behind bank loans. The Securities and Exchange Commission allowed its own theories rather than the law of Congress, to guide its policy in dealing with the stock market.

(EDITOR'S NOTE — The concluding article of the series of three will appear in the "Chronicle" of March 10.)

2 A "stop," or "stop loss order," is an order to sell if a given price, lower than the prevailing price, is reached, or to buy if a given price, higher than the prevailing price, is reached. Such orders become orders "at the market," *i. e.*, at any price obtainable, if the designated price is reached.

3 The exact date of the promulgation of this rule is not stated in the document.

Harriman Ripley & Co. Offers Central Maine Power Co. Common

Harriman Ripley & Co., Inc., and associated underwriters offered publicly, March 1, 219,196 shares of Central Maine Power Co. common stock ($10 par), at $15⅞ per share.

At the same time the utility company is offering an additional 67,300 shares of the common to holders of its common and 6% preferred for subscription, also at $15⅞ per share. The underwriters will purchase any shares not taken up by stockholders under the subscription offer which expires at 3 p.m. (EST) on March 14, 1949.

The terms of the offering to stockholders are: for each outstanding share of common stock, one-sixth of a share of common stock; for each outstanding share of 6% preferred stock, five-sixths of a share of common.

The 219,196 common shares being offered by the underwriters represent shares on which New England Public Service Co., parent company, has waived its preemptive rights under the offering to stockholders. On the sale of the 286,496 common shares, Nepsco's ownership of Central Maine Power's common will be reduced to 66.53% from 77.8%.

Net proceeds will be applied toward the reduction of short-term bank loans which were made to help finance the company's extensive construction program. The company proposes to sell $5,000,000 of first and general mortgage bonds, series R, due 1979, at competitive sale during March, 1949, and the entire net proceeds will be applied to further reduction of short-term bank loans.

Central Maine Power Co. operates wholly within the State of Maine and is primarily an electric utility, serving about 199,000 domestic, commercial, industrial, agricultural and municipal customers in central and southern Maine, an area which includes the industrial centers of Portland, South Portland, Westbrook, Lewiston, Auburn, Brunswick, Bath, Biddeford, Saco, Sanford, Gardiner, Augusta, Waterville, Fairfield, Skowhegan, Belfast and Rockland and 255 other cities, towns and plantations. This territory has a population of 560,000, about two-thirds of the State's. The company now operates four gas manufacturing plants, but it plans to discontinue its gas business in Rockland and to sell its other gas properties this year.

J. McCrea French Admits Allen Crawford as Partner

ATLANTA, GA.—J. McCrea French has admitted Allen Crawford, Jr. to partnership in J. McCrea French & Co., 22 Marietta Street Building. Mr. Crawford has been associated with Mr. French in the firm for some time

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Economic Outlook and the Construction Industry

(Continued from first page)

consumer goods and services. In order to show you the trend I am going back several years. Between 1945 and 1946 personal incomes after taxes increased $9.8 billion, but expenditures for consumer goods increased $14.4 billion. This meant that for every dollar of gain in income after taxes individuals increased their expenditures for consumer goods by $1.47. In the next year, between 1946 and 1947, expenditures for consumer goods again grew faster than personal incomes after taxes, though the difference between the two was smaller. Between 1946 and 1947, for every dollar increase in consumer income after taxes, individuals raised their outlay for consumer goods by $1.21. Between 1947 and 1948, however, the story was very different. Personal incomes after taxes grew by $16.8 billion, but expenditures on consumption increased by only $12.0 billion. In other words, for every dollar increase in consumer income after taxes, individuals raised their expenditures by only 71 cents. Even more marked was the difference between the advance in consumer incomes and the increase in expenditures for consumer goods during the latter part of 1948. Between the second and fourth quarters of 1948, for every dollar rise in personal income after taxes, individuals increased their expenditures on consumer goods by only 49 cents.

Business concerns are likewise becoming more reluctant to spend and are bringing the amount of their spending closer to their incomes. All nonagricultural business concerns increased their expenditures on plant and equipment by $5.4 billion between 1945 and 1946; by $4.2 billion between 1946 and 1947, and by $2.6 billion between 1947 and 1948. Furthermore, business concerns are less and less inclined to seek outside money in order to spend beyond their incomes. In 1947, for example, out of every dollar spent on investment by corporations, 54.4 cents was provided by internal funds, such as depreciation allowances or plowed-back earnings, and 45.6 cents came from the outside. In 1948, however, 66.9 cents of every dollar of investment expenditure was provided by internal funds and only 33.1 cents by outside money. Put in another way, corporations spent 89.9 cents of outside money on investment in 1947 for every dollar of internal funds spent in that way. In 1948, however, they spent only 54.5 cents of outside money on investment for every dollar of internal funds so spent. With the rate of saving by individuals rising and with the demand for outside money dropping, it is easy to see that the upward pressure on prices is weakening.

The crucial question confronting business in 1949 is whether the growing reluctance of enterprises and individuals to spend can be halted before it produces a drop in total spending and a recession. People are still willing to spend a little more than their recent incomes with the result that total incomes have been rising. By the end of 1948, however, the rate of increase in personal incomes had become very slow—it was less than 1% (at the seasonally adjusted annual rate) between the third quarter and the fourth quarter of 1948. Hence, a small further drop in willingness to spend would produce an actual drop in the volume of spending.

What can business do to prevent a drop in the total volume of spending—or to make a given volume of spending produce a larger volume of production and employment? Under the American system of private enterprise the responsibility for maintaining the volume of employment (or bringing about the normal increase in the volume of employment) is primarily the responsibility of business. The government has the responsibility of not aggravating the difficulties of business, and it also has the responsibility of offsetting the failure of business to maintain employment in the event that business fails to do its job. The primary job of maintaining and increasing employment, however, is that of business, and the year 1949 is the first year since the shift from war production to peacetime production that business has had a real problem of maintaining employment. Back in 1945 and the first half of 1946 business did a magnificent job of maintaining employment during the conversion from war production to civilian production. Will business be able to do an equally good job in 1949? Let us look at the problem and see what can be done about it.

II

To begin with, it is important that the government does not aggravate the problem. President Truman has made it evident from his recent statements that he does not understand the problem. He thinks that the country is still primarily confronted with the problem of preventing inflation, and he has advocated substantial increases in taxes. This is a major blunder. The President has received bad advice from his Council of Economic Advisers and, if the published statements of the Secretary of the Treasury are to be taken at face value, from this official as well. Fortunately, Congress sees the situation more plainly than the President or his advisers and is not likely to increase taxes in the immediate future. Some trade union organizations have advocated higher taxes and have submitted memoranda favoring higher taxes to the President. Higher taxes at the present time would create unemployment and are contrary to the interests of union members. Consequently, the unions which have submitted memoranda on this point to the President should withdraw them, and all unions, in the interest of their members, should oppose higher taxes at the present time.

Fortunately, the magnitude of the problem confronting business is substantially limited by large recent and prospective increases in government spending. During the second half of 1948, total cash payments of local, State and Federal Governments to the public were running at an annual rate of $4.6 billion above the first half of 1948 and cash receipts from the public were running at an annual rate of $4.3 billion below the first half. During 1949, the cash payments of the local and State Governments will rise by about $1 billion to $2 billion above 1948 and those of the Federal Government by between $7 billion and $8 billion. The cash surplus in the Federal cash budget, which was approximately $8.3 billion during 1948, will virtually disappear—though enactment of the much-needed social security program, if effective on July 1, 1949, would produce a moderate cash surplus.

The task of business in maintaining production and employment is made easier by a number of favorable circumstances:

(1) Incomes have recently been outrunning prices. In December, 1948, personal incomes after taxes were running at the annual rate of 6.5% above December, 1947, but the consumers' price index was up only 2.6%—a gain in the purchasing power of personal incomes of about 3.8%, or $7.6 billion a year at present prices. The gain in incomes relative to prices has been particularly pronounced since mid-summer. Between June, 1948, and December, 1948, personal incomes after taxes rose from an annual rate of $191.5 billion to $200.4 billion, an increase of 4.6%. In the meantime, the consumers' price index dropped slightly from 171.7 to 171.4. In other words, the purchasing power of consumer incomes has risen nearly 5% since the summer of 1948.

(2) Consumer holdings of cash are very large—about $10.8 billion more than three years ago.

(3) Consumer short-term indebtedness, although considerably larger than several years ago, is still low in relation to personal incomes after taxes. In December, 1948, total consumer credit was 8.0% of personal income after taxes in comparison with 12.0% in 1940.

(4) The three-year postwar boom has not resulted in any great accumulation of inventories—though actual inventories are probably larger than the figures indicate. There has been no increase in inventories relative to sales since 1946 in manufacturing and only small relative increases in wholesaling and retailing. In all cases the ratio of inventories to sales is substantially less than in 1939 or 1940 when goods were obtainable on short notice and when it was feasible to carry small inventories.

(5) The rate of private investment during 1948 was not high in relation to the gross national product. For example, expenditures on plant and equipment were about $22 billion or 8.6% of the gross national product. Between 1919 and 1923, expenditures on plant and equipment were about 8.8% of the gross national product and between 1926-1929, 9.3%. Gross private investment in 1948 was 15.4% of the gross national product in comparison with 17.6% between 1909 and 1913; 18.1% between 1919 and 1923; and 17.1% between 1923 and 1929.

(6) The backlog of consumer demand is still large in many places. It is true that considerable progress has been made in increasing the number of automobiles in the country. At the present time there are about 34 million passenger cars registered in comparison with 27.4 million in 1940. The average age of automobiles has increased from 5.7 years in 1940 to about 8 years at the beginning of 1949. Hence, an abnormally large replacement demand for automobiles still exists. Although average real income per family is about 25% greater than in 1940, the number of cars has not increased as rapidly as the number of families and the ratio of cars per family has scarcely changed. The backlog of housing demand is still very great. During the last three years there has been an increase of roughly 2.5 million in the number of dwelling units from the construction of new houses and the dividing of old houses into more dwelling units. In the same period, however, the number of families has increased by about 3.0 million. Furthermore, in the preceding 15 years, the number of families had increased by 10.0 million and the number of dwelling units by only 7.7 million. And the rise in real family income, of course, increases the amount of dwelling space demanded.

(7) The backlog of business demand is also very large. The investment of the last three years has only restored the amount of plant and equipment per worker to the level of 1929. If the amount of plant and equipment per worker were raised to the amount required by long-term trends, additional investments of about $60 billion in private industry would be required. There is, of course, more plant and equipment in place than ever before, but its average age is abnormally high.

III

What can business do to prevent the increasing reluctance to spend money from dropping so far that it produces a decrease in incomes, expenditures, production and employment? There are two principal steps which business can take. One is to adjust its investment policies to present conditions and the other is to adjust its selling policies, particularly its price policies, to present conditions.

(1) **Adjusting investment policies to the conditions of 1949.** In 1947 and 1948 it was appropriate for business to postpone all important investment expenditures which were not urgently needed and which did not promise an early reduction in costs or an early increase in output. I am afraid that most of the postponement which occurred was a result of the limited capacity of the capital goods industries to fill orders rather than a result of the postponement of orders by business concerns. Nevertheless, the rate of investment in 1948, as I have pointed out, was not abnormally high in relation to the gross national product.

In 1949, expenditures which promise an early return to the concern should be carried out. In addition, however, greater weight should be attached to the long-run interests of enterprises, and managements should not be easily persuaded to postpone the execution of long-run investment plans because immediate business prospects are uncertain. It has always been a major weakness of the American economy that investment decisions have been highly sensitive to the short-run business outlook. For many, if not most firms, great attention to the short-run outlook has been a financial necessity, and enterprises which misjudged the short-run outlook or which attempted to base their plans too much upon the long-run outlook have often encountered serious financial difficulties. Nevertheless, there are many concerns which do not need to adjust their investment programs to the short-run business outlook. Some of these firms will be tempted, however, to cut or postpone investment programs in the hope of getting construction done at a lower cost at later dates. Construction costs are likely to drop moderately as materials become more abundant, labor and managerial efficiency improves and competition among contractors becomes stiffer. Managements which contemplate postponing investment programs, however, should consider carefully whether the prospective savings in cost are likely to compensate the enterprise for being without improved facilities for about six months or a year.

(2) **Adjusting the selling and price policies of business concerns to the present state of consumer demand.** The declining urgency of the demand for goods in many lines requires modification of selling and pricing policies. Certainly the prices which were appropriate when an increase of $1.00 in income after taxes produced a rise of $1.21 in expenditures for consumer goods do not fit the situation when individuals spend on consumer goods only about 71 cents of every additional dollar of income after taxes. Business concerns as a whole showed remarkable restraint in raising prices during the last several years when consumers were willing to spend more than their incomes. Indeed, for three years prices remained below the level required to equate supply and demand, as the steady rise in most prices indicated. Hence the reduction in prices needed to prevent a drop in employment and production is probably not very great.

Many managements will argue that they cannot afford to reduce prices—that their margins are very small. As a matter of fact, costs have risen about as much as prices during the last eight years so that profits per dollar of sales have remained about the same. Before managements decide that they cannot afford to adjust prices to the growing reluctance to spend money, they should consider the consequences of not reducing them. If prices are not reduced, many people will begin to spend less than their recent incomes. This will mean that expenditures drop, and as they drop, profits will also fall. I do not know which drop in profits would be greater—a drop resulting from about the same physical volume of goods sold at smaller average spread between direct costs and selling prices or a drop resulting from a smaller physical volume of goods sold at an unchanged spread between direct costs and selling prices. I suspect that for business as a whole the difference in profits between preserving volume through accepting smaller margins and sacrificing volume in order to preserve margins is not very great. Certainly it is better for business in the long run to sacrifice margins in order to preserve employment than to sacrifice employment in order to preserve margins. Furthermore, if business adjusts prices to induce individuals to spend a higher proportion of their incomes on consumer goods, there is a good chance that the greater pressure for lower costs will stimulate efficiency and help enterprises preserve the margins between average direct costs and selling prices.

Up to the end of 1948, as I have indicated, the drop in the willingness to spend has not gone so far as to halt the increase in spending—it had simply caused the volume of spending to rise at a decreasing rate. When the figures for early 1949 are available, they will probably show a more-than-seasonal drop in spending. Retail sales in January, 1949 were 1.9% below January, 1948 in dollar volume. Furthermore, some of the present employment and the consumer spending based upon it are the result of investment decisions made by business concerns last year or even earlier. As the spending based upon these old decisions is completed, the total volume of spending can drop appreciably. Hence business should act promptly to stimulate the demand for goods. People have sufficient incomes to buy more consumer goods than they are buying—income sufficient to permit them to purchase at present prices nearly 4% more than they bought last year. Hence business has excellent opportunity to stimulate the demand for goods and to prevent the drop in the urgency of demand from causing people to throw themselves out of work by spending too much less than their recent incomes—that is, by spending so much less that the difference cannot be offset by investment.

IV

The extent to which business needs to stimulate consumer spending in order to prevent a rise in unemployment depends in the main upon (1) the increase in the work forces; (2) the increase in output per manhour; (3) the increase in government spending and (4) the change in investment expenditures by private business. This ignores the change in foreign trade balances which are likely to be small.

If the labor force grows by the normal amount of 600,000 between 1948 and 1949 and output per manhour rises by about 3%, an increase of about $10 billion in the annual gross product at present prices will be needed to prevent a rise in unemployment. I have already indicated that government expenditures are likely to rise by

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from $8 billion to $10 billion a year. The accumulation of inventories by business enterprises is likely to cease. This would mean a drop of about $3 billion in business expenditures. A small additional drop of business expenditures on plant and equipment is possible—perhaps $3 billion below 1948. These figures indicate that a rise in consumer expenditures of roughly $6 billion to $8 billion a year at present prices will probably be needed to prevent a rise in unemployment. There is, of course, a possibility that the increase in the size of the labor force will be greater or smaller than the normal amount of about 600,000.

V

Would it not be preferable for business to attempt to stimulate the demand for goods by raising wages rather than by reducing prices? Some unions have already been urging that wages should be increased to boost consumer buying power. Against price cuts may be urged two arguments: (1) the United States needs a higher price level in relation to the price level of other countries in order to obtain more imports in payment for exports; and (2) price cuts might have the immediate effect of accentuating deflationary influences by encouraging people to postpone buying in anticipation of still lower prices.

Undoubtedly the price level of the United States must rise relative to other price levels in order to enable this country to be paid in imports for the goods which it exports. That is a problem which must be solved in the next few years, but it should not prevent the immediate price adjustments needed to maintain business stability in 1949. It is true that price cuts might induce some postponement of buying, but this postponement would not be large or long, for the simple reason that stocks of goods in the hands of merchants and consumers are small. Furthermore, any postponement which occurs today will mean larger sales tomorrow.

Price cuts have two important advantages over wage increases as a method of maintaining a high level of employment in 1949—(1) they are more equitable and (2) they are more effective. Price cuts are more equitable than wage increases because all consumers obtain the benefit of lower prices whereas only small preferred groups obtain the benefit of higher wages. Cuts in non-agricultural prices, for example, would help farmers who are experiencing drops in the prices of their own products whereas wage increases would not help farmers. The groups most likely to win wage increases are the strongest unions which have already had three rounds of wage increases—not the weak unions nor the unorganized workers who have had only one or two wage increases since 1945.

Price cuts are likely to be more effective than wage increases in maintaining the volume of employment under present conditions for four reasons.

(1) Wage increases would produce little or no rise in payrolls because they would encourage employers to lay off all workers whose usefulness is low or in doubt. Hence wage increases might even reduce payrolls. Price cuts would help maintain employment in the companies making them by stimulating sales.

(2) Price cuts would increase the real purchasing power of men's holdings of cash and demand deposits. Thus price cuts would discourage men from attempting to add to these holdings and would encourage many people to convert part of their holdings of cash and demand deposits into goods.

(3) Price cuts would help new goods to compete more effectively with old goods. Competition between the new and the old is one of the most pervasive and important kinds of competition in the economy and the outcome of this kind of competition has much effect upon the volume of goods sold and hence upon the volume of employment. New clothing competes with old clothing, new hats with old hats, new cars with old cars, new furniture with old furniture, new houses with old houses, new machinery with old machinery. Price cuts on new goods help sustain employment by encouraging people to discard old things and to buy new things.

(4) Price cuts, if made on buildings and industrial equipment, encourage new investment. If wage increases have any beneficial effect, it is much more limited because wage increases stimulate investment only indirectly by possibly raising consumer incomes and by encouraging the substitution of machinery for labor. Price cuts produce both of the above effects and also a third—they encourage the replacement of old equipment with new.

VI

What can the construction industry do to stimulate production and employment during 1949? The answer is the same for this industry as for all other industries—namely offer a better product at a lower price. The industry may answer that it can not afford to do this. Implicit in this answer is the qualification "at present efficiency." Efficiency is not a static thing. The quality and the prices which an industry can offer at the efficiency of 1948 are not necessarily the quality and prices which it can offer at the efficiency of 1949 provided there is an improvement in efficiency. It is evident that improvements in efficiency are more badly needed now than a year ago. Certainly an improvement in efficiency is more important when individuals are spending 71 cents out of every dollar increase in income after taxes for consumers' goods than when they are spending $1.21 out of every increase of $1 for consumers' goods.

I do not wish to get into an argument over whether or not construction costs are "too high." One can defend them by pointing out that per capita income after taxes is up about 130% since 1940, and that construction costs are up about 80%, or a little more than the consumers' price index, which is up about 70%. There is, however, persuasive evidence that the construction industry, as well as the country as a whole, needs lower building costs. The rate of private construction is tapering off. During the first quarter of 1948, private building, in dollar volume, was 33.3% above the corresponding quarter of 1947; during the last quarter of 1948, it was only 4.7% above 1947. Even more impressive are the figures on contract awards. During the first quarter of 1948, contract awards were 23.3% larger than during the first quarter of 1947; during the last quarter of 1948, they were 2.3% **below** the corresponding quarter of 1947. In January 1949, contract awards were over 20% below January 1948. New housing starts in the first half of 1948 were 33.1% above 1947; in the latter half they were 8.9% below. The backlog of demand for housing, of course, is still enormous. Nevertheless, it is important to realize that the number of marriages has been dropping for several years. It reached a high of 2.3 million in 1946. In 1947 there were 2 million marriages and in 1948, 1.8 million. In 1949 the number is likely to drop down to about 1.6 million which will be fairly close to "normal." With the drop in the number of marriages, the urgency of the demand for housing will drop. The case is quite convincing, I believe, that the construction industry, in order to sustain the volume of private building in 1949 at the levels of 1948, must offer buyers more for their money.

VII

Let me conclude these remarks by asking whether the time is not approaching when the government needs to consider reforming the tax system to encourage investment. Although Mr. Truman, quite unwisely in my judgment, asked for more taxes, he did not urge reforms in taxes. The stiffer the rates of taxation, the more important become reforms of taxes to avoid discouraging enterprise.

During 1947 and 1948, a moderately satisfactory rate of investment was sustained by corporations by plowing back substantial amounts of earnings. Industry had only moderate success, however, in raising funds from the outside market. It is true that in 1948 private security issues (exclusive of refunding) increased from $4.4 billion in 1947 to $5.9 billion and that corporations relied to substantially less extent upon banks for outside funds, new bank loans dropping from $2.9 billion to $800 million. Less than one-fifth of the new investment funds used by corporations in 1947 (this excludes depreciation allowances) was raised by new security issues. In 1948 the proportion was little more than one-fourth. Only about 22% of all private domestic security issues in the last three years have been sold to individuals, and individuals have put only about one-tenth of all personal savings into corporate securities.

It is plain that American corporations are not able to rely upon direct investments by individuals to meet a very large part of their capital needs, and that individuals as a whole do not appear to be very much interested in becoming owners of American corporations. This is a serious situation which will become acute when corporations become more dependent upon outside funds for capital. The present condition is partly the fault of corporate managements which by and large have made little study of the problem of offering individuals the kind of security which persons of moderate means can afford to own. It is partly the fault of government policies. The SEC regulations make it expensive for corporations to offer a tap issue which might be sold month after month and year after year to persons in the cities and regions where the corporation has plants or customers. Furthermore, double taxation of distributed corporate profits and high progressive rates of taxation mean that even large corporate profits offer little return by the time they reach the investor.

Sooner or later government policies will have to be changed from discouraging individuals from becoming owners of corporations to encouraging them to become owners. I believe that the time when the government must reverse its policy is close at hand. A beginning should be made in this year by eliminating the double taxation of distributed corporate profits on all non-refunding equity securities issued after the first of January, 1950. This would not reduce the yield of present taxes. It would, however, substantially stimulate individuals of all levels of income to invest in new equity issues. Thus it would help maintain a high and growing level of employment and it would assist industry to make the increases in its productive capacity. In short, it would help make the American economy the rapidly expanding one which is so badly needed to enable it to supply the rapidly growing quantities of goods required by the country's international obligations and its domestic policies.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A decrease in volume and activity, along with a minor shading of prices, has been taking place in the government market. . . . Consolidation of gains would be healthy after about two months of an orderly advance in quotations. . . . Part of the demand has been satisfied, dealers have inventories in the shorts and intermediates and commercial banks are cautious because they are preparing for March 15 income tax payments. . . . These are temporary conditions that should have only a passing influence upon the Treasury market. . . . The Longer-term taxable issues backed away from previous resistance levels, which is not unusual because this has happened in the past. . . . A trading range or area is probably being established. . . . If there wasn't some backing and filling of prices occasionally, traders and dealers would not be able to scalp a few 30-seconds here and there. . . .

The pattern of the market's action is the same as it has been, swaps from ineligibles in taps, new money purchases of both of these securities and transfers from shorts into longs. . . . Some indigestion has been appearing in the taxable 2s because too many non-banking institutions all at once believed them less attractive than the higher income issues. . . . This condition is being remedied. . . . The partially-exempts are still going out of the market. . . .

WORLD BANK BONDS IN DEMAND

World Bank bonds are again under accumulation, with some of the trust companies and commercial banks apparently bullish enough on these obligations to advise the purchase of them by the out-of-town institutions which they represent. . . . It is being pointed out that the yield is satisfactory and the floating supply has been sharply curtailed because the bonds are moving into strong hands. . . . For those that are interested in putting funds into intermediate maturities the 2¼s due 1957 are being recommended while the 3s due 1972 are suggested for institutions that are desirous of obtaining a larger return. . . . It is reported that fairly sizable amounts of both issues are now finding their way into portfolios of institutions that were formerly rather lukewarm on the World Bank securities. . . .

In addition to the recommendation for the outright purchase of the International Bank obligations, switches are being suggested from corporate bonds. . . . In most instances income is improved, maturity shortened, and premiums reduced by the swap from corporates into the World Bank issues. . . . The 3s due 1972 are shown to be in a particularly favorable position for switches out of long corporate bonds. . . .

THE NATION'S ECONOMY

The business pattern is all-important and its future course will be watched very closely because of the effect it will have on the money markets. . . . Although inconclusive at this point, it seems as though the forces of deflation are gaining in strength. . . . It will probably be another six weeks or two months before sufficient data will be available from which more accurate conclusions can be drawn. . . . In the interim the adjustment from a war to a peacetime economy goes on, the inflationary forces are rapidly disappearing and this trend should continue unless the Administration pulls another rabbit out of the hat. . . . Based upon the available information on economic conditions, and the predictable future course of events, there seems to be nothing on the horizon that would be adverse to the government securities markets. . . .

A readjustment in business and the advent of a competitive economy as in the 1920s would be favorable to government securities. . . . The return to normal conditions will be painful but some of the sting will be removed by the action of the monetary authorities because they will see to it that credit is eased in order to prevent more serious happenings from taking place. . . . The removal of some of the restrictions on credit, which will eventually come with the adjustment should have a stimulating effect upon the government market. . . . If business were to have a more severe setback than is anticipated, there will be a greater easing of credit than would be the case of an orderly change in economic conditions. . . . Nonetheless, such a course of events should not be adverse to the market for Treasury obligations. . . .

GOVERNMENT MARKET PROTECTED

The government market is one of the major factors in our controlled economy and its well-being is of great concern to the Administration. . . . It was protected and maintained in orderly fashion in the past and there is no reason to believe it will not be fostered in the future. . . . A firm, orderly and buoyant trend in prices of government securities is evidently desirable during a period of economic adjustment because this is one way in which confidence can be restored. . . . This does not mean that there will not be fluctuations in quotations of Treasuries because there will be, as in the past. . . .

It does nevertheless seem to indicate that price changes will not be major ones, and the underlying trend will be on the constructive side. . . . Quotations generally do not recede very much when the demand side is quite likely to be strengthened through action of the monetary authorities. . . .

INSIDE THE MARKET

The 2s due 1952/54 are attracting attention at present levels along with the 2¼s due 1956/59 because many investors are satisfied with the return now available in these issues. . . . The longest tap bonds are being well taken and attempts to quote these securities down have not been very successful because there is a sizable demand around that becomes very real when prices look as though they might be coming off a bit. . . . The eligible 2½s are still being supplied by savings banks, although offerings have not been as large since these bonds edged away slightly from their highs for the move. . . .

Large orders are still in the market for the 2⅞s due 1955/60 and the 2¾s due 1960/65. . . . Only a part of the demand for these two bonds has been filled, because very few of these securities have been showing up. . . . The 2¼s due 1959/62 are again under accumulation by some of the savings banks.

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The Market for Securities Today

(Continued from page 4)

had in peacetime probably for any year in our history.

Even the proportion of income saved in these last three years has been running higher than it ran, for example, in the year of great prosperity, 1929. The potential market for securities is larger in number of dollars and in proportion of income even than it was in 1929.

But what has been happening to these savings? An increasing proportion of the public's savings has been going into institutional form. I don't recite this as necessarily a bad thing, and I don't mean to criticize the institutions that have attracted these savings. They are vital enterprises in the American economy. But the fact that an increasing proportion of savings has been going into institutional form does raise problems and does raise a real challenge for you.

More Savings Going into Institutions

When savings go into institutional form, they go into life insurance, into savings bank deposits and the deposits of other banks, and into savings and loan associations. Let me give you an idea of how this volume of savings going into institutional form has grown. In 1900, about 5.3% of the national wealth was represented by the accumulated savings held in these institutions. By 1930, this proportion of institutional savings accumulations had grown to 12½% of the national wealth. Now, they amount to something like 19% of the national wealth.

Let me cite you some figures now in terms of total current volume of net savings becoming available in our economy. Just prior to 1920, about 15% of the net savings went into institutional form. In the 1920's, the proportion rose to about 39%. The proportion was even higher in the 30's. Then, of course, in the 40's with the introduction of the small denomination government bonds during the war, the proportion fell. But during the last three years, it is estimated that about 40% of the current volume of net savings is going into institutional form.

I am going to go on now and talk about the personal savings of individuals, which represents a major part of your market.

Obviously, people with but a small income are not a very big source of savings. And obviously also, people with substantial incomes are likely to be able to save each year a considerable part of their income. I will give you just a few figures to illustrate that point.

These figures are given in terms of spending units. A spending unit consists of people who are related, live in the same dwelling, and pool their incomes for the purpose of making purchases. Spending units are precisely—although it isn't the term you are used to—the kind of units to whom you would sell securities. These figures are derived from surveys made by a research organization under contract with the Board of Governors of the Federal Reserve System and were published in the June, July, August and September, 1948 issues of the Federal Reserve Bulletin.

Of the spending units with under $1,000 a year income, for example, more dissaved than saved. Dissaving means spending more than your income.

Spending units with incomes between $1,000 and $2,000, spent more than their incomes in over 40% of the cases.

And so on up the line until you get to the $5,000 to $7,500 a year bracket; almost 80% of the spending units in this income group were able to make some positive savings. Only 21% spent more than their incomes. And this was during the year 1947. For spending units with incomes of $7,500 and over, 83% made positive savings and only 17% dissaved.

Now, here is an important corollary to go along with those indications that I just gave you as to how much per year people in various income groups saved. I should think that people who saved less than $500 a year were probably not good prospects for your business, and people who saved over $1,000 a year are probably reasonable prospects.

Well, if we take the spending units who earned over $7,500 a year, we find that roughly 64% of those spending units saved $1,000 or more in the year 1947. In other words, most of them saved, and most of them saved over $1,000 per year. Only 37% of the spending units with incomes between $5,000 and $7,500 saved as much as a thousand dollars per year. If you take the break in terms of people who haved at least $500 per year—and I think that is about as low as you will want to go—in the $5,000 to $7,500 bracket a little over one-half saved $500 or more per year. And 69% of those earning over $7,500 per year saved $500 a year or more. That gives you a pretty good idea as to what income group you can shoot at in terms of a potential market for securities.

To give you a few summary figures:

About 14% of the spending units, 6¾ million in number, got $5,000 or more per year in 1947. This 14% gets 40% of the income before taxes. That is important. You are looking for people with income, and you have a good slice of it accounted for by that 14%. These 14% made 75% of the net savings of all spending units in the country.

Now, we come into really the interesting meat of this discussion: "What form does the saving take that these people make?" And this, I am afraid, gentlemen, is a sad story from the standpoint of the security business.

Various Forms of Savings

People hold their savings in various forms: United States Bonds, savings accounts, checking accounts, life insurance, home, business, stocks and bonds except United States Government Bonds. Now, in the income group of $5,000 to $7,500, 69% own United States Government Bonds; 67% have savings accounts; 69% have checking accounts; 93% own life insurance, 53% own a home; 21% had some investment in their own business; and only 21% have an investment in stocks and bonds, other than United States Government Bonds. Now you see where your competition is.

Let us go to the $7,500 and over group. Here we find 86% owning government bonds; 73% savings accounts; 86% having checking accounts; 81% having life insurance; 73% owning a home; 36% having investments in their own business, and only 49% owning stocks and bonds other than United States Government Bonds.

The median or middle-size holding of liquid assets—that is, bank deposits and government bonds—for the income group getting between $5,000 to $7,500 is $1,760. And in this income group getting $7,500 and over, the median holding is $4,200.

But you get into the really large holdings if you take what is above the median. The only measure we have of that is what is known as the third quartile. Just count down one quarter of the way after you have these arranged from the biggest holding down to the smallest holding, and you have what is known as the third quartile. In other words, one-quarter of the holdings are bigger than this figure and three-quarters are smaller.

For the group with $5,000 to $7,500 of income, the third quartile holding of liquid assets was $6,290, almost a year's income. In the case of the $7,500-and-over income group the third quartile holding was $15,260. In other words, concentrating on the upper quarter of the liquid asset holdings, you get into some sizable accumulations, since at least ¼ of the people in the income group of $5,000 to $7,500 have holdings in excess of $6,290, and in the income group of $7,500 and over, ¼ of the people have liquid assets holdings in excess of $15,260.

Why People Buy Bonds Rather Than Stocks

Now I am coming to the next question, which must surely have arisen in your own minds, and that is, Why don't more people own stocks and bonds rather than these particular forms of assets which they have decided to hold? Well, we will turn to this same survey which tried to find out why people didn't hold more stocks and bonds. We know from these figures that only 21% of the spending units in the $5,000 to $7,500 income group owned any stocks and bonds, and only 49% in the income group $7,500 and over owned any. Unfortunately, we do not have the figures broken down by income groups as to how people felt about owning stocks and bonds. All we know is what people generally thought, why people generally didn't hold stocks and bonds, but I think that these reasons are important enough so that they probably indicate why the 79% making $5,000 to $7,500 per year and the 51% making over $7,500 per year do not hold more stocks and bonds.

Well, 62 out of every 100 spending units were against holding common stocks.

Thirty-three didn't give any reason for or against. Now, here is the thing that I am interested in. Out of that 62 who were definitely against holding common stocks, what reason did they give for being against holding common stocks? Well, 26 out of the 62 were against it because it wasn't safe; it was a gamble. Now, that is a rather reasonable sort of response. I mean, they wanted safety, and they probably bought the kind of asset that gave them safety. But 30 out of every 62 who were against holding common stock were opposed because they are not familiar with common stock.

Almost half of the people who were against holding common stock—that is why I mentioned the 30 out of 62—didn't own common stock because they just weren't familiar with common stock. That's a challenge for the investment security salesman!

It seems to me, on the basis of this very brief analysis that I have given you, that a very large proportion of people who could be expected to be in the market for corporate securities are not in the market. They can afford to buy them, but most of them are not buying them.

Investment Trust Idea

I am going to make a few suggestions, just from the standpoint of encouraging your own thought and discussion. It seems clear from what I have said so far that the person making $5,000 or more per year probably needs more information on what corporate securities are, how to go about buying them, what the risks are in holding them, and particularly I think he needs to know, if he has a small investment, how the risks can be pooled.

The investment trust idea is fairly new; it has been going less than 20 years to any extent. I don't think that the typical potential small investor knows very much about what an investment trust is, and how you pool risk and how you combine safety with risk, and so on, in an investment trust share. In other words, I think there is a tremendous need for educating your market on what you have to sell. Your greatest potential market is the small investor. You have in the investment trust share something to sell to the small investor which may be able to compete with the product of the savings institutions.

I am not at all sure that there isn't a possible market for new packages put up by the investment trust. I don't know whether you followed the small news item about a couple of people who advertised that if you would invest $100 they would guarantee to return your principal in 10 years and give you a chance to make a substantial appreciation in the interim. Well, the package was a $75 purchase price E Bond and one share of stock in the new venture. They took $100 for the package, and they put $75 of it in the E Bond in the name of the purchaser, and took the other $25 and used it for the purpose of the venture. Now, those deals were stopped, but I think largely on the basis of misrepresentation. But the fact is that they were able to sell people because they had an appeal to people who hold bank deposits and savings bonds. A majority of the people in favor of holding savings bonds and bank deposits favored them because they were safe. Well, these fellows who got up this combination of a Series E Bond and one share of stock were playing upon that safety motive. They said, "We will give you at least your principal back in 10 years." There is a wrinkle here that has a good deal of interest to it.

Patriotism in Expanding Investment in Equities

I think people are "getting religion" about the private enterprise system, and that is also something that works in your favor. The private enterprise system is now in a position of encirclement, because we are virtually an island of private enterprise in a sea of socialism and totalitarianism. There is a greater consciousness today of the values of, and the dangers to, a private enterprise system than we have ever had before. There is almost a patriotic motive, in other words, attached to this business of getting people to invest in an equity in the private enterprise system. They may want safety and security, but they have never been offered a combination of safety plus investment in the future of the private enterprise system.

Something that the savings banks and the insurance companies have, which your business lacks, is a regular savings feature. Today's typical saver probably wants to save as a regular practice, to set up so much in the budget, and to have something like a whip over him which makes him save. Because saving is not easy. When he is buying life insurance, it is very easy; he has to meet the premiums or he loses the insurance; he incurs a penalty. In the case of the small saver who uses the savings and loan associations, there is usually a small penalty attached for missing one of your payments. There is nothing like that, so far as I know, in the business of selling securities. Maybe there needs to be developed something that would put the purchase of corporate securities on some sort of regular periodical payment plan. Government securities are sold on that basis and it is working pretty well, which is another argument for it.

In view of the size of the market, and the relatively small amounts that the small saver has available for investment—and in view of the fact that you are going to have to get down, really, to selling a large volume of customers, your method of selling can't be entirely on a personal basis. I think you are going to have to sell securities to many people the way the publishers sell books, which is by circular and by advertisement. And that means an appeal which is reasonable, attractive, and which will pull in the business.

Well, those are just a few small suggestions. I have thrown them out for what they are worth. You have a tremendous market available, but you are not getting your share of it. Competitors of one kind or another are getting an increasing share of the market. That is the problem that you are up against. How well you lick that problem may well determine America's future.

Bear on Business—Bull on Stocks

(Continued from page 2)

buying for any of the reasons mentioned above, that the total volume of sales will decline 33%.

Profits however are likely to decline much more, since there is usually a geared equity or leverage in most forms of industrial production.

For instance if the break-even point of an industry is at 80% of total capacity, and if sales drop from 100% to 70% . . . which is only 33% . . . net profits will completely disappear, declining over 100% into the red, and perhaps showing losses of $5 or $10 per share whereas formerly there were profits of $10 or more per share.

That is what happens, almost habitually, in mass production industries. *Profits fall 80%, or more.*

And that is what I half see ahead.

Eccentric Conclusions

Of course it looks crazy to the great majority to start buying stocks now that trade has started slumping. But it is quite possible for the now cyclically sophisticated investing public to stage a revival in common stocks perhaps two years before they expect trade and profits to reach their bottom . . . just as they staged the decline in stocks (in 1946) two years before the actual decline in trade and profits (in 1948-49).

The above thought is in accordance with my (rather new) supercyclical theory of investment which argues that in order to get in near the lows, you must outcycle all the other cyclists, and pre-forecast the actions of other intelligent cyclical forecasters.

Indeed I have argued that you should plan to make your buying not when trade is at or near its expected bottom; but rather when it FIRST STARTS to skid.

It may sound to many a LUNACY policy . . . irresponsible, brash, and illogical. *But I favor it.*

You Daren't Do It!

(1) For success in investment one must beat the crowd. One must buy and sell when it looks much too soon (to the crowd). One must pursue a policy which most say is crazy. And the cleverer the crowd becomes, the earlier must YOU act!

(2) All my readers will admit this in theory. But probably not more than 4 per 1,000 will so act. They lack the courage, the hilarity, and the faith. They feel it might turn out to be wrong. They prefer to buy on rising markets . . . when the crowd agrees with the wisdom of their action.

(3) That is the nature of the stock market. One feels it is rash not to follow the crowd.

(4) I prefer to buck (not back) the crowd . . . and to lose my reputation in doing so.

(5) I am bearish on trade, but bullish on stocks. I expect the next stock boom to occur in the trade slump.

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Commodity Market Problems: Cooley

(Continued from page 4)

among other things, recommended that Congress enact legislation—to grant authority to regulate speculation on the commodity exchanges—and of the further fact that the Secretary of Agriculture on February 9, directed the Commodity Exchange Authority to obtain full information on all accounts trading in wheat, corn and soybeans during the recent grain price decline. The Administrator of the Commodity Exchange Authority on that day issued a special call requiring clearing members of the Chicago Board of Trade to report each account on their books on open contracts as of the closing of business on Feb. 7, 1949, and on transactions on Feb. 8 and 9, 1949.

I need not tell you of the distress and distrust which permeated the nation following these drastic declines in commodity prices. Because of my own great concern, I appointed a sub-committee of the House Committee on Agriculture and directed that committee to obtain all available and pertinent information leading up to the decline in prices of farm commodities.

I am sure that you already know that a bill has been introduced and is now pending before the House Committee on Agriculture which provides authority to regulate margin requirements with respect to speculative transactions on commodity future on commodity exchanges.

In view of the President's recommendation, I am sure that it is not unreasonable to assume that legislation carrying out such a recommendation is now being drafted in the Department. In this connection, and as Chairman of the House Committee on Agriculture, I want to extend to representatives of your group a cordial invitation to appear before the House Committee on Agriculture in the event hearings are scheduled on legislation affecting commodity exchanges.

Deeply imbedded in the American concept of liberty is the idea of competitive markets—freedom to choose with whom and on what basis we will bargain in the exchange of services and goods. We abhor monopoly. We would rather pay more for what we get than give up the opportunity to choose what we would have.

The commodity exchanges perform a real function and fill a real need in providing what might be called a world auction for commodities in which there is the greatest basic interest. Through the continuous quotations which flow out of an active futures market we have a scoreboard of prices which all may see and read. Properly functioning, the futures markets represent the widest kind of competition and are a protection against monopoly-made prices.

I believe in free markets and free enterprise. But to me free enterprise has a larger meaning than just being left alone. The law of the jungle is not the law of organized society. The commodity exchanges, if they would serve the public, must conform to accepted standards of responsibility. Self-regulation is fine but it is not the complete answer so far as the discharge of public responsibility is concerned. Even in a free America we need policing services and we need assurances that the rules of fair play are being observed all along the line.

In a truly free society no one is free to disregard the rights and sensibilities of others. Therefore, I say that free enterprise and free markets, if they would remain so in the really important sense, must be open to review and subject to reasonable regulation by public bodies.

The State of Trade and Industry

(Continued from page 5)

cautious as credit managers over their new orders and their inventories of finished goods.

To offset these hard facts, says "The Iron Age," here are a few that show things are not going to ruin so readily: (1) steel orders are still heavy and backlogs—even when dried out—are not bad, (2) government spending is still heavy and may be bigger if unemployment continues to increase, (3) exports in steel may be expanded now that domestic demand is no longer in the emergency class and (4) back-to-normal does not mean the bottom falling out of the steel market.

This week steel people were studying their own supplies of material. In all cases the drive is on to get stocks down to a lower level, states the trade paper. Some steel firms are trying to get raw materials and other items down to a 30 days' supply. Especially in cases where they have been carrying items which prewar were carried in stock by suppliers.

This drive in the steel industry to keep stocks down has extended to steel scrap and there is no reason to look for heavy scrap buying in the near future. Most firms have large stocks and are cutting them. As to coal, no one in steel is too worried about the probability of a coal strike. Coal stocks above the ground and ahead of coke ovens are larger than they have been for years . It would have to be a long strike to seriously cut steel output, the above trade authority adds.

Steel sales people are checking sales of their customers wherever possible without placing too much reliance on steel backlogs. The real test, say steel sales officials, is "How are orders to customers of steel firms?" A check on that part of the steel picture, "The Iron Age" concludes, shows the same sense of caution, but no sign of things falling apart. Makers of things fabricated and processed from steel are just as alert as anyone else and they are watching their inventories, their sales and are prodding their salesmen into action.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 100.5% of capacity for the week beginning Feb. 28, 1949, as against 100.3% in the preceding week. The institute reports the schedule of operations is up 0.2 point from the previous week.

This week's operating rate is equivalent to 1,852,700 tons of steel ingots and castings compared to 1,849,000 tons a week ago, 1,860,100 tons or 100.9% a month ago, and 1,705,100 tons, or 94.6% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS LOWER FOR LATEST WEEK AND COMPARABLE PERIODS IN 1948 AND 1947

Loadings of revenue freight for the week ended Feb. 19, 1949, totaled 697,335 cars, according to the Association of American Railroads. This was a decrease of 2,107 cars, or 0.3% below the preceding week, and a decrease of 107,602 cars, or 13.4% under the corresponding week in 1948. It also represented a decrease of 79,354 cars, or 10.2% below the similar period in 1947.

ELECTRIC OUTPUT AGAIN MOVES LOWER IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 26, was estimated at 5,559,207,000 kwh., according to the Edison Electric Institute. This represented a decrease of 91,072,000 kwh. below output in the preceding week; 307,272,000 kwh. or 5.9% higher than the figure reported for the week ended Feb. 28, 1948 and 762,108,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT ADVANCES FURTHER IN LATEST WEEK AIDED BY GAINS AT CHRYSLER

Production of cars and trucks in the United States and Canada for the past week advanced to an estimated 116,176 units compared to 114,207 (revised) units in the week preceding, according to "Ward's Automotive Reports."

Improvements in output from the Chrysler divisions accounted for the improved showing, although losses at Kaiser-Frazer and Willys largely offset the potential gains, the agency said.

Output in the similar period a year ago was 120,130 units and in the like week of 1941, 126,550 units.

Last week's output consisted of 89,213 cars and 26,963 trucks built in the United States and Canada.

BUSINESS FAILURES REMAIN HIGH IN HOLIDAY WEEK

Commercial and industrial failures totalled 180 in the holiday-shortened week ended Feb. 24, Dun & Bradstreet, Inc., reports. This represented a higher casualty rate per day than in the preceding week when the same number occurred. It exceeded considerably th number of failures in the corresponding weeks of 1948 and 1947 when 93 and 58, respectively, were reported. In the comparable week of prewar 1939, casualties totalled 267.

Failures involving liabilities of $5,000 or more dipped to 149 from 151, but remained almost twice as heavy as last year when there were 79 in this size group. Small failures with liabilities under $5,000 rose slightly to 31 from 29, reaching their highest level since 1943.

Manufacturing and wholesaling casualties declined in the week while failures in other industry and trade groups rose slightly. An increase above 1948 levels prevailed in all lines except manufacturing, with the sharpest relative increases in wholesale trade and construction.

The Pacific States reported more failures for the week than in the preceding week and one year ago. In the Middle Atlantic States and New England States casualties declined, while increases occurred in the East North Central States and in the West North Central; failures in these two areas were the heaviest since 1942.

FOOD PRICE INDEX EXTENDS FURTHER MILD RISE OF PREVIOUS WEEK

Individual price movements were irregular during the past week. The Dun & Bradstreet wholesale food price index which struck a 28-month low two weeks ago, showed a further mild rise to $5.78 as of Feb. 22, from $5.76 a week previous. The latest figure represents a rise of 2.1% as compared with the Feb. 8 index of $5.66, but it shows a drop of 12.6% from $6.31 recorded on the like date a year ago.

The index represents the sum total of the price per pound of 31 foods in general use.

COMMODITY PRICE INDEX SLIGHTLY LOWER AT CLOSE OF LATEST WEEK

The average level of wholesale prices held fairly steady during most of the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned slightly lower toward the close of the period to finish at 257.41 on Feb.21, as compared with 258.61 a week earlier. The current figure contrasts with 275.76 on the corresponding date a year ago.

Movements in leading grain markets were irregular last week. Trading was somewhat slower and largely professional in character. Most grains finished lower for the week, reflecting nervousness and a continued lack of confidence by traders.

Increased buying of cash wheat by the government was a steadying influence in the early part of the week, but best prices were not maintained. Applications for loans on corn continued in heavier volume, with farmers' offerings of cash corn reported to be approaching the vanishing point. The flour market was featured by substantial purchases of hard and soft wheat flours for export out of Gulf ports by the PMA. Domestic trade in flour remained very quiet, with bookings and directions disappointing. Bakers generally continued to show caution due to lagging bakers' sales and fears of a possible reduction in bread prices. The cocoa market continued weak, with prices dropping to new lows for the season as the result of liquidation and lack of manufacturer interest. Under sharply curtailed receipts, all classes of livestock staged a brisk upturn in the week, following recent marked declines. Meats were also stronger. Lard also showed a further slight rise.

Cotton price movements were irregular, but day-to-day fluctuations held within a narrow range. Early strength was attributed to short covering in the futures market and a firmer trend in outside markets, together with replacement buying and trade demand.

Another sustaining influence was some foreign pricefixing coupled with more favorable export news. Japan was said to have reentered the market for 50,000 bales of cotton for near-by shipment. It was also reported that the ECA will permit the immediate resumption of shipments of cotton to Shanghai, China. Domestic consumption of the staple during January was placed at 674,000 bales. This brought the total for the season to date to 4,204,000 bales, compared with 4,645,000 in the same period last season. On a daily average basis, consumption in January was 32,100 bales, against 32,400 in December and 41,000 in January a year ago.

Entries of cotton into the government loan stock declined for the third successive week, while repossessions continued to expand.

Total entries for the season through Feb. 10 were placed at 4,564,000 bales. Withdrawals for the season amounted to 155,209 bales, leaving a net stock in the hands of the CCC of 4,408,000 bales.

RETAIL AND WHOLESALE TRADE ADVERSELY AFFECTED BY HOLIDAY-SHORTENED WEEK

In the holiday-shortened period ended on Wednesday of last week consumers bought slightly less than in the previous week with total dollar volume slightly below the level of the corresponding week a year ago, states Dun & Bradstreet, Inc., in its current review of trade.

Clearance sales of winter wear and promotions of spring apparel and household goods continued over most of the nation; interest in seasonal sales generally showed moderate declines.

Apparel volume was close to that of the previous week. The demand for women's spring suits increased in many sections with suits of navy blue especially popular and jacket dresses purchased frequently. The demand for cotton washable dresses continued to be sizable. The number of requests for nylon hosiery declined moderately. The response to promotions of men's wear remained below that of a year ago.

Retail food volume dipped slightly during the week. There were numerous requests for beef and pork at reduced prices; the demand for poultry remained high. Canned meat, fruit and fruit juices attracted considerable attention. Frozen foods, particularly vegetables, were sold in a substantial quantity. The sales volume of bakers' goods and confections expanded slightly.

Although seasonal promotions were continued in many areas, the retail volume of furniture and household goods dipped slightly last week.

The demand for occasional tables and chairs, kitchen sets and floor coverings was high, but it was below that of the similar week last year. Consumers did not display as keen an interest in electrical appliances as they had a year ago. The demand for used cars continued to decline in many sections.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 3% below to 1% above that of a year ago.

Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England and South down 2 to up 2, East and Northwest down 4 to unchanged, Midwest and Pacific Coast down 3 to up 1 and Southwest down 1 to up 3.

The total dollar volume of wholesale orders declined slightly in the week, but it was fractionally above the level of the comparable week a year ago. The number of buyers attending many wholesale markets dropped sharply during the current holiday-shortened week, but moderately surpassed that of the corresponding week last year.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 19, 1949, decreased by 8% from the like period of last year. This compared with no change in the preceding week. For the four weeks ended Feb. 19, 1949, sales decreased by 5% and for the year to date decreased by 1%.

Retail trade in New York the past week held to its downward course of the preceding week with department store sales registering an estimated drop for the period of close to 6%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 19, 1949, declined by 7% from the same period last year. In the preceding week a decrease of 4% was registered under the similar week of 1948. For the four weeks ended Feb. 19, 1949, a decrease of 7% was recorded below that of last year and for the year to date volume decreased by 3%.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Downside penetration of industrial now give paradoxical signs of rally rather than widely accepted reaction.

One of the exciting things about stock markets is its uncertainty. What is indicated one day loses its value the next. Indications of up or down movements that seem so certain one day are swept away and replaced by entirely different ones the next.

There is no sleeping at the switch; no security. The only certain thing about the stock market is change. It means that participants have to move nimbly and frequently without apparent cause. What is perhaps equally important is that decisions frequently have to be made against every common sense dictate and may even go against every fibre of logic.

Last week, for example, the market indicated much lower prices. I didn't pretend to know the reasons for it. In fact all the reasons I had and could read pointed the other way. Then came the highly publicized break in the Dow Industrial averages and what latent bearishness existed arose to the surface and spread like oil on the water.

In last week's column too, I said that market trading is a lonesome thing. Mass decisions are wrong so often that to even approach success one must make decisions without regard to popular beliefs; in fact even flouting them. So the Dow Industrials broke their low point and in doing it confirmed the already existing bear trend long apparent in the rails. The conclusion became elementary: A full scale bear market had been signaled.

The question was, had it? Mass opinion agreed it had. But a close look at the industrials would show that the downside break was about 10 cents. A look at the past would show that some of the best moves have started from freshly broken test points that everybody was following. It was only in retrospect that the inconclusive break was re-examined.

It was while this break was going on that various groups began showing little indications that the much heralded break was not under way. The public was apparently convinced that a real reaction was coming and either sold much of its holdings or withdrew to the sidelines.

It is during such times that foundations are often laid for real advances. And while it doesn't necessarily follow that such an advance will emanate from here, the signs are suspicious, and indications point to up rather than down markets for the immediate future.

Oddly enough the rails, the black sheep of the market family for so long, give as much promise as any other group. In fact they give signs of being able to make the grade even before some of the industrials.

More next Thursday.

—Walter Whyte

[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.]

Pacific Coast Securities

Orders Executed on Pacific Coast Exchanges

Schwabacher & Co.

Members
New York Stock Exchange
New York Curb Exchange (Associate)
San Francisco Stock Exchange
Chicago Board of Trade

14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928
Private Wires to Principal Offices
San Francisco—Santa Barbara
Monterey—Oakland—Sacramento
Fresno

Where and What Is Liberalism?

(Continued from page 19)

going to set you free from fear and want and insecurity and injustice. A program to set you free would seem to be a "liberal" program. Yet it might be noted that the best example of such freedom from the burdens and worries of self-support which is provided by government today is found in government prisons, which are not called liberal institutions.

Again I beg of you to understand that I am not arguing that a modern government should not accept some responsibility for the economic welfare of its citizens, in addition to its long accepted responsibilities for public health and safety. That which is called a "welfare state" is the obvious modern successor to what may be called the "protective state" of past decades. The protection of society now calls for more than protection against foreign oppression and domestic disorder and crime and pestilence. It calls for more than merely laying down the rules of fair play in a free competitive economy. This will be generally conceded.

But there is a fundamental division of thought in our country on two major political issues. First: To what extent and at what speed should government undertake to eliminate social and economic injustices and provide economic security? Second: Is the national government the most competent or desirable instrument of social and economic progress, or should state and local governments be utilized, wherever possible, to do the job?

There is a natural affiliation between paternalists who believe in extensive and rapid reforms and the federalists who would have all welfare laws enacted and administered by the national government. There can be little doubt that the national government, with its command of huge revenues and its remoteness from the pressures of local interests and prejudices can enact and enforce regulatory laws, against minority opposition with greater speed and often with more efficiency and less partiality than local governments.

On the other hand those who advocate more gradual reforms know that local government will not usually act except under the pressure of a local majority opinion. Thus there will be the sanction of prevailing opinion for a political experiment, and the opportunity for a prompt revision if the experiment should prove unwise. When we observe the continual adjustment and readjustment of state and municipal laws to meet changing conditions and changing public sentiment, in contrast to the slow and difficult process of revising any major Federal law, we can see many strong arguments in favor of local self-government. State government, in regulating the liquor traffic and labor relations, has demonstrated a flexibility in response to public opinion which has been notoriously lacking in the national government.

There is, however a more profound reason for maintaining the authority of local governments against the constant pressure to extend the authority of the national government. The impossibility of retaining a democratic control of a centralized government of 150 million people is being demonstrated not only in America but throughout the world. Particularly, it has been made evident that the regulation of the daily living and working conditions of millions of people is only practical through the issuance of volumes of bureaucratic regulations to be applied by a multitude of petty officials, whose speedy and necessarily arbitrary decisions must be enforced by the hurried prosecution and harsh punishment of offenders. The traditional protections of the individual against abuses of official authority, which we call "due process of law," cannot be maintained. In a word, a comprehensive welfare state must be a police state.

Police Power Lies in States

It was one of the fundamental principles of our constitutional government that the police power—that general authority to protect and promote the public health, safety, morals and welfare—should be reserved to the states. No such power was granted to the Federal Government. Such paternalistic controls over our citizens as became necessary must be exercised by local governments, which, being close to the people, could be readily restrained from interfering unduly with their individual freedom to pursue happiness according to their individual ambitions and abilities.

There is and always should be a deep-seated conflict of opinion between liberals, who believe in maintaining individual freedom by strengthening our powers of local self-government, and paternalists, who believe in hastening social reforms by increasing the powers of the centralized, national government. Accordingly, it might be expected that the two major political parties would be in opposition on this great issue. Instead, we find that both the Democratic and Republican parties are internally divided on this issue, and potent segments of each are bitterly opposed to many official policies.

Within the Republican party large numbers of Western liberals, who do not want to be governed and have all their earnings expended in Washington, are at odds with large numbers of Northern paternalists who want to extend the reforms of the Roosevelt era by more and more Federal expenditures and controls. Within the Democratic party Southern liberals, clamoring for States Rights, are at odds with Northern paternalists whose aim is a socialized economy which can only be developed by an all-powerful national government.

Historically the stronghold of local self-government should be in the Democratic party; and the Republican party should be the fortress of Federalism. But, changing economic conditions and shifts of population have forced each party to attempt an inner coalition of antagonistic elements. Both party platforms in the 1948 campaign promised a paternalistic expansion of Federal powers that left liberal devotees of local self-government no clear choice between Truman and Dewey. The condidacies of Thurmond and and Wallace, despite the small votes naturally cast for candidates who could not win, demonstrated the important fact that there was real vitality in the uncompromising demand of one for the democracy of local government and of the other for the autocracy of national socialism. In contrast, how uninteresting were the arguments of the two major parties, both advocating an expedient marriage between a democracy of easy virtue and a socialist seducer.

No one can tell whether the farmers, the small business men, the skilled workers, the professionals and other large groups of essentially independent, self-sufficient men and women in the North and West, would join with the overwhelming majority of States Rights advocates in the South to swing a national election against the urban paternalists who are largely concentrated in the industrial centers of the North and West. But it can be figured from election returns that if such a coalition of liberals were effected it might win by a large majority.

A Coalition Proposed

The political technique to bring about such a coalition of liberals is not difficult to devise, but it might be difficult to develop against the opposition of the Administration now in power. That Administration owes its power primarily to its strategy of capturing the farm vote by assuring the farmers of immediate benefits from supporting a national paternalism which, eventually, will destroy that independent way of life which is the chief incentive and most satisfying product of farm labor. It may be assumed that the present Administration will do all that it can to retain this farm support.

Furthermore, the international situation compels domestic support of the national administration even by those who may be deeply opposed to its domestic program. The need for a strong national government to stand against any foreign aggression is so great, and may become so much more urgent, that any present effort to revitalize local self-government may be criticized as untimely and impractical. Nevertheless, to anyone with a clear understanding of the trend of recent extensions of Federal authority, to anyone with a vision of our future if that trend is not soon checked, it is evident that unless the effort is made soon, it may soon be too late.

This is not the occasion for presenting a detailed program for the salvation of liberalism and the preservation of democratic government. But let me dogmatize briefly, as a surviving factotum of the great insurgent campaigns of Theodore Roosevelt and Robert M. LaFollette, as a retired staff officer of the original New Deal, and as an active participant in every national campaign since 1900. Not as an amateur scientist, but as a weather-beaten politician, I venture to assert that a coalition of Democratic and Republican leaders against paternalism and in support of the liberalism of local self-government **could** be achieved and take over the control of Congress within a hundred days. No man would be required to leave his party, to break a pledge, or to betray his constituency. It would only be necessary for men to vote their convictions regarding the course of action necessary to maintain the Constitutional government which every member of Congress is sworn to uphold.

From this beginning, the nationwide coalition of Democratic and Republican liberals for the national elections of 1950 and 1952 could be easily engineered. Only one thing would make this coalition impractical, the absence of vision, the principles and the courage that inspire and compel men of great responsibility to do great deeds in times of great emergency.

Surely the American people are entitled to receive from their leadership—and particularly from those who have had the advantages of higher education—a clear presentation of the profound issue between democratic liberalism and undemocratic paternalism. Surely they should be offered a political technique whereby, instead of being asked year after year to vote for incoherent and evasive candidates, running on incoherent and evasive platforms, they would be given a simple choice between two parties, two candidates and two platforms that represent two distinct philosophies and forms of government that have been, and will be, eternally in conflict.

We have been warned repeatedly in recent years that "America must choose." Isn't it about time that Americans were given a chance to choose?

Kuhn Loeb Places Equip. Issue Privately

General American Transportation Corp. announced March 1 that it has negotiated through Kuhn, Loeb & Co., the sale of $12,879,000 equipment trust certificates, Series 44, to a small group of institutions. Of the total, $6,480,000 principal amount was delivered on Nov. 1, 1948 and the balance of $6,399,000 principal amount on March 1, 1949. The certificates will mature serially in quarterly installments to and including Nov. 1, 1968. Maturities to and including Nov. 1, 1953 bear dividends at the rate of 2⅝%, the balance at a rate of 3⅜%.

The equipment covered by the trust consists of 1,892 new tank cars and 92 new hopper cars.

Halsey, Stuart Group Offers C. & O. Equips.

Halsey, Stuart & Co. Inc. and associates were awarded March 1 $5,150,000 Chesapeake & Ohio Ry. second equipment trust of 1949 2⅛% serial equipment trust certificates, maturing $515,000 annually March 15, 1950 to 1959, inclusive. Issued under the Philadelphia plan, the certificates were immediately re-offered, subject to authorization by the Interstate Commerce Commission, at prices to yield from 1.35% to 2.40%, according to maturity.

The certificates will be issued to provide for the following new standard-gauge railroad equipment, estimated to cost approximately $6,507,838.30: 725 70-ton Hopper Cars; 150 30-ton Caboose Cars; and 10 Freight Locomotives.

Associated in the offering were R. W. Pressprich & Co.; A. G. Becker & Co. Inc.; Gregory & Son, Inc.; Hornblower & Weeks; L. F. Rothschild & Co.; First of Michigan Corp.; Freeman & Co.; Hirsch & Co.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; Julien Collins & Co.; Alfred O'Gara & Co.; and F. S. Yantis & Co., Inc.

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Price Outlook Portends No Depression

(Continued from page 7)

sharp rise in petroleum prices, led a corresponding up-surge of non-farm prices. You can see that the rise through 1947 was very steep, though not so steep as the rise through 1946.

These developments in the latter half of 1947 set in motion a chain of reactions which dominated the price movements of 1948. The most immediate was the liquidation of livestock in the winter of 1947-48, because of the short supplies and higher prices of feed grains. This caused a temporary decline in prices of livestock and meats, which appeared in the very early months of 1948. About the same time—just year ago—the grain traders suddenly woke up to the fact that they were holding up a price structure based on very short supplies of grain, in the face of prospects for at least normally good crops in 1948. Apparently they all "came to" at once, because the prices of grain fell precipitously in the first two weeks of February, 1948 at such a rate as to cause one of the sharpest single month's decline that ever occurred in the Wholesale Price Index.

In a period of ten days spot prices of winter wheat fell from $2.93 to $2.37 a bushel, and the spot price of corn from $2.60 to $2.0... At that time a lot of us stopped to ask ourselves the awesome question, "Is this it?"

In retrospect, we might say that if a general decline had been in the offing, this violent price drop might well have provided the push that would have started it rolling down. It was particularly significant that nothing of the sort happened. Cotton dropped 3 cents; steers dropped $3.00; hogs dropped $3.50. But if you look at the prices of such commodities as copper, scrap steel, sugar, tin, wool, lead, and cotton print cloth during those two weeks, you would never have suspected that anything unusual was at work on the commodity markets. In other words, the drop was localized, primarily in grains and secondly in livestock, which are affected by grains; and it was specific to certain market conditions as we passed from a price level bid up by shortages to one "sold off" in recognition of good crop prospects.

This is very nicely illustrated by the behavior of the Bureau's index of spot prices for 28 basic commodities. The agricultural component of this dropped in one month by 15%. The nonagricultural dropped only 6%.

Grain prices never did recover to the January highs, but in the late spring and summer of 1948 average prices of farm products rose again, because of the relative scarcity of meat animals following the heavy liquidation of the previous winter. The index of farm products in June almost touched the level of the January peak, and the prices of livestock did not reach their peak until mid-July. The remainder of the year saw a continued and almost uninterrupted decline in farm prices. As of February 15, farm and food prices were about 17% below their peak.

Farm Price Adjustments Dominant

The adjustment in farm prices was the dominant characteristic of the price movements of 1948, but toward the end of the year other adjustments, which may turn out to be equally significant, began to appear. The first of these was in cotton textiles. As far back as January, 1948 the spot price of print cloth as recorded in the Bureau's index began to decline from the extraordinary levels it had reached in the postwar buying rush. From a high of 28 cents in early January, the price of print cloth fell to less than 16 cents by the year-end. As is so often the case with the prices of basic commodities, this proved to be the forerunner of a general weakening in cotton textiles. This also was an overdue recognition of an accomplished economic fact. With the end of the war and the return of 12 million men from the armed services, there was a rush to buy cotton clothing and cotton household textiles, which bid up the prices and margins to phenomenal levels. Once the stocking, by consumers and retailers, was completed, textile markets began to take on a more nearly normal aspect. This return to normal required, among other things, very substantial declines in prices. Since consumers were no longer avid to buy at high prices, this readjustment culminated at the end of 1948 in widespread (if not so very sharp) price declines of many cotton products. As of today, it appears that cottons have come back more nearly into line with the prices of other goods, and other textiles in particular.

The other major characteristic of 1948 prices was the steady and comparatively large increase in metals prices—about 15% over the year. Prices of various iron and steel products were repeatedly increased and were on the average 18% higher at the end of the year than at the beginning. The increases in nonferrous metals were even greater: more than 20% on the average. Aluminum prices, after 11 years of absolute price stability, were increased twice in four months; and lead went from 15 cents to 21.5 cents, and zinc from 11 cents to 18 cents over the year. These were the result of the heavy demands and persistent shortages of nearly all metals throughout the year.

It is interesting to notice that the net result of these changes was to bring about a convergence of the farm and nonfarm prices, as measured in the Wholesale Price Index. You will notice on the chart that these are shown again closely in agreement. This should not be taken necessarily as a sign that a stable relationship has been reached. Literally interpreted, it means only that they are equally above the average level of 1926.

The Let-Up in Economic Activity

More recently, in the past few weeks, we have seen some signs of a mild let-up in economic activity accompanied by a softening of prices which is widespread, but small. The first half of February of this year, at last, was the occasion of a sharp drop in farm prices, which was neither so deep no so prolonged as that of 1948. Nevertheless, it brought spot prices for barley, corn, cottonseed oil, lard and tallow to new postwar lows, even below the levels which prevailed before the decontrol of prices in June, 1946. Hog and steer prices dropped to the lowest point since October, 1946. Spring wheat was 26c below the bottom of the market break of February, 1948. Print cloth declined a little further. There were the first signs of weakening in petroleum prices. Even in the metal markets, where the prices generally are firm and near their peaks, there are signs that buyers are no longer so eager that they willingly pay premium prices.

Still it does not now look as if this is the beginning of a price collapse like that of 1920. If there are some points of similarity, there are more points of difference between 1949 and 1920. In the first place; price supports. It would be a mistake to think that support prices set a firm floor below which prices cannot fall. Indeed, we are seeing many quotations at less than support prices. This is possible (among other reasons) because the Department of Agriculture has certain standards for products which they will buy, and on which they will make from 11 cents to 18 cents over the support loans. If the corn has too high a moisture content (and much of its does), or if the wheat is not properly stored, farmers must sell it in the open market. Nevertheless, there is no doubt that the existence of the support program offers strong resistance to a broad and prolonged decline of farm prices.

An even more important difference is that the economy now is supported by a volume of purchasing power from many sources, which was conspiciously lacking in 1920. For one thing, consumers' purchasing power is vastly greater. The real weekly earnings of factory workers in 1949 are about 50% higher than in 1920. Employment is very high, and loss of purchasing power from unemployment is partially offset through unemployment compensation. Government expenditures for exports and for the military establishment are important and assured sources of demand. In contrast to the heavy speculative inventories accumulated after the first World War, inventories today are prudently and conservatively managed. And the stock market! Surely no one could suggest that share prices offer much room for price collapse.

No General Price Reduction

One of the encouraging things about the price adjustments that are going on is that they are not indiscriminate (as they would be in the case of a general liquidation). They are selective and specific to certain commodity and market situations. Shortages, such as those we are still facing in many metals, provide a market basis for high prices. Where shortages have been overcome, industry-by-industry adjustments have been made in recognition of a new supply-demand relationship. Far from being alarming, this is healthy. This is nowhere better illustrated than in the relationship between farm prices and the prices of nonfarm products generally. As we have seen, farm prices dropped very sharply during 1948. We can all remember the time when a drop of this magnitude would have been the signal for an "agricultural depression." It has not been this time because it has not been accompanied by a corresponding drop in farm income. The rise in farm prices in the latter half of 1947 was the result of short crops. Farm incomes did not increase proportionately because farmers had less to sell. The situation in 1948 was just the reverse. Although prices fell, the large crops gave farmers more to sell, so that net farm income in the fourth quarter of 1948, though less than in the earlier quarters, was greater than in the same quarter in 1947 and greater than the average for any earlier year. Thus, even in the face of a sharp price decline, it was possible for the Secretary of Agriculture to say several weeks ago that, "Although the peak may be passed, agriculture will do relatively well in 1949." This is not the reaction to a collapsing market.

The farther back we go from finished goods to raw materials markets, the more sensitive and more extreme are the price fluctuations we find. In the highly organized commodity markets, the risk-taking functions make prices very sensitive to changes in supply and demand and much less dependent on costs. Conversely, as goods pass through successive stages of processing and fabrication, with more and more labor and overhead costs invested in them, the price movements tend to become more sluggish. It is partly for this reason and partly because of the more sluggish movements of rent and consumer services that the Consumers' Price Index has risen less, both since prewar and since decontrol, than the Wholesale Price Index. Whereas primary market prices, as measured by the Wholesale Price Index, at their peak last summer were more than twice as high as they were just before the war, and half again as high as they were under price control, the Consumers' Price Index at its peak had risen by three-quarters from the prewar level and by less than one-third from mid-1946.

Except for these differences in amplitude, the chart of the Consumers' Price Index for the past 35 years closely resembles that for the Wholesale Price Index. There are the same two wartime peaks and the same intermediate troughs. The movement of the Consumers' Price Index since the outbreak of the war reflects four distinct phases of economic conditions. There was first the long rise from the outbreak of the war to the middle of 1943, when the wartime economic stabilization program began in earnest with the "Hold-the-Line" Order. In these 45 months, the index rose by about one-fourth, or about 7% per year. Then there was the period of tight price control from the middle of 1943 to the middle of 1946. In these three years, the index rose less than 7%, or a little over 2% per year. Then followed the "decontrol year" in which the index rose 18% in the first postwar price boom; only to be followed by another rise of 11% in the second boom, which was touched off by the short corn crop of 1947 and carried the index to its peak in the late summer of 1948.

Compared to these extraordinary increases, the declines of the past four months seem almost trifling. At the rate the index has been falling since it reached its peak, it would take about five years to erase the increases that occurred in the two years after decontrol!

If we look at the components of the Consumers' Price Index, we find, as we might expect, that food prices have risen further and faster than any others. This is more than anything else a reflection of the enormous purchasing power of our consumers during the war and since. Our studies of consumption habits in the United States over the past 50 years have demonstrated quite clearly that the American people when they have money will buy food, and good food. The high levels of consumers' incomes in recent years have generated unprecedented demands for the high quality foods — meats, dairy products, fresh fruits and vegetables. This has expressed itself as a steady and vigorous demand for foodstuffs, broken only now and then by resistance to peak prices. Thus, food prices have much more than doubled since before the war and increased by nearly one-half from the time controls were lifted to the peak last summer. Since then, they have declined significantly. The average retail prices of foods in American cities was about 5% lower in January than at the peak in August, and some decline has occurred since then.

Prices of apparel and house furnishings are about double what they were before the war and about one-fourth higher than they were under price control. The increases of the past two and a half years have reflected the great restocking boom that occurred when goods that had been scarce or absent during the war returned in increasing volume. How far this increased demand may carry over on a permanent stable basis is one of the big questions now confronting us. Even though consumers on the average are well stocked today, there is always a vast reservoir of unfilled wants which are translated into demand as long as purchasing power is available to sustain it. It is particularly for this reason that the price adjustments now going on in some clothing and house furnishings lines are especially significant, since they may be decisive in determining whether we can find a price level which will permit a steady volume of buying.

The importance of the so-called "miscellaneous" segment of the index is often overlooked because because of its nondescript name, but it carries a very heavy weight in the index—its relative importance is about 25%—and it contains many of the most important

(Continued on page 36)

PRIMARY MARKET PRICES

World War I

Commodity and Unit—	July 1914	1920 High Month	1920 High Price	2 Months after High	1 Year after High	1921 Low Month	1921 Low Price
Corn, #3 yellow, Chicago ... bu.	$0.7100	May	$2.0069	$1.5625	$0.6100	Oct.	$0.4444
Wheat, #2 hard, Kansas City ... bu.	0.8155	May	2.9288	2.7475	1.4710	Nov	1.0830
Steers, good to choice, Chicago ... 100 lb.	9.2188	*Jan.	15.9375	14.4000	9.8400	June	8.0938
Hogs, good to choice, Chicago ... 100 lb.	8.7563	†Sept.	17.0688	12.1400	8.5000	Nov.	6.8688
Cotton, 15/16-in., New York ... lb.	0.1313	Apr.	0.4238	0.3930	0.1214	Mar.	0.1178
Cottonseed oil, New York ... lb.	0.0721	‡Jan.	0.2163	0.1926	0.0840	Apr.	0.0598
Cowhides, native packers, Chicago ... lb.	0.1925	§Feb.	0.4100	0.3500	0.1200	Apr.	0.0700
Print cloth, 38.5 64 x 60, New York ... yd.	0.0485	Apr.	0.2581	0.2300	0.0659	June	0.0653
Steel Scrap, #1 melting, Pittsburgh ... ton	12.0000	Sept.	28.6000	24.0000	13.2000	July	12.0000
Lead, pig, New York ... lb.	0.0390	Mar.	0.0923	0.0856	0.0405	Mar.	0.0405
Zinc, pig, Western, New York ... lb.	0.0505	Jan.	0.0967	0.0892	0.0591	Aug.	0.0468

World War II

Commodity and Unit—	August 1939	June 28 1946	Postwar High Date	Postwar High Price	2 Months aft. High	1 Year aft. High	1949 Low (to Feb. 17) Date	1949 Low (to Feb. 17) Price
Corn, #3 yellow, Chicago ... bu.	$0.445	$1.448	1-15-48	$2.808	$2.328	$1.440	2- 8	$1.129
Wheat, #2 hard, Kansas City ... bu.	0.636	1.871	11-28-47	3.115	2.900	2.308	2- 9	2.075
Steers, good, 900-1100 lbs., Chicago ... 100 lb.	9.051	17.000	7- 9-48	36.375	35.000	¶	2- 8	21.500
Hogs, good-ch., 200-220 lbs., Chic. ... 100 lb.	6.486	14.850	8-19-48	31.200	26.125	¶	2- 9	19.750
Cotton, middling 15/16; 10 mkts. ... lb.	0.092	0.310	7-16-47	0.394	0.327	0.338	2- 8	0.318
Cottonseed oil, New York ... lb.	0.055	0.143	3-13-47	0.412	0.265	0.258	2- 8	0.140
Cowhides, light native packers, Chic. ... lb.	0.113	0.155	10-31-47	0.378	0.320	0.270	2-17	0.248
Print cloth, 38.5-in. 64 x 60, N. Y. ... lb.	0.047	0.114	12- 8-47	0.282	0.240	0.158	2-16	0.151
Steel scrap, heavy melting, Chicago ... ton	13.866	18.750	10-22-47	42.500	39.000	41.750	2-14	35.000
Lead, pig, New York ... lb.	0.050	0.082	11- 1-48	0.215	Unchanged since 11- 1-48			
Zinc, pig, prime Western, New York ... lb.	0.051	0.087	11-16-48	0.182	Unchanged since 11-16-48			

*$18.5750 in March, 1919. †$22.3875 in July, 1919. ‡$0.2713 in July, 1919. §$0.6100 in August, 1919.
¶Less than one year since the peak.

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Price Outlook Portends No Depression

(Continued from page 35)

items in the consumer's budget. All transportation is in this group: streetcar and bus fares as well as automobiles, tire and gasoline. It also includes most personal services (such as beauty and barber shops) and medical services (including doctor, dentist and hospital fees) as well as many items of household operation (such as laundry and dry cleaning services, and telephones). The relatively slow rise of these prices on the average is in marked contrast to the price changes for food, apparel, and housefurnishings. Because most of these miscellaneous commodities and services are only indirectly affected by changes in the commodity markets, and because they include many regulated and institutionalized prices, they tend to move more slowly on the average. The accumulated rise in this group since August, 1939 and the postwar rise since June, 1946, has been only about two-thirds as great as for the index as a whole and only about one-half as great as for food. But by the same token, this is a group which tends to keep on rising after other prices may have turned down. Where food and clothing prices have dropped, the prices of automobiles and other transportation, and the rates for medical and hospital care have continued up under a momentum that may carry them higher long after other prices have dropped. This, you will notice, was the case after the First World War.

Rents present a unique case because, alone among prices, rents are still under control. Up until the revision of the Rent Control Act of 1947 rents had risen less than 5% since the beginning of the war. In the past year and a half they have risen nearly twice as much. Although our rent index includes over-ceiling rents as they are reported by tenants, they do not reflect the full effect of the higher rents for dwellings built during the war and since. If these were taken into account, the rent index might be 2% or 3% higher than it is shown, but it still would be much the most stable of living costs.

A Contrast With World War I

These charts show the marked contrast between what happened in the two years following the end of the first World War and the two and a half that followed the end of the second. Here again we encounter the question: Will consumers' prices be deflated as they were in 1920? Again, I must answer, "I think not," and for very much the same reasons.

The question is particularly pertinent today because during the past three months we have seen a wave of price reductions, not only in foods but in various items of apparel and housefurnishings as well. The drop in food prices, which we look upon as a result of the fine crops of 1948, has been almost entirely responsible for the declines that have occurred in the index up to now. The reductions in apparel and housefurnishings prices, though in some instances they have been spectacular and have attracted wide attention, have affected a relatively small number of commodities, concentrated in a relatively small number of price lines. The decline in cotton textiles has been reflected in some general price reductions in items of cotton clothing and housefurnishings. A rather disappointing season in men's clothing has led to lower prices, as retailers and manufacturers cleared their inventories. Lower prices of hides and leathers has brought about some reductions in the prices of shoes. Some of the household appliances and some items of furnishings have been sporadically reduced.

But if you will go through any of our great stores or thumb through the pages of the most recent mail catalogs, you will realize that the prices that have come down are greatly outnumbered by those that have remained the same or even risen. This is particularly true of the items which we price for the Consumers' Price Index. We have for many years had detailed specifications and explicit instructions for the guidance of our price agents, so that they would be pricing the same items from month to month and under the same conditions. The items we price are those customarily purchased by moderate-income families in large cities. The specifications are drawn in terms of the physical characteristics by which an agent may identify the items. Our pricing practices require that we record the prices of merchandise available to moderate-income consumers generally. Price reductions are quickly reflected in the index if they apply to items of standard quality on sale long enough and in full enough assortment to be available to moderate-income consumers generally. That is, we record and use in the index reduced prices of, say, bed sheets if the sheets fall within our specifications, if they are of standard quality and if the prices are in effect two weeks or longer. On the other hand, if the sheets are of "off quality" or irregulars, of if the reduced price is in effect only a day or two, the price is not used in the index. This is important to bear in mind when you try to use the newspaper advertisements or store windows to foretell the movement of the index. It will come as no surprise to many of us who have closely followed the movements of this index, if the changes in January and February are less than the casual observer might have expected.

What's Ahead for Prices?

What may we expect from here on? I am no prophet and prophecy is not one of the functions of my Bureau, but we can draw on common sense and common knowledge to forsee something of what lies ahead. In the first place, we have observed seasonal changes in food prices. Typically, these prices reach their seasonal low point in March and begin a slow rise which carries them to a seasonal plateau in the fall. If there were no other factors affecting food prices, we might expect an increase of about 2% to 3% between now and September. The latest information from the Department of Agriculture permits us to be a little more specific. The experts in agricultural prices in the Department of Agriculture have pointed out that the demand for meat has declined from the unusually high level of last summer and is now about the same as in late 1947. Under present demand conditions and with a seasonal decline in production, they foresee slightly higher, rather than lower, prices ahead. Fruit and vegetable prices have been rising because of the weather damage to the winter crops. These may be expected to fall again as the new crops come in. We are still waiting for the lower grain prices to be reflected in the prices of bread, and for lower feed prices in the price of milk. On balance, we might expect that the seasonal upward movement will occur, perhaps a little modified. And, of course, we must never forget the fact that the weather can have a tremendous effect on food prices. A crop failure next summer could send food prices higher; bumper crops could push them down further.

It is a little more difficult to foresee what may happen in the next few months to prices of apparel and housefurnishings. The recent flurry of declines leads us to wonder how far it will spread and how far and how long it will continue. On one hand there are many signs of healthy conditions: inventories are low, demand is still high, and both retailers and manufacturers are very sensitive to the need for meeting consumers' demands for acceptable quality at lower prices. On the other hand, costs and break-even points are high, setting limits on the amount of price reductions. There is the inevitable temptation to hold prices and reduce production to reach an equilibrium point, even though it may be at a lower level. This, of course, is the greatest danger that we face, because it is precisely this course which will lead to a downward spiral of contracting production, employment, purchasing power, and demand.

I think our experience in the past shows that engineers and sales managers can be very ingenious in redesigning production to maintain essential quality and still meet the demands for lower price tags. These changes may not always lead to lower prices in the economic sense—that is, price reductions on identical quality. In many cases, such true reductions are possible through closer controls on costs and the economies that arise from availability of materials and stability of prices. In many other cases, prices will be engineered and merchandised to meet consumers' ideas of what they can and will pay. If I had to guess, I would guess that the end of 1949 will see both prices and price tags rather lower than they are now, without sacrificing essential quality and without marked declines in production and employment.

It is characteristic of such adjustments as these that they are no longer dominated by broad sweeps of economic changes such as those of 1919-20 and those of 1946-48. On the contrary, they are specific and selective in response to the market conditions of individual commodities. It is the characteristic of such a market that some prices will be going up while others are going down, while we grope toward that elusive goal, "the balanced price structure."

There are some kinds of prices which are more likely to move up than down. Rents, of course, can only rise. How fast and how far they rise will depend on the kind of rent control we have, but over a period of years, as the housing shortage is gradually eliminated and as controls are taken off, we may expect to see rents rising toward a more economic level. Note that even without rent control, rents, after the first war, continued to rise through 1923.

Many of the miscellaneous goods and services have probably not run the course of their rise—for example, hospital bills and the rates of many utilities. The rise in these laggard prices must always be kept in mind when we assess the effects of the declines that may be in prospect in some commodities and services.

When we look at these charts, the most striking thing about them (aside for the similarities between them) is how many of the last 35 years have been years of rapid price change and how few have been years of that kind of stability which we like to think of as "normal." If we pace off the years on the chart of the Consumers' Price Index, there are a total of about 14—about two-fifths of the total — when there was something approximating stability. There is the first postwar plateau from 1923 through 1929, when the fluctuations were comparatively minor; then there is the post-depression plateau from 1935 to 1940. For the rest of the time prices were moving either very rapidly up or very rapidly down—certainly more than are required to satisfy the functions of a dynamic economy. Considering that the years of stability were so few and that the two plateaus are separated by a difference of about 25% in level, it is no wonder that there is so much preoccupation with prices and their effects on the economy.

Our Price Structure Is Dynamic

We are often asked: At what level will we find stability in the price structure and a stable relationship between prices and incomes? Personally, I do not think anyone can tell. Even when it is comparatively stable, our price structure is dynamic, with prices constantly moving in response to demand and supply, with costs and competition. Certainly a stable postwar price level would be well above the level of 1939, and we should hope somewhat below the peak levels of 1947-48. What is more important than the level itself is the economic environment in which we may expect to find it. I think we will recognize the approach of price stability because it will be neither clearly a buyers' market nor clearly a sellers' market; it will be a market with neither a shortage nor a glut of goods. It will be characterized by full and steadily expanding production and vigorous competition. It will reward efficient enterprise with healthy profits, and by the same token it will produce its crop of failures among the inefficient and the marginal enterprises.

Equally important is the relationship between prices and incomes. No price level can long remain stable unless it results in a healthy distribution of the national product between consumption and investment. This requires, on the one hand, consumer income sufficient to provide a steadily rising level of living; and on the other hand, investment income sufficient to expand capacity and raise productivity. I think we have learned by now that if consumers real incomes rise too fast and too far, in relation to increases in production and productivity, inflation will follow. But if profits and investment outstrip real incomes, we accumulate capacity and production in excess of purchasing power and deflation will follow. Historically, our productivity has increased at the rate of 3% per year, and there is every reason to believe that it will continue to increase. There is no reason why our level of living, too, cannot continue to increase, provided that we find the means to share it.

The Trouble Seeker

(Continued from page 3)

become in light of the tremendous increase since then in the cost of doing all types of business? The question, of course, obviously furnishes its own answer.

When it comes to the suggestion that representatives of the Stock Exchange, Curb and over-the-counter market sit down and devise some formula so that one segment of the business does not benefit at the expense of another, antimonopoly and other laws must be taken into consideration.

In any event, so far as the other specific subjects mentioned that might be explored are concerned, it must be borne in mind the NASD members are variegated. Some are Stock Exchange members. Others are not. Some operate exclusively in the auction market, others in the over-the-counter market, and many in both. So when you reflect on this fact it is obvious that any conclusions drawn from a report based on the instant study would place the NASD on the horns of a dilemma.

If the ultimate report favors the over-the-counter market, the Exchange members will be incensed, and vice versa. For our part, we feel that Mr. Fulton is too shrewd and snide a tactician not to have given this considerable thought and consequently we feel his is a desperate attempt to create another new venture for the purpose of giving the impression that he is interested, along with the NASD, in the financial welfare of over-the-counter dealers, by and large.

As a matter of fact, we feel that the difficulties experienced by the over-the-counter industry have been occasioned in no small measure, as a result of the actions and activities of the NASD and will not be eliminated unless and until that organization has been dissolved and a free economy once more permitted to prevail in the securities industry.

Pacific Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, CAL. — Kenneth Barsamian has been added to the staff of Pacific Company of California, 623 South Hope Street, members of the Los Angeles Stock Exchange.

With Dempsey-Tegeler Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Raymond E. Kubitschek has become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Kubitschek was previously with Conrad, Bruce & Co.

Kirk Investment Co.

(Special to The Financial Chronicle)

COLORADO SPRINGS, COLO. —John M. Kirk has formed the Kirk Investment Co. with offices at 325 North Tejon Street.

With State Bond & Mtg. Co.

(Special to The Financial Chronicle)

NEW ULM, MINN.—Paul C. Maras has joined the staff of State Bond & Mortgage Co., 26½ North Minnesota Street.

With Turley & Tegtmeyer

(Special to The Financial Chronicle)

CHICAGO, ILL.—Thornton B. Stearns is now with Turley & Tegtmeyer, 120 South La Salle Street.

With Peters, Writer Co.

(Special to The Financial Chronicle)

DENVER, COLO. — Frank R. Button has been added to the staff of Peters, Writer & Christensen, Inc., U. S. National Bank Building.

Sidlo, Simons Co. Adds

(Special to The Financial Chronicle)

DENVER, COLO. — Floyd F. Johnston has become connected with Sidlo, Simons, Roberts & Co., First National Bank Building.

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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 the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 6	100.5	100.3	100.9	94.6
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 6	1,852,700	1,849,000	1,860,100	1,705,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Feb. 19	5,361,100	5,330,050	5,418,950	5,342,325
Crude runs to stills—daily average (bbls.)	Feb. 19	†5,322,000	5,404,000	5,556,000	5,399,000
Gasoline output (bbls.)	Feb. 19	16,984,000	17,754,000	17,961,000	15,807,000
Kerosene output (bbls.)	Feb. 19	2,189,000	2,485,000	2,354,000	2,520,000
Gas oil and distillate fuel oil output (bbls.)	Feb. 19	7,000,000	7,617,000	7,944,000	8,127,000
Residual fuel oil output (bbls.)	Feb. 19	8,117,000	8,561,000	8,744,000	9,199,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 19	122,533,000	119,780,000	111,587,000	109,886,000
Kerosene (bbls.) at	Feb. 19	20,066,000	20,524,000	22,125,000	9,731,000
Gas oil and distillate fuel oil (bbls.) at	Feb. 19	58,574,000	61,517,000	68,746,000	34,004,000
Residual fuel oil (bbls.) at	Feb. 19	80,591,000	82,340,000	85,075,000	49,782,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 19	697,335	699,442	709,585	804,937
Revenue freight received from connections (number of cars)	Feb. 19	625,844	618,248	631,290	722,622
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 24	$75,622,000	$146,604,000	$212,157,000	$128,741,000
Private construction	Feb. 24	27,485,000	112,754,000	64,829,000	49,139,000
Public construction	Feb. 24	48,137,000	33,850,000	147,328,000	79,602,000
State and municipal	Feb. 24	46,585,000	31,190,000	71,797,000	27,712,000
Federal	Feb. 24	1,552,000	2,660,000	75,531,000	51,890,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 19	10,755,000	*11,440,000	11,460,000	12,900,000
Pennsylvania anthracite (tons)	Feb. 19	698,000	748,000	860,000	1,229,000
Beehive coke (tons)	Feb. 19	152,800	*153,800	158,100	131,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 19	228	239	230	249
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 26	5,559,207	5,650,279	5,810,034	5,251,935
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 24	180	180	136	93
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 22	3.75628c	3.75628c	3.75628c	3.27585c
Pig iron (per gross ton)	Feb. 22	$46.74	$46.74	$46.74	$40.37
Scrap steel (per gross ton)	Feb. 22	$37.25	$37.58	$40.58	$40.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 23	23.200c	23.200c	23.200c	21.200c
Export refinery at	Feb. 23	23.425c	23.450c	23.425c	21.425c
Straits tin (New York) at	Feb. 23	103.000c	103.000c	103.000c	94.000c
Lead (New York) at	Feb. 23	21.500c	21.500c	21.500c	15.000c
Lead (St. Louis) at	Feb. 23	21.300c	21.300c	21.300c	14.800c
Zinc (East St. Louis) at	Feb. 23	17.500c	17.500c	17.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 28	101.61	101.63	101.32	100.72
Average corporate	Feb. 28	112.93	113.12	113.12	111.07
Aaa	Feb. 28	118.80	119.00	119.00	116.22
Aa	Feb. 28	117.00	117.20	116.80	114.85
A	Feb. 28	112.000	112.19	112.19	110.52
Baa	Feb. 28	104.66	104.83	105.17	103.64
Railroad Group	Feb. 28	108.52	108.70	109.06	105.52
Public Utilities Group	Feb. 28	113.50	113.50	113.50	112.93
Industrials Group	Feb. 28	117.00	117.20	117.20	115.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 28	2.38	2.38	2.41	2.45
Average corporate	Feb. 28	3.01	3.00	3.00	3.11
Aaa	Feb. 28	2.71	2.70	2.70	2.84
Aa	Feb. 28	2.80	2.79	2.81	2.91
A	Feb. 28	3.06	3.05	3.05	3.14
Baa	Feb. 28	3.47	3.46	3.44	3.53
Railroad Group	Feb. 28	3.26	3.24	3.22	3.42
Public Utilities Group	Feb. 28	2.98	2.98	2.98	3.01
Industrials Group	Feb. 28	2.80	2.79	2.79	2.90
MOODY'S COMMODITY INDEX	Feb. 28	376.1	373.6	387.2	413.4
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Feb. 26	220.2	216.7	219.7	227.0
Fats and oils	Feb. 26	162.3	162.2	171.5	239.1
Farm products	Feb. 26	234.8	230.7	237.4	250.1
Cotton	Feb. 26	308.8	307.9	312.5	310.3
Grains	Feb. 26	202.5	197.7	202.5	263.2
Livestock	Feb. 26	234.1	229.1	237.2	242.3
Fuels	Feb. 26	237.0	238.1	240.1	228.6
Miscellaneous commodities	Feb. 26	167.2	166.3	170.9	172.7
Textiles	Feb. 26	191.6	191.1	195.7	211.1
Metals	Feb. 26	190.1	190.1	190.4	163.5
Building materials	Feb. 26	217.4	217.9	217.9	232.8
Chemicals and drugs	Feb. 26	142.7	143.3	146.3	157.0
Fertilizer materials	Feb. 26	142.9	142.9	143.4	137.6
Fertilizers	Feb. 26	150.5	150.5	151.3	143.0
Farm machinery	Feb. 26	155.6	155.6	155.6	138.0
All groups combined	Feb. 26	211.3	209.5	213.1	216.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 19	152,291	155,095	182,892	160,330
Production (tons)	Feb. 19	175,628	177,390	191,306	171,191
Percentage of activity	Feb. 19	86	86	92	99
Unfilled orders (tons) at	Feb. 19	295,474	319,066	327,700	436,430
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Feb. 25	140.1	140.1	141.5	147.0
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 22	158.5	158.5	158.8	159.9
Farm products	Feb. 22	169.6	168.9	167.9	183.5
Foods	Feb. 22	160.8	159.0	159.2	170.3
All commodities other than farm and foods	Feb. 22	152.2	152.9	153.6	147.5
Textile products	Feb. 22	142.2	143.0	143.6	148.3
Fuel and lighting materials	Feb. 22	135.9	138.0	138.0	130.8
Metals and metal products	Feb. 22	178.1	178.1	177.9	155.0
Building materials	Feb. 22	201.3	201.3	200.8	193.0
All other	Feb. 22	131.2	131.0	133.5	134.9
Special indexes—					
Grains	Feb. 22	160.3	158.6	164.0	213.5
Livestock	Feb. 22	203.7	198.4	206.5	217.5
Meats	Feb. 22	219.1	208.3	218.3	224.2
Hides and skins	Feb. 22	181.1	190.3	200.4	187.5

*Revised figure. †Includes 337,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of January 31:			
Imports	$155,859,000	$163,749,000	$168,108,000
Exports	56,568,000	56,633,000	53,198,000
Domestic shipments	9,661,000	9,567,000	11,081,000
Domestic warehouse credits	15,832,000	15,833,000	15,657,000
Dollar exchange	11,474,000	529,000	1,450,000
Based on goods stored and shipped between foreign countries	13,093,000	12,465,000	12,537,000
Total	$262,487,000	$258,776,000	$262,031,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of January:			
New England	$6,238,003	$14,063,380	$22,631,977
Middle Atlantic	76,958,642	77,846,990	58,196,738
South Atlantic	21,146,483	21,478,565	36,557,839
East Central	37,346,113	48,167,799	36,812,071
South Central	30,713,329	33,366,499	50,506,031
West Central	10,110,942	14,371,187	10,938,448
Mountain	4,077,857	6,436,683	5,693,485
Pacific	35,898,427	59,809,331	65,176,659
Total United States	$222,489,796	$275,540,434	$286,513,248
New York City	64,741,267	46,214,077	44,144,030
Outside of New York City	157,748,529	229,326,357	242,369,218
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of January:			
Manufacturing number	129	155	108
Wholesale number	76	59	43
Retail number	267	217	153
Construction number	53	64	23
Commercial service number	41	36	29
Total number	566	531	356
Manufacturing liabilities	$8,625,000	$21,980,000	$6,892,000
Wholesale liabilities	2,627,000	2,184,000	1,705,000
Retail liabilities	4,841,000	4,247,000	2,837,000
Construction liabilities	1,892,000	2,396,000	820,000
Commercial service liabilities	1,174,000	924,000	711,000
Total liabilities	$19,159,000	$31,731,000	$12,965,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of January 31 (in thousands)	$268,000	$269,000	$290,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES—			
Lint—Consumed month of January	674,463	680,670	860,704
In consuming establishment as of Jan. 31	1,627,055	1,649,284	2,229,229
In public storage as of Jan. 31	8,213,189	8,811,476	5,105,438
Linters—Consumed month of January	123,038	113,854	101,850
In consuming establishments as of Jan. 31	363,665	348,667	232,446
In public storage as of Jan. 31	88,501	69,091	73,902
Cotton spindles active as of Jan. 31	20,927,000	20,776,000	21,471,000
COTTON SPINNING (DEPT. OF COMMERCE)			
Spinning spindles in place on Jan. 31	23,754,000	23,751,000	23,786,000
Spinning spindles active on Jan. 31	20,927,000	20,776,000	21,450,000
Active spindle hours (000's omitted), Jan.	8,425,000	8,544,000	10,802,000
Active spindle hours per spindle in place, Jan.	376	383	454
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-39 AVERAGE=100—Month of January:			
Sales (average monthly), unadjusted	191	422	*197
Sales (average daily), unadjusted	195	414	*193
Sales (average daily), seasonally adjusted	243	247	241
Stocks, unadjusted as of Jan. 31	201	215	205
Stocks seasonally adjusted as of Jan. 31	228	236	233
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT OF LABOR — Month of January:			
Earnings—			
All manufacturing	$54.77	*$55.10	$52.07
Durable goods	59.26	*59.40	55.46
Nondurable goods	49.98	*50.51	48.45
Hours—			
All manufacturing	39.6	*40.0	40.5
Durable goods	40.5	*40.8	40.9
Nondurable goods	38.6	*39.3	40.0
Hourly earnings—			
All manufacturing	$1.308	*$1.376	$1.285
Durable goods	1.463	*1.457	1.355
Nondurable goods	1.296	*1.286	1.210
NEW YORK STOCK EXCHANGE—As of Jan. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$537,264	$551,440	$568,643
Credit extended to customers	55,882	52,218	56,409
Cash on hand and in banks in U. S.	347,492	351,963	415,294
Total of customers' free credit balances	573,205	587,310	623,307
Market value of listed shares	67,478,248	67,048,278	66,090,349
Market value of listed bonds	131,896,587	131,306,126	136,232,046
Stock price index, 12-31-24=100	72.9%	73.0%	73.9%
Member borrowings on U. S. Govt. issues	$120,973	$170,896	$63,062
Member borrowings on other collateral	218,073	250,591	222,255
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE August, 1909-July, 1914=100—As of Feb. 15:			
Unadjusted—			
All farm products	258	268	279
Crops	233	238	257
Food grain	221	232	251
Feed grain and hay	173	187	261
Feed grain	174	193	289
Tobacco	412	412	374
Cotton	235	236	248
Fruit	181	180	136
Truck crops	285	282	320
Oil-bearing crops	244	274	333
Livestock and products	280	295	300
Meat animals	315	330	331
Dairy products	264	275	307
Poultry and eggs	218	240	218
Seasonally adjusted—			
Fruit	189	197	143
Truck crops	245	241	273
Dairy products	258	264	300
Poultry and eggs	231	235	231
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of December (000's omitted):			
Savings and Loan Associations	$267,922	$267,274	$302,255
Insurance companies	85,114	77,580	79,345
Banks and Trust Companies	205,556	198,182	253,110
Mutual Savings Banks	68,120	67,915	61,581
Individuals	176,437	176,000	165,973
Miscellaneous lending institutions	135,789	132,680	144,342
Total	$938,938	$919,631	$1,006,626

*Revised figure.

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Objects to Spahr's Criticism of Gold Producers

(Continued from page 20)

this was true, the government insisted that the packers must do business at a loss if necessary. The packers refused, there was a suit and the government lost the case. The Court ruled that where the government is the buyer it cannot fix the price either by act of Congress or bureaucratic decree. The Court held that demanding the meat at the OPA price amounted to the taking of private property by the government, and thereby denied the packers their constitutional right of freedom of sale.

We have here the same situation that confronts the gold producer, where the Treasury regulations compel him to turn in his gold at the price fixed by the government, so therefore if we establish that the Treasury regulations are invalid when applied to all newly mined gold, the gold mining industry will have made a great stride toward control of its own affairs.

We are not concerned here with the wisdom of our monetary policy. Congress has seen fit to set a price of $35 per ounce for the purchase of all foreign gold delivered to us. If foreigners do not want the $35 we pay them they can take their gold somewhere else. The Treasury does not deny them the right of a free market, but when we as producers are compelled to turn in any part of our private gold and take $35, when we could get a higher price for it elsewhere, it is not the act of a good government to maintain such a rule, but that of a highwayman who sticks a gun in our ribs and says "give up or else."

This conduct seems to be condoned and applauded by you in complete disregard of our Constitutional rights. It should occur to you, Dr. Spahr, that our Constitution is an inherent part of our economy and it is your public duty to only advocate constitutional theories.

But there is a further violation of rights. The present price for gold paid by the government is not the price fixed by law, for that was a price in dollars of different purchasing power. The gold producer is now compelled to accept a different dollar.

If it was the intent of Congress that the price to be paid to gold producers was to be $35 an ounce, and if Congress had power to make such a law, then that law was in essence a contract with the industry. That law ruled out other purchasers and compelled a private industry to sell its private property only to the government, thus the $35 was an implied promise and pledge of value at that time and having assumed the responsibility, as to value, the government should make it good.

Who would say that the $35 of 1934 could by any stretch of imagination be construed as $35 today. If that was a pledge of value to us by our government they owe us now at least $70 an ounce for gold, but as the Treasury Department is now administering the Gold Act the industry is only allowed to receive value of about $17 an ounce. And remember, we are not allowed to seek other markets and sell our product to higher bidders.

The gold mining industry has thus been picked out as the sole victim of a particularly vicious swindle, perpetrated upon it under the power and majesty of the government which controls our money and presumably stands on the pinacle of integrity.

Gold producers have been so bewildered by this treatment at the hands of their government that they have failed to fight back. Your remarks, Dr. Spahr, are evidently intended to perpetuate this confusion.

Our government is evidently bound by various agreements or by their theory of money, to sustain the $35 gold price, but the peoples of the rest of the world and many people in this country have placed a higher price on gold and are willing to pay that price in dollars. Gold producers, therefore, now seek only their rights to meet and satisfy this public demand in an open free market, selling only their newly mined gold which is no part of the government's monetary stock of gold. If the Treasury wishes to purchase this new gold, it will be free to bid for it and buy it, but it should no longer be allowed to take it from gold producers in defiance of law.

Is it your contention that our national monetary policy is so precariously balanced that the moderate supply of newly mined gold in this country can upset it, if placed in private hands, or is it merely that gold producers are to be swindled, and that our government must deal with us upon a different basis than that of all other business? Otherwise it would seem that in commenting on the rights of gold miners in future remarks, you should deal with the facts and realities of the situation and not express immature theories.

It also seems, Dr. Spahr, that your ability as an economist is rather limited if you can think of no better course for the gold miner than to close down. Almost anybody could suggest that. If we apply your thinking to all other industry and merely eliminate them because they ask for their rights to be respected, we come rather close to the methods of Russia.

If this is the best the economists can do, the world would certainly be better off without them. Let's have some straight American thinking and talking for a change.

A free market for newly mined gold can have deeper significance than just the profit motive. Gold producers are fully conscious of their duties of good citizenship. In protecting the rights of our industry, Congress can provide, through us, the means of easing the shock of readjusting the currency values of the world. These cannot be divorced from some association with gold. The level of the public demand for gold, and the price the public will pay for it, will be a safety zone to indicate what further devaluation steps may be made with our own currency.

There is a strong flavor in your langague which harks back to the divine right of kings. It has been my view that we tossed that theory overboard many years ago, along with the tea, in Boston harbor.

Very truly yours,

HARRY SEARS,
President, Calaveras Central Gold Mining Co., Ltd.

William J. Cooney Now With Proctor, Cook & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—William J. Cooney has become associated with Proctor, Cook & Co., 35 Congress Street, members of the New York and Boston Stock Exchanges. Mr. Cooney was formerly with Paine, Webber, Jackson & Curtis, and Whiting, Weeks & Stubbs. In the past he was manager of the bond department for Soucy, Swartswelter & Co. in Boston.

Nathan Fay Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Philip J. Hansen, Jr., is now with Nathan C. Fay & Co., 208 Middle Street. Mr. Hansen was previously with Clyde F. Frost & Co.

Newspapers and Economic Illiteracy

(Continued from page 7)

President, or some committee, with the idea that it might register with the public its concept of the sound economic approach to some current problem. They argue over words and sentences to insure that they are simple enough for the man on the street. They labor over semantics. They might even call in some great brains from my profession.

Talking to Themselves

Finally, the baby is born, a release date is set and the committee looks hopefully through the papers. They find their Holy Writ on the financial pages and know that once again their membership constituency will advise them, "You are talking only to yourselves."

I suppose Alfred P. Sloan comes as near being the industrial leader of America as any other single man. A few times a year he delivers a speech. We know the thought, time and effort that has gone into the preparation of the address which, he hopes, is addressed to the people—not just to his friends. To the financial pages it goes.

Yet Phillip Murray can take the same economic springboard and jump backward from the other end, spraying dubious facts and figures, and he hits the front page or the general news section.

You will recall that famous document sprung, full-blown from the statistical tables of Henry Wallace, Robert Nathan and the CIO, predicting 8,000,000 unemployed within a year after the end of the war. It was equal in news value to a good triangle divorce involving a model and a banker. But if the Chamber of Commerce on the preceding day had forecast full employment for three years following the war it would, most likely, have arrived on the financial and business pages.

Here is one more example slightly closer to us. On February 8 another of those great minds in Washington, Leon Keyserling, hit the front pages with a perfectly political economic forecast before a Senate Committee that if Truman's program is not enacted we face an $800 billion depression.

Keyserling's Nonsense

Patently, there are a lot of answers to that. You might just say Keyserling was talking nonsense to scare Congress. You might say he was stupidly talking us into a depression. You might even be nasty enough to suggest that the same people helped Keyserling who dreamed up that 8,000,000 unemployed — and for similar propaganda reasons, namely to frighten the nation into government controls.

I think most of you have answered Keyserling. But how many people saw these analyses compared with those who read Keyserling?

Let's take a quick peep at a couple of more examples before you take over the bombardment. The greatest Attorney General since Biddle, Mr. Clark, has made two speeches recently charging industry with trying to create a depression. Mr. Emil Rieve, President of the CIO Textile Workers Union, announces that national employment is worse than government statistics show—and, of course, wants government action. A purely political approach with no indication of where Mr. Rieve gets statistics that are better than those of the government.

About the same time two other statements emanated. In one, Mr. Lewis Brown of Johns-Manville also spoke on the danger of depression. I think Mr. Average Reader might accept him as at least comparable to Mr. Rieve as an authority. The NAM issued a statement labeling as a "hoax" the assertion that industry makes a 15% return on its investment, obviously addressing itself to the public for the information was inconsequential to the financial public. Mr. Brown and NAM hit the financial pages; Mr. Clark and Mr. Rieve the general news sections under nice headlines.

Don't misunderstand that I am criticizing financial pages. As I have said, I think they are the nerve center of commerce. I remember when I was sports editor down in Richmond. I used to bawl loud and long when they took even the World's Series off of my pages for the front.

But all of that is incidental. The question I am posing is how we cure our people of economic illiteracy—how do you help? How do we stop them from believing what every self-seeking politician tells them? How do we get across to them knowledge enough so they can comprehend the irony of Senator Elmer S. (S. for Speculator) Thomas proposing out of the breadth of his own personal experience that the government be permitted to speculate in commodity futures? How do we reach a position where the quack will be afraid to make insane statements in his quest for a headline because he knows his sins will quickly find him out; that millions of people will say, instinctively, "That ain't so."

The newspapers, the free press of America, have been our greatest institution of learning. A man who never goes to a baseball game can continue to know every quirk of the game and every rule change through interpretative columns. You can learn to play golf through instructional columns. The newspapers teach you how to wash the baby, take care of your health, not to eat peas with a knife, and even advise on your love life. Winchell will tell you when you are going to become a father and if the time is ripe for buying stocks.

Today, economics and an understanding of business, industry and commerce are intertwined with our existence as a free people.

And if the newspapers don't assume the burden of economic enlightenment, who will? Obviously, we are not reaching the masses. Proof? The common knowledge that millions of our people will vote for any governmental expenditure without even thinking that they are paying for it.

Now I have been thoroughly and completely negative. I can't suggest to you that I know all of the answers. I am not contending that business and industry itself has not failed lamentably to translate itself even to those who should be staunch allies, the employees.

Neither am I contending that the newspapers should become a mouthpiece for business and industry, instead of being an objective critic and teacher, whatever the issue. They should not accept a thesis that business can do no wrong.

Unwitting Sabotage of Capitalism

I do contend that the press, inadvertently through departmentalized traditions, has given those who attack the capitalistic system and industry access to the public mind that is largely denied proponents of the system.

Let's take some premises leading to a conclusion:

(1) The newspapers as a whole believe in the capitalistic system. They carry the torch for it, but not in the right places.

(2) You gentlemen probably know more about the system in an objective way than any other group for you are immersed in its vitals every day.

(3) As a result you are more intelligently articulate on the subject.

(4) There are, as a rule, just two places where your stories hit—the financial pages, or occasionally page one. There is no intermediate point. I would hazard the guess that few times in a year does a financial writer find his stuff on pages 2, 6 or 12.

To these I would add one more general premise. There is no lack of belief on the part of publishers that people are increasingly interested in financial and economic matters. A survey of the front pages would show that story after story is devoted to matters that 15 years ago would have been considered Chinese to the average front page reader. Also, about half the columns emanating from Washington are no different from those you write, using subject matter as a yardstick. But often these are authored by men skillful at interpreting political and governmental affairs but whom you would completely befuddle in an intensive discussion of finance—the Bank for International Settlements, for instance.

The only conclusion with which I am left, having built this rationalized argument, is that you gentlemen have been departmentalized away from your natural, modern-day audience.

In other words, the audience of people interested in economic affairs is no longer your compact business-finance group. It is America.

Business, finance, economics is everybody's business. Your garage mechanic or housewife is debating the subject over the monkey-wrench or the tea cup. Politics has become a cost of operations for any commercial establishment. It is woven into our daily lives. And you, the group presumably trained through study and experience to interpret finance, profit, depression dangers in terms that people can understand, are carefully shielded from your audience, as shown by readership surveys.

If a politician, or a Leon Henderson (what's the difference?), or a labor leader talks economics, you probably do not cover the story, although it may be pure business. It appears on page one or in the general news pages and your whole readership has a shot at it. It may tear the guts out of industry, it may be so wrong that you ooze outrage. Perhaps you are so disturbed that you write a terrific piece the next day analyzing its fallacies—for me and my clients to read and applaud.

It is an ironic fact, however, that just as Mr. Sloan, the CED, NAM or John Hanes of the Tax Foundation endeavor to write for public consumption, most of your columns are so written that the average reader can comprehend. You, too, assume you are talking to him and not to Kuhn, Loeb.

What do I propose?

I went to Paul Garrett of General Motors, one of your former colleagues, for consultation as to whether I dared put my neck out as far as I have tonight in a sacred field. Maybe Paul won't appreciate my laying his neck on the same chopping block. But he summed up my conclusion, saying:

"Today the financial writer's field is broader than the stock and investment market. He should be a commentator and an analyst with the entire economy for his field and as such he deserves a better platform than the financial page."

Carrying through that summation, I suggest for consideration by newspaper management—

(1) That the financial and business interpretive columns be addressed to the public and printed regularly on Page 2 or 3.

(2) That there be a closer liaison between news desks and financial desks and that the financial editor be allocated at least one column of space a day scattered through the general news

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section, exclusive of his own column to put in news stories which he deems most constructive—whether it be Mr. Sloan's speech, the NAM statement which I have used as my guinea pig tonight, or a human interest story dealing with some phase of commerce.

I contend that your general readers are entitled to regular exposure to what industry is doing and saying just as much as to what the CIO is doing, without being scared to death by seeing a lot of statistics right alongside of the things in which he might be interested.

This can be done without hurting your financial page readership. Maybe it would not even hurt some of your regular patrons if they have to turn through the comics or the sports pages to find what they want to know; to find your column. Maybe you would write two columns a day—one for finance and one for general readership. And how do you like hat for making you work?

This is no radical suggestion. I am merely proposing a changed and more modern perspective toward industrial news. I know of no single—and simple—act that could do more to curb economic illiteracy. It would be worth millions poured into pamphleteering by various business organizations.

Railroads Need a Fair Deal

(Continued from page 17)

regulations and uncontrollable expenses, and herein lies the somber note that has a bearing on the long-range future of American railroads. Regulations and uncontrollable expenses affect every phase of railroading—even to the status and strength of our competition.

In this respect, one of the costliest forms of competition the railroads face is the owner-operated or so-called "Gypsy" truck operator. These operators have no substantial investment in equipment. They have no personal problems—no overtime, no vacations, no interruptions due to labor problems, and no paid holidays. They have no complicated insurance problems, no unemployment compensation and social security taxes, no employee benefits. They run excessive hours with excessive loads, and apply no fixed charges for their services The Bureau of Motor Carriers, Interstate Commerce Commission, is now making an investigation of truck operations with a view to regulating this form of competition.

You, gentlemen, know what untrollable expenses, along with the inequitable government regulations, mean in terms of return on railroad capital investment. For example, in 1948, with the largest peacetime gross revenue in the history of the Katy Railroad—$83,293,000—the Katy had a net railway operating income equivalent to 3.7% on its capital investment—far short of what is generally considered to be a fair return.

The railroad industry should enjoy an earning power that would allow a financial structure flexible enough to take quick advantage of new technological improvements. It has taken much too long to capitalize on the economies of Diesel locomotive operations, because of the large investment requirements. We must be able to adapt ourselves to new tools and new ideas, and who knows but the motive power of the future may develop into a gas-turbine, or even jet or atomic energy. Experimentation is being made with new types of rolling equipment—such as the Spanish-type "Talgo" train of the American Car and Foundry Co., the C&O's "Train X," and others—and if these experiments produce opportunities for economy and more efficient operations, the railroads should be in position to take advantage of them. All of them will, however, require great outlays of cash and financing.

The position has been taken, and much too generally, that nothing can be done about these matters. But the current Interstate Commerce Commission report to Congress suggests that the railroads attempt some "bold experimentation with new methods" as a possible cure for some of the problems confronting all railroads today.

Ultimate Goal—Cheaper and Better Transportation

I agree that the pursuance of a bold plan, aimed for a fair and equitable transportation policy in our nation, could be productive not only of more favorable earning power, but actually of a lower freight rate structure. It will take concerted action and a sympathetic appraisal by all concerned—the railroads, the employees, the government, the shippers and the public. Such a plan can be achieved if it is made known that the ultimate goal is cheaper and better railroad transportation—and here are some of the reasons why:

Lower freight rates would benefit every business and citizen of our nation, now and for the years ahead, and the possibility is no idle dream. It can be brought about by ordinary common sense, teamwork, and the courage to fight a fight!

No shipper can more earnestly desire lower rates than we. The only way it can be done is in the American tradition of constantly improving service at a steadily lowering cost, as volume grows and performance techniques improve.

Neither the Katy nor any other railroad is responsible for present rate levels. Rates must have a relation to a cost-of-production basis, as in any other business. But railroad costs are too high, for the simple reason that we can't control them all Those costs fixed at the discretion of railroad management have been so well reduced that "Fortune" magazine recently said editorially, "The performance is remarkable but unmarked" (meaning "unnoticed").

Reasons for High Operating Costs

There are three important items that contribute to high costs and consequently high rates. They are:

(1) **Labor:** Not pay scales alone, but "make work" and other nonproductive practices that benefit no one, not even labor itself in the long pull.

(2) **Taxes:** Not the fair and impartial ones. Only those paid by the railroads which go to support the highways, the airports and the waterways which are provided out of tax money for the use of other forms of commercial transportation with which the self-supporting railroads must compete for business.

(3) **Operating Costs:** There are many that could be cut, if the railroads had the money with which to buy what is called in any other business "cost saving machinery."

Bring these costs down within reason, and lower rates will follow.

Under our democratic form of government, the people ultimately get what they want. When they find out what is economically sound and fair to all, they exert an irresistible force called Public Opinion. Their elected and appointed representatives are quick to respond. The people of the United States **can** have lower freight rates when and if they decide to have them. Here is how:

Regarding Labor: The railroads do not begrudge any man or woman a fair wage. But railroad management will never happily accept unfair labor demands and payments, and frankly hopes that enlightened labor leaders will correct abuses before an aroused public opinion, or a depression, or both, makes an issue of it.

Regarding Taxes: The railroads believe that fair tax payments, impartially distributed, are an obligation of citizenship. I repeat—fair payments, **impartially distributed.**

The present tax structure, as applied to all carriers of transportation, is neither fair nor impartial. When tax monies in public coffers, to which the railroads contribute, are taken from those coffers to finance construction or maintenance of highways, airports, rivers or canals—subsidization, if you please—then the tax structure is unfair! Certain forms of transportation not only fail to carry their share of the tax burden, but at the same time are relieved of the cost of providing and maintaining their rights-of-way, which are paid for with tax money. We all know this condition exists today, and the tax structure which allows this condition to exist is not impartial.

Put competition between all types of transportation on an equal, unsubsidized basis and the entire country will benefit. Railroads, on a fair-competition basis, can more than hold their own. The immediate result would be increased freight and passenger revenue for the railroads, but more important to the public, the long-term results would be better service, better equipment, and lower rates for the nation's passengers and shippers!

Regarding Cost-Saving Tools With the limited amount of income it could spare for buying Diesels and other cost cutting equipment, the Katy and other roads have shown some amazing results. As I have heretofore pointed out, more savings can be made with more such equipment.

The railroads are so closely regulated that the difference between income and outgo is so small it's like a family living up its whole paycheck every week, with nothing in a savings account for an emergency.

It is important, as you gentlemen well know, that money invested should receive a fair and reasonable return.

A Minimum 6% Return on Investment

In fairness to the investors in railroads—in fairness to the public which looks to the railroads for its basic transportation service—the railroads should earn at least the 6% per annum which is generally regarded as a reasonable return on investment. It has reached that figure only once in the past 25 years.

The railroads do not want government subsidies — they are proud of their accomplishments as a self-supporting industry. They only want relief from subsidized competition; from unreasonable, so-called "featherbedding" labor demands. We must have the support of the public in our effort to provide the kind of railroad transportation to which the public is entitled—and demands.

It is a problem which can be solved when the shipper, the traveler — the man on the street — realizes that its correction will be **a direct benefit to him**—in lower transportation costs which will be reflected in almost every item of food and every article he buys.

The margin between costs and income of the railroads is so thin that their ability to continue as private enterprises is in jeopardy. But railroad management cannot solve the problem alone—it must have the assistance of men like yourselves, who mold public opinion; they must have the support of an enlightened public generally, and some quick action.

The Retail Pricing Situation

(Continued from page 6)

non-price attributes of merchandise, often with little or no substantial addition to cost, or with an actual reduction of cost. We do not always take full advantage of the possibilities of color, or we use it very inexpertly. Many good products fail to sell because they lack good functional design, or because they over-emphasize the functional design to the detriment of other appeals. We like food that is properly seasoned, but we do not always "season" our products with the best combination of attributes that will make them sell. This is the natural result of a long period of easy selling and neglect of the fine arts of creative design and appeal.

It is easy to "get off the beam" and place too much attention on mere lowness of price. The war and post-war boom made profound changes in the middle class markets. Large segments of the population moved up into more comfortable income brackets. This middle class market is not only much larger than it was before the war, but it is likely to hold and perhaps improve its position. Millions of customers have had a taste of the better things of life. They will buy more if we find more effective methods to meet their needs and desires. From such a diagnosis of the middle class market, if follows that the most productive price ranges will be found somewhere off the prevailing higher ranges and somewhere above the lowest price ranges. We will find them by repeated "trial and error."

Pricing Not an Exact Science

This matter of correct pricing is not an exact science. The merchandisers who know most about it do not write books on the why, when, what and how of pricing. They are too busy practicing the art. They are not afraid to take "calculated risks" and experiment with new prices to build volume. Without any specific recognition or attempted calculation of direct and indirect expenses, successful merchants often cut prices to enlarge sales volume and obtain larger contributions to overhead costs. Other things being equal, the skilled merchant always prefers to sell 1,000 items at an 8c margin instead of 500 items at a 12c margin. In manufacturing we are often chained to standard costs that have become so deeply imbedded in our price thinking that we are unwilling to attempt any venture pricing. But it is venture pricing that always opens up new markets and paves the way to more sales and profits.

We have very limited formal knowledge of the psychology of pricing. The late Paul Cherington once remarked that the consumer is generally dominated by "one central idea always present, namely to get a 'good trade'" and he added that ". . . on top of this are superimposed all the psychological influences, urges, complexes, inhibitions and habits that account for human behavior."[1] We know that for any given range of established prices, there are always certain psychological "breaking points" at which slightly lower prices will produce greatly increased sales. If merchandise fails to sell and a clearance is necessary, a small reduction, however effectively advertised, will not move the goods. It takes a dramatic price reduction in the neighborhood of 20% or more to attract interest. Customers like to have a minimum of three price ranges in a given type of merchandise to permit comparison of the values. Too many price ranges hinder effective selling. Differences in price ranges for a given type of product must be plainly evident to the buyer or easily explainable. Odd prices have definite psychological appeal, but the odd price must have some rationale. For instance, the good merchant would never price an item at $299.95, as one well-known advertiser has done in "fair trading" his product. The oddity of the price must be within the range of acceptability. Customers remember the prices of articles that are bought frequently, but their memories are less keen as to the last prices they paid for low-priced articles that are bought less often. For higher-priced articles, "the memory of the quality often lingers when the price is forgotten." When a new private brand is introduced, it cannot be priced too low in relation to the established brand; but after a time it is priced against other competing private brands and not against the established brand. These are merely a few of the many psychological aspects of productive pricing.

Perhaps there is one further general comment on the pricing question that should be made. The war has left us with a vastly expanded monetary supply. No problems can be solved by fresh additions to that supply. As in the past, we will undoubtedly meet the situation by growing up to the residual monetary supplies with which we must continue to live. That means price structures that will expand our domestic and foreign markets and provide adequate rewards for increased productive effort. It not only requires hard work and straight thinking, but also new ways to tell the economic facts of life to a badly confused and somewhat bewildered citizenry. There is no reason now to believe that we cannot take in our stride any necessary corrections of the excesses of the postwar boom. By intelligent team work, we can meet these problems without too serious disturbance of our economy. It is a task in which government, industry, labor and the plain people have a common interest. The stakes are high. They are the preservation of the abundance which the American system has created and which we share so liberally with less fortunate peoples.

1 Cherington, Paul T., *The People's Wants and How to Know Them*, page 132. Harper & Brothers, New York, 1935.

With Daugherty, Cole

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—James L. Cox, Jr., is with Daugherty, Cole & Co., 729 Southwest Alder Street.

Sloan & Wilcox Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — Karl D. McAllister has been added to the staff of Sloan & Wilcox, Cascade Bldg.

McDougal & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—McDougal & Co. has been formed with offices at 208 South La Salle Street. Partners are Alfred L. McDougal, Jr., Mary G. McDougal and Emily J. McDougal. Mr. McDougal was formerly President and Treasurer of McDougal & Condon, Inc.

U. G. Roman Rejoins Staff of Adams & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—U. G. Roman has rejoined Adams & Co., 105 West Adams Street. Mr. Roman has recently been with Francis I. du Pont & Co.

With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

AURORA, ILL.—Eugene J. Herkes has become affiliated with Lee Higginson Corp., 231 South La Salle Street, Chicago. Mr. Herkes was formerly for many years with William H. Flentye & Co.

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Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Alaska Telephone Engineering Corp., Fairbanks, Alaska
Feb. 18 (letter of notification) 28,000 shares of Class A common non voting stock. Price, $10 per share. No underwriter. Purchase and installation of outside plant and central office dial telephone equipment.

American Light & Traction Co., Chicago
Jan. 10 United Light & Railways Co. filed 634,667 shares of American Light common ($25 par). **Underwriter**—None. **Offering**—Offered at $12 per share to holders of United Light common of record at the close of business Feb. 7, on the basis of one share of American Light common for each five shares of United Light common. Rights will expire March 9.

• Black Lake Oil & Development Co., Inc., Washington, D. C.
Feb. 21 (letter of notification) 39,900 shares of 4% non-cumulative preferred ($1 par), to be sold in units of 100 shares at $100 per unit; and 50,000 shares of common to be sold in units of 500 shares at $500 per unit. No underwriter. To purchase leases and drill for oil.

Central Maine Power Co. (3/14)
Feb. 11 filed $5,000,000 30-year first and general mortgage bonds, series R. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Harriman Ripley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Shields & Co.; Otis & Co. **Proceeds**—To reduce notes payable to The First National Bank of Boston. Expected about March 14.

• Chiapas Rubber Plantation & Investment Co., San Francisco
Feb. 16 (letter of notification) 750 shares of class B common stock (par $5). Price, par. No underwriter. To plant crops.

Cleveland Electric Illuminating Co.
Feb. 15 filed 464,912 shares of common stock (no par). **Underwriting**—None. **Offering**—To be offered to holders of outstanding common shares of record March 14 on the basis of one share of new stock for each five held. Rights will expire April 5. In addition company expects to offer shareholders the right to purchase at the same price any shares not taken on the original offering to stockholders. **Proceeds**—To pay off loans and for construction.

• Colorado Fuel & Iron Corp., Denver, Colo.
March 2 filed $11,000,000 first mortgage and collateral trust 15-year sinking fund 4% bonds, due 1964. **Underwriter**—Allen & Co., New York. **Proceeds**—To prepay $7,250,000 of bank loans, to pay $1,600,000 due the War Assets Administration and to finance construction of other corporate purposes.

Columbia Gas System, Inc., New York (3/15)
Feb. 14 filed $20,000,000 25-year debentures. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler, The First Boston Corp. **Proceeds**—To be used to finance part of the 1949 construction program. Bids expected to be opened on or about March 15.

Connecticut Light & Power Co. (3/7)
Jan. 31 filed an alternative to issue either 163,133 shares (no par) common stock at $50 per share or $8,156,650 of 3% convertible debentures, due 1959. **Offering**—Stockholders of record Feb. 16 are given the alternative to subscribe for either (a) one share of common at $50 per share for each eight shares held or (b) $50 of debentures at par for each eight shares held. Rights expire March 4. **Underwriters**—Putnam & Co.; Chas. W. Scranton & Co. and Estabrook & Co. **Proceeds**—To be applied to the payment of $2,570,000 of bank borrowings and to future construction outlays.

Continental Engineering Co. (3/10)
Jan. 28 (letter of notification) 500,000 shares of common stock (par 50c). Price par. **Underwriter**—William C. Hitchman Co., New York. For equipment and expenses.

• Dallas Power & Light Co.
Feb. 24 filed $10,000,000 first mortgage bonds, due 1979. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp; Equitable Securities Corp.; Harriman Ripley & Co.; Union Securities Corp.; Lehman Brothers; Salomon Bros. & Hutzler. **Proceeds**—For construction and to pay off short-term borrowings obtained from its parent Texas Utilities Co.

• Dandy (Joe) Mining Co., Colorado Springs, Colorado
Feb. 18 (letter of notification) 8,308,834 shares (1¢ par) common stock. Price, 1.5c per share. No underwriter. For equipment, repair and operating expenses.

• Delapenha (R. U.) & Co., Inc., N. J.
March 2 (letter of notification) 1,000 shares of capital stock (par $100). Price, par. **Underwriting**—None. Expansion of business.

Delaware Power & Light Co. (3/3)
Jan. 31 filed 232,520 shares ($13.50 par) common stock. **Offering**—To be offered to common stockholders of record Feb. 28 in ratio of one new share for each five shares held. Rights will expire March 21. **Underwriting**—Unsubscribed shares will be sold at competitive bidding. Probable bidders: The First Boston Corp. and Blyth & Co. (jointly); Morgan Stanley & Co., Harriman Ripley & Co., White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Otis & Co. **Proceeds**—For construction. **Bids**—Bids for purchase of the stock will be received by the company at its office, 600 Market Street, Wilmington, Del., up to 11:30 a.m. (EST) Mar. 3.

• Denver Nuggets, Inc., Denver, Colo.
Feb. 25 (letter of notification) 120,000 shares of common (par $1). Price, par. No underwriter. To maintain a professional basketball team.

Eastern Gas and Fuel Associates (3/22)
Feb. 18 filed $12,000,000 25-year first mortgage and collateral trust bonds. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Proceeds**—For construction and to reimburse the company for past expenditures. Expected about March 22.

• Eastern Industries, Inc., New Haven, Conn.
Feb. 24 (letter of notification) $250,000 6% 10-year notes with income participation (with warrants to purchase 40 shares of common stock and 20 shares of preferred or warrants to purchase 80 shares of common). **Underwriter**—Hugh J. Devlin. For working capital and general corporate purposes.

• Gearko Inc., New York
March 1 (letter of notification) 20,000 shares of 6% cumulative preferred stock (par $5) and 100,000 shares of common stock (par 1¢). **Underwriter**—Gearhart, Kinnard & Otis, Inc. **Offering**—To be offered in units of one preferred and five common shares at $6.25 per unit. Increase working capital.

General Investors Trust, Boston, Mass.
Feb. 18 filed 100,000 shares of beneficial interest. **Price**—At market. **Underwriter**—A. E. Weltner & Co., Inc., Kansas City, Mo. **Proceeds**—For investment.

• Golden Empire Mining Co., Searchlight, Nev.
Feb. 21 (letter of notification) 80,000 shares of stock. **Price**—50¢ per share. No underwriter. To instal a reduction plant.

• Great American Farm Implement Corp., Chicago
Feb. 17 (letter of notification) 2,030 shares (no par) common stock. Price, $100 per share. No underwriter. For a deposit with Beech Aircraft Corp. to guarantee performance of contract and for working capital.

Gulf Power Co., Pensacola, Fla. (3/22)
Feb. 18 filed $2,500,000 30-year first mortgage bonds. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Equitable Securities Corp.; Halsey, Stuart & Co. Inc.; Otis & Co.; Kidder, Peabody & Co.; Union Securities Corp.; **Proceeds**—For construction. Expected about March 22.

• Hastings (Mich.) Manufacturing Co.
Feb. 21 (letter of notification) 552 shares ($2 par) common on behalf of E. Dorris Fletcher. Price, $7.50 per share. **Underwriter**—First of Michigan Corp.

Hollingsworth & Whitney Co. (3/15)
Feb. 23 filed $8,500,000 3¼% sinking fund debentures, due March 1, 1969, and 61,510 shares (no par) common stock. **Underwriters**—Paine, Webber, Jackson & Curtis and Harriman Ripley & Co., Inc. **Proceeds**—To expand facilities of company's Mobile, Ala., mills.

Hotelevision, Inc., L. I. City (3/10)
Nov. 3 filed 160,000 shares ($1 par) class A stock. **Underwriter** — Cantor, Fitzgerald & Co., Inc., New York. **Price**—$3 per share. **Proceeds**—To develop, exploit and distribute a television innovation. Expected about March 10.

• Illinois Power Company, Decatur, Ill.
March 2 filed 200,000 shares ($50 par) cumulative preferred stock. **Underwriters**—Names to be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—To pay off about $10,000,000 of short-term bank loans.

• Interstate Telephone Co., Spokane, Wash.
Feb. 28 filed 5,000 shares of $5.50 cumulative (no par) preferred stock. **Underwriters**—Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp. and Pacific Northwest Co. **Proceeds**—To pay part of bank loans.

• Israel-American Production Studios, Inc., New York
Feb. 18 (letter of notification) 2,941 shares of capital stock (par $100). **Price**—$102 per share. **Underwriting**—None. Purchase of motion picture equipment, etc.

• Kaufman-Lattimer Co., Columbus, O.
Feb. 23 (letter of notification) 500 shares ($100 par) common. **Price**—$200.11 per share. No underwriter. To retire bank loans and provide additional working capital.

• Kinego Rand Enterprises, Inc., Denver, Colo.
Feb. 23 (letter of notification) 40,000 shares of capital stock. **Price**—$5 per share. No underwriter. For organizational expenses.

• Land Development Corp., Tekoa, Wash.
Feb. 18 (letter of notification) 500 shares of capital stock (par $100) and not more than $250,000 of first series 5% bonds. No underwriter. For construction and financing of residences and dwelling units.

• Legore (Md.) Lime Co.
Feb. 23 (letter of notification) $150,000 first mortgage bonds. No underwriter. For plant improvements and liquidation of debts.

• McCormack Corp., San Francisco, Calif.
Feb. 18 (letter of notification) 7,500 shares common stock (par $10), to be sold privately at par to warrant holders; and 30,000 shares of 6½% preferred to be sold for $10 per share. **Underwriter**—A commission will be paid to Hannaford & Talbot for public sale of 28,400 shares of the preferred—but no commission will be paid on the 1,600 shares being sold to McCormack & Co. For working capital.

Magma Copper Co., New York
Jan. 25 filed 204,000 shares of common stock (par $10). **Offering**—Offered for subscription by stockholders of record Feb. 15 in ratio of one new share for each two shares held at $16.75 per share. Rights expire March 8. Lazard Freres & Co. and Newmont Mining Corp. have agreed to purchase any unsubscribed shares, but have no intention of making any public offering thereof. **Proceeds**—Provide funds with which company may increase its investment in San Manuel Copper Corp., a subsidiary.

Merchants Acceptance Corp. (3/15)
Feb. 23 filed 40,000 shares (no par) $1.50 convertible preferred stock. **Underwriter**—G. H. Walker & Co. **Proceeds**—To expand business.

Minnesota Power & Light Co. (3/7)
Jan. 28 filed $4,000,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Shields & Co.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Glore, Forgan & Co.; Harriman Ripley & Co.; Otis & Co. **Proceeds**—For construction or to pay off short-term bank borrowings. **Bids**—Bids will be received by the company up to noon (EST) March 7 at 2 Rector Street, New York, for the purchase from it of $4,000,000 bonds.

• Mission Oil of Oklahoma, Inc., Tulsa, Okla.
Feb. 24 (letter of notification) 975,000 shares (10¢ par) common. **Price**—30¢ per share. No underwriter. To develop leases.

National Battery Co.
July 14 filed 65,000 shares ($50 par) convertible preferred stock. Price and dividend, by amendment. **Underwriters**—Goldman, Sachs & Co., New York; Piper, Jaffray & Hopwood, Minneapolis. **Proceeds**—To retire $3,000,000 of bank loans and general corporate purposes. Temporarily deferred.

• Neilsen Television Corp., New York (3/4)
Feb. 24 (letter of notification) 4,000 share of 6% cumulative non-convertible preferred stock (par $25) and 10,000 shares of common stock (par 25¢). **Underwriter**—Charles H. Drew & Co., New York. **Offering**—To be offered in units of one preferred share and 2½ common shares at $25.625 per unit. Capital requirements.

New England Tel. & Telegraph Co. (3/23)
Feb. 18 filed $35,000,000 25-year debentures. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—To redeem on June 1, 1949, at their principal amount $35,000,000 first mortgage 35-year 5% bonds, series A, due June 1, 1952. Expected about March 23.

New York State Electric & Gas Corp. (3/10)
Feb. 11 filed 880,000 shares ($25 par) common stock held by General Public Utilities Corp., parent. **Offering**—Shares will be offered to stockholders of G.P.U. of record March 10 at the rate of one share for each 10 shares of G.P.U. common held. Rights will expire April 11. **Underwriters**—A fee is to be paid by G.P.U. to participating dealers who have been instrumental in obtain-

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NEW ISSUE CALENDAR

March 3, 1949
Delaware & Hudson RR. Corp., Noon (EST) ---------- Equip. Trust Ctfs.
Delaware Power & Light Co., 11:30 a.m. (EST) ---------- Common

March 4, 1949
Neilsen Television Co. ---------- Preferred & Common

March 7, 1949
Connecticut Light & Power Co. ---------- Debs. or Stock
Minnesota Power & Light Co., Noon (EST) ---------- Bonds

March 8, 1949
Missouri-Kansas-Texas RR., Noon ---------- Equip. Tr. Ctfs.
Transcontinental & Western Air, Inc. ---------- Common
West Penn Power Co., Noon (EST) ---------- Pfd. & Bonds

March 9, 1949
Southern Ry., Noon (EST) ---------- Equip. Trust Ctfs.

March 10, 1949
Continental Engineering Co. ---------- Common
Hotelevision Inc. ---------- Class A Stock
New York State Electric & Gas Corp. ---------- Common
Staten Island Edison Corp. ---------- Bonds
Wabash RR., Noon (EST) ---------- Equip. Tr. Ctfs.

March 14, 1949
Central Maine Power Co. ---------- Bonds

March 15, 1949
Chicago Rock Island & Pacific Ry., 11:30 a.m. (CST) ---------- Equip. Trust Ctfs.
Columbia Gas System Inc. ---------- Debentures
Hollingsworth & Whitney Co. ---------- Debentures
Merchants Acceptance Corp. ---------- Preferred
Northern States Power Co. (Minn.) ---------- Common

March 16, 1949
Delaware Lackawanna & Western RR., Noon (EST) ---------- Equip. Trust Ctfs.

March 22, 1949
Eastern Gas & Fuel Associates ---------- Bonds
Gulf Power Co. ---------- Bonds
Ohio Public Service Co. ---------- Bonds & Common
Southern Pacific Co. ---------- Equip. Trust Ctfs.

March 23, 1949
New England Tel. & Tel. Co. ---------- Debentures

March 24, 1949
Staten Island Edison Corp. ---------- Preferred

March 25, 1949
Wisconsin Electric Power Co. ---------- Common & Bonds

March 30, 1949
Missouri Pacific RR. ---------- Equip. Trust Ctfs.

May 5, 1949
Public Service Electric & Gas Co. ---------- Bonds

ing subscriptions. The First Boston Corp.; Lehman Brothers; Wertheim & Co. and Merrill Lynch, Pierce, Fenner & Beane, will act as dealer managers. Expected Mar. 10.

● **New York Stocks, Inc., New York**
Feb. 25 filed 1,500,000 additional shares of special stock (par $1), 23 series. Each series represents a separate industry or business. Price, at market. **Underwriter**—Hugh W. Long & Co., Inc., New York. **Proceeds**—For investment.

● **Ohio Public Service Co. (3/22)**
Feb. 23 filed $10,000,000 first mortgage bonds, due 1979, and 1,000,000 shares ($5 par) common stock of which Cities Service Co. would sell 638,160 shares and the company 361,840 shares. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc. (both); Merrill Lynch, Pierce, Fenner & Beane and Kidder Peabody & Co. (jointly on stock); Otis & Co. (bonds); Salomon Bros. & Hutzler (bonds); Lehman Brothers (bonds). **Proceeds**—Ohio would use proceeds for construction and to repay a $3,000,000 temporary bank loan. Cities would use proceeds from sale of Ohio stock to reduce its outstanding 5% debentures due 1958. Expected about March 22.

● **Oklahoma Gas & Electric Co.**
Feb. 25 filed 89,000 shares ($20 par) common stock. **Offering**—To be offered for subscription by stockholders. The subscription offer will be made on the basis of one new share for each 10 shares of common held. Standard Gas & Electric Co., parent, plans—if the Commission permits—to subscribe for 50,002 shares of the proposed issue. **Underwriter**—None. **Proceeds**—For construction.

● **Osco Drug, Inc., Chicago, Ill.**
Feb. 23 (letter of notification) 750 shares of common stock (par $100). Price, par. No underwriter. To open and operate a new store and to retire some outstanding short-term loans.

Pacific Gas & Electric Co.
Jan. 28 filed 754,038 shares of common stock (par $25). **Offering**—Offered at par to stockholders of record Feb. 25 at the rate of one new share for each 10 shares held. Rights expire April 8. **Underwriting**—None. **Proceeds**—For extensions, additions, etc.

Pepsi-Cola Bottling Co. of Wash., D. C.
Dec. 21 (letter of notification) 31,500 shares (10¢ par) common stock to be sold to public at $3 per share; 40,000 shares to be offered to trade accounts; 27,500 shares to be offered on behalf of a stockholder at $3 per share and 10,000 options at 1¢ per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. For working capital and payment of taxes.

● **Pioneer Enterprises, Inc., Bluefield, W. Va.**
Feb. 16 (letter of notification)) 1,200 shares ($100 par) capital stock. Price, $110 per share. No underwriter. For working capital.

Playboy Motor Car Corp., Tonawanda, N. Y.
Dec. 29 filed 1,000,000 shares of class A 20-cent preferential dividend series ($3 par) common stock and 1,000,000 shares of class B (5¢ par) common stock. **Underwriter**—Aetna Securities Corp., New York. **Offering**—To be offered in units of one share each. **Price**—$3½ per unit. **Proceeds**—For purchase of equipment and working capital.

● **Scovill Manufacturing Co., Waterbury, Conn.**
March 2 filed 49,850 shares ($100 par) cumulative preferred stock. **Offering**—To be offered for subscription by common stockholders of record March 22. **Underwriter**—Morgan Stanley & Co. will purchase unsubscribed shares. **Proceeds**—To reduce bank loans.

● **Smith Pivot Window, Inc., New York**
Feb. 28 (letter of notification) 14,000 shares of common stock (par $1). **Price**—$20 per share. **Underwriting**—None. Production of product, etc.

● **Snake River Mines Inc., Denver, Colo.**
Feb. 24 (letter of notification) 69,996 shares of common stock (par $1) of which 31,476 shares is an offer of recission. **Price**—$1 per share. No underwriter. To erect mill and for working capital.

Southern Union Gas Co., Dallas, Tex.
Dec. 16 filed 107,430 shares ($1 par) common stock. **Offering**—To be made to holders of outstanding stock of record Jan. 3, on basis of one new share for each 10 shares held, plus the privilege of subscribing for additional shares not purchased by other stockholders. **Price**—$12.50 per share. **Underwriting**—None. **Proceeds**—For construction and betterments. Effective Feb. 23.

● **Talisman Mining & Leasing Co., Inc., Spokane, Wash.**
Feb. 25 (letter of notification) $37,500 of 6% two-year notes. These notes are convertible into the 250,000 shares of common capital stock at the rate of 15¢ per share. Noteholders may purchase this stock up to the prepaid amount of the notes held. No underwriter. To retire current accounts payable and to carry on general mining programs.

● **Trail Run Mines, Inc., Idaho Springs, Colo.**
Feb. 17 (letter of notification) 40,000 shares of common (par $1). Price par. No underwriter. For repair and operating expenses.

Transcontinental & Western Air, Inc. (3/8)
Jan. 28 filed 404,112 shs. ($5 par) com. stock. **Offering**—Offered stockholders of record Feb. 16 at rate of one-fifth new share for each share held. Hughes Tool Co. (owner of 74% of outstanding shares) will exercise subscription rights to purchase 297,304 shares. Rights will expire March 7. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane will head a group of underwriters purchasing any unsubscribed shares of remaining 106,808 shares not taken by stockholders. **Proceeds**—For general funds.

● **United American Life Insurance Co., Denver, Colorado**
Feb. 18 (letter of notification) 17,391 shares ($1 par) common. Price, $7 per share. **Underwriter**—Company lists self as underwriter. To set up a health and accident insurance department within the company.

● **U. S. Grant Mining Co., Butte, Mont.**
Feb. 18 (letter of notification) 800,000 shares (10c par) capital stock. Price, 15 cents per share. No underwriter. For machinery, equipment and development of mining properties.

● **Universal Wheel & Abrasive Corp., Chicago, Ill.**
Feb. 25 (letter of notification) preorganization subscription agreements will be submitted to stockholders providing for not less than 1,800 nor more than 2,120 shares of common stock of a corporation to be organized. **Price** (per unit) $25. No underwriter. To purchase real estate from Universal Wheel & Abrasive Corp.

Walthall Natural Gas Co., Inc., Tylertown, Mississippi
Feb. 4 (letter of notification) 6,500 shares ($25 par) 5% preferred and 26,000 shares ($1 par) common. To be offered in units of one preferred and two common at $30 per unit. **Underwriter**—T. J. Feibleman & Co., New Orleans, La. To construct gas line and natural gas system; for working capital and contingencies.

● **Washington (D. C.) Commissary Association, Inc.**
Feb. 24 (letter of notification) 1,500 shares of 5% non-cumulative preferred (par $100) and 1,000 shares (no par) common. **Price**—$100 per share for each class. No underwriter. To acquire plant fixtures and stock for the operation of a wholesale and retail food commissary.

West Indies Sugar Corp., New York
Feb. 14 filed 74,880 shares ($1 par) common stock. **Offering**—To be offered in exchange for 16,000 shares ($100 par) common stock of Compania Azucarera Boca Chica, C or A. **Underwriting**—None.

West Penn Power Co., Pittsburgh, Pa. (3/8)
Feb. 11 filed $10,000,000 30-year first mortgage bonds, series N, 50,000 shares of preferred stock, series C ($100 par), and 70,000 shares (no par) common. **Underwriters**—Bonds and preferred to be sold at competitive bidding. Probable bidders: Halsey, Stuart & Co Inc. (bonds only); Kidder, Peabody & Co.; Lehman Brothers; The First Boston Corp.; W. C. Langley & Co.; Smith, Barney & Co.; Harriman Ripley & Co. Common stock will be sold to West Penn Electric Co. (parent) and to public holders of outstanding common at $28.50 per share. **Proceeds**—To pay off bank loans and to finance construction. **Bids**—Bids for the purchase of the securities will be received by the company at Room 901, 50 Broad Street, New York up to noon (EST) March 8.

● **Western Solvents Inc., Longmont, Colo.**
Feb. 21 (letter of notification) 100,000 shares ($1 par) common and 1,738 shares ($20 par) 5% cumulative preferred. Price—common $1.50 per share; preferred $20 per share. No underwriter. To complete payment for buildings and plant machinery, to pay for plant expansion and to use for operating capital.

Wisconsin Electric Power Co. (3/25)
Feb. 14 filed $10,000,000 first mortgage bonds, due 1979, and 266,093 shares ($10 par) common stock. **Underwriters**—Bonds will be sold at competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; The First Boston Corp.; Blyth & Co., Inc.; Glore, Forgan & Co. Stock will be offered to existing holders at the rate of one share for each 10 shares held, plus additional shares not taken by subscription by other stockholders. Lehman Brothers and Robert W. Baird & Co. are co-managers of a group of dealers which will solicit subscriptions. **Proceeds**—To reimburse the company's treasury for capital expenditures. Expected about March 25.

Prospective Offerings

Arkansas Power & Light Co.
Feb. 14 company asked SEC for authority to change its charter to increase its common stock capital and unsecured indebtedness. Company wants to increase its authorized ($12.50 par) common stock from 2,000,000 to 3,000,000 shares. The amount of unsecured indebtedness which may be issued under the present charter is limited to 10% of the sum of secured indebtedness, capital stock and surplus. Company would like to eliminate this 10% limitation on unsecured indebtedness which would mature in more than 10 years.

Company's parent, Electric Power & Light Corp., has agreed to vote its holdings of 1,780,000 shares of outstanding Arkansas common in favor of the proposed amendment. If company's preferred holders, adopt these amendments, company plans to sell later this year $4,000,000 of common stock to Electric Power and to market publicly about $8,300,000 in long-term debentures. Probable bidders: White Weld & Co.; The First Boston Corp.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. Proceeds would be used for construction.

Armstrong Cork Co.
April 13 stockholders will vote on approving the authorization of $25,000,000 of indebtedness. Company plans no immediate borrowing but wishes to avoid any long waiting period should it wish to borrow in the future. Traditional underwriters: Smith, Barney & Co.; The First Boston Corp.; Kidder, Peabody & Co.

● **Atlantic Coast Line RR.**
In anticipation of the maturity on July 1, 1952, of its first-consolidated mortgage bonds, stockholders will be asked at their annual meeting April 19 to amend the indenture of the general-unified-mortgage, dated April 1, 1914, to include about 705 miles of unmortgaged railroad lines.

At present, there are outstanding $50,724,000 of first-consolidated-mortgage, 50-year, 4% bonds in the hands of the public and $465,000 are pledged by company. To provide for the maturity of these bonds, the road has in its treasury $100,479,000 of general-unified-mortgage bonds. With the retirement of the first-consolidated mortgage bonds, the general-unified-mortgage bonds then would become the first and only lien, excluding equipment trust certificates, on all the company's lines.

Under the proposed amendment to the indenture of the unified bonds, the management would have the right to determine the interest rate, conversion, sinking fund, prior redemption provisions and maturity date, except that the maturity date may not be later than June 1, 2014. The change would not affect the series A and series B general-unified-mortgage bonds outstanding.

Pending approval by stockholders, the company said that it had no plans for the offering of the general unified bonds to the public.

American Telephone & Telegraph Co.
Feb. 16 directors voted to recommend that the stockholders at their annual meeting April 20 authorize a new issue of convertible debentures which would be offered pro rata to stockholders. The amount is to be determined later but is not to exceed $100 of convertible debentures for each six shares of stock held. On the basis of the number of shares outstanding at Feb. 15, 1949, the amount of the issue would be approximately $391,000,000 if the maximum offering of $100 of debentures for each six shares of stock outstanding is made.

The new debentures would be dated June 20, 1949. It is contemplated that they would bear interest at a rate of not more than 3½%, would mature not later than June 20, 1964, and would be convertible into A. T. & T. stock at a conversion price or prices not exceeding $150 per share.

Bell Telephone Co. of Pa.
Jan. 3 company filed with the Pennsylvania Utility Commission an application for authority to issue $25,000,000 25-year debentures on a competitive basis. Proceeds will be applied to the payment of advances from the American Telephone & Telegraph Co. for expenditures on additions and improvements to plant. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Union Securities Corp. (jointly). Registration expected in March, with offering scheduled for April.

● **Cambridge (Mass.) Electric Light Co.**
Feb. 24 company asked SEC authority to sell $2,750,000 25-year notes, series A, due 1974, through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.; The First Boston Corp.; Kidder,

(Continued on page 42)

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(Continued from page 41)

Peabody & Co.; Otis & Co. For the purpose of funding presently outstanding borrowings.

Chicago Rock Island & Pacific RR. (3/15)
Company will receive bids at its office, Room 1136, La Salle St. Station, Chicago, up to 11:30 a.m. (CST) Mar. 15, for the purchase of $2,808,000 equipment trust certificates, series C, dated April 1, 1949, due in 24 equal semi-annual instalments from Oct. 1, 1949-April 1, 1961. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler, Harris, Hall & Co. (Inc.), Harriman Ripley & Co. and Lehman Brothers (jointly).

Delaware & Hudson RR. Corp. (3/3)
Bids will be received until noon March 3 at company's office, 230 Park Avenue, New York, for the purchase from it of $4,800,000 equipment trust certificates dated March 1, 1949, due $240,000 semi-annually Sept. 1, 1949-March 1, 1959. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler, Harriman Ripley & Co. and Lehman Brothers (jointly); Harris Hall & Co. (Inc.) Date for opening bids expected to be March 3.

● **Delaware, Lackawanna & Western RR. (3/16)**
The company has issued invitations for bids to be received by noon (EST) March 16 at Room 2008, 140 Cedar Street, New York, for the purchase of $3,807,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Freeman & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Ex-Cell-O Corp.**
April 14 stockholders will vote on increasing authorized common from 500,000 shares to 1,000,000 shares. Company does not plan issuance of additional stock at this time. Traditional underwriter, Baker, Simonds & Co.

Florida Power Corp.
The stockholders at their annual meeting March 31 will consider proposed amendments to the certificate of reincorporation to provide for increasing the authorized preferred stock from 80,000 to 120,000 shares; increasing the authorized common stock from 1,210,000 to 1,600,000 shares and restricting the issuance of additional indebtedness maturing more than 12 months, or additional shares of preferred stock unless after such issuance the aggregate amount thereof shall be less than 75% of the total capitalization. Traditional underwriters of stocks: Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane.

● **(H. J.) Hines Co.**
March 24 stockholders will be asked to approve a resolution whereby the company could incur indebtedness up to $20,000,000. Company has arranged to borrow $15,000,000 at 2.90% from five institutional investors.

● **Indianapolis Power & Light Co.**
March 1 company has asked the Indiana P. S. Commission for permission to issue $8,000,000 first mortgage bonds and 107,226 shares of additional common stock. The new common would be offered for subscription by the present stockholders, in the ratio of one new share for each 10 shares held. Company has previously asked permission to sell the bonds privately to Metropolitan Life Insurance Co. However, Halsey, Stuart & Co. Inc. said it would be interested in bidding for the bonds. Other investment houses who may bid for the bonds are Otis & Co. (Inc.); Lehman Bros.; Blyth & Co., Inc.

Jones & Laughlin Steel Corp.
April 26 stockholders will vote on increasing authorized indebtedness so that company may borrow up to $150,000,000. At same meeting stockholders will vote on increasing authorized common stock from 2,500,000 shares to 3,500,000 shares. Probable underwriter if securities sold: The First Boston Corp.

Madison Gas & Electric Co.
New financing will be necessary to provide funds for contemplated plant additions aggregating about $3,000,000, according to the annual report, but the form and amount of the financing have not yet been determined. Of said amount, approximately $1,900,000 will be spent in 1948 and the remainder in 1949. Probable bidders for common stock will include Otis & Co.

● **Mississippi Power Co.**
Feb. 28 company asked SEC authority to issue and sell at competitive bidding $2,000,000 30-year first mortgage bonds and 100,000 shares of common stock (no par), to be sold to Southern Co. (parent) for $2,000,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp.

● **Missouri-Kansas-Texas RR. (3/8)**
Bids for the purchase of $2,500,000 equipment trust certificates, second series of 1949, to be dated April 1, 1949 and maturing semi-annually Oct. 1, 1949, April 1, 1964, will be received until noon, March 8, at company's office, St. Louis. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.). Bids will be opened March 8.

● **Missouri Pacific RR. (3/30)**
Feb. 25 reported company plans sale of $4,250,000 equipment trust certificates, probably about March 30. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly); White, Weld & Co.

● **New England Electric System**
May 17 stockholders will vote on increasing the authorized capital stock by 1,000,000 shares, also in reducing the par value of the stock to $1 from $20. There are no plans at present for sale of additional common stock, but company wishes to be in a position to sell additional stock to finance the system's expansion program, if it seems advisable to do so.

Northern States Power Co. (Minn.) (3/15)
Feb. 21 Standard Gas & Electric Co. plans to offer its holding of 364,684 (no par) common shares of Northern States for sale through competitive bidding. Probable bidders: Otis & Co., Lehman Brothers and Riter & Co. (jointly); The First Boston Corp.; Smith, Barney & Co.; Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co. Expected about Mar. 15.

● **Pennsylvania Power & Light Co.**
Feb. 28 C. E. Oakes, President, stated that company will be in the market for a total of $31,400,000 of new securities over next few years to help defray company's 1948-1951 construction program.

● **Portland (Ore.) Gas & Coke Co.**
Feb. 24 company asked SEC authority to sell $3,500,000 25-year first mortgage bonds. Company asked Commission for permission to sell the bonds privately. To pay off notes and to prepay part of an instalment note.

● **Public Service Electric & Gas Co. (5/10)**
Feb. 25 reported company expects to open bids May 10 on its proposed issue of $75,000,000 first and refunding mortgage bonds. Proceeds from the sale will be used in part to retire $28,455,800 prior lien bonds and to pay off $20,000,000 2% and 2¼% bank loans, due Sept., 1950. The remainder will be added to the company's general funds to help finance its construction and expansion program. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly).

● **Radio-Keith-Orpheum Corp.**
Howard Hughes, owner of 24%, or 929,020 shs. of Radio-Keith-Orpheum Corp. stock, announced March 1 that he has designated Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp. to receive proposals from prospective purchasers of his stock holdings in a new theatre company which will acquire RKO's theatre business. The new theatre company, in which Mr. Hughes will hold 929,020 shares of stock, will result from a reorganization plan for the parent organization to be considered by RKO stockholders at a special meeting on March 28. The reorganization is pursuant to a consent decree in an anti-trust action, entered into by RKO and the government last year, which requires that on or before Nov. 8, 1949, the theatre business and the motion-picture operations of RKO be operated wholly independently of one another. Mr. Hughes has elected to dispose of his interest in the theatre company, while retaining the film activities of RKO.

● **St. Louis-San Francisco Ry.**
Feb. 23 reported company plans sale of $4,250,000 equipment trust certificates later this month. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Southern Pacific Co. (3/22)**
Feb. 24 company asked ICC for authority to issue $15,900,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler. Bids expected March 22.

Southern Ry. (3/9)
Bids for the purchase of $11,850,000 equipment trust certificates, series QQ, will be received by the company at Room 2018, 70 Pine Street, New York, up to noon (EST) March 9. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); The First Boston Corp.; Salomon Bros. & Hutzler.

● **Spokane, Portland & Seattle Ry.**
Feb. 25 company applied to the ICC for authority to issue $4,500,000 certificates in connection with proposed purchases of equipment. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers.

Staten Island Edison Corp. (3/10-24)
Jan. 28 New York P. S. Commission authorized corporation to issue $2,750,000 30-year first mortgage bonds and $4,000,000 in new preferred stock. Proceeds from the bonds would retire the company's short-term indebtedness and provide funds required for expansion. Proceeds from preferred stock would be used by company to carry out its plan of recapitalization. Probable bidders on bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co.; Kidder, Peabody & Co.; Otis & Co. On preferred: W. C. Langley & Co.; Kidder, Peabody & Co.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers; The First Boston Corp. Bids on bonds are to be received by March 10 and on the preferred stock by March 24.

Utah Power & Light Co.
Jan. 21 reported company is expected to sell $3,000,000 bonds in April to finance its plant expansion. Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly); Halsey, Stuart & Co. Inc.; White, Weld & Co.; Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Blyth & Co., Inc.; Otis & Co. Company is expected to raise new money through sale, probably in May, of 148,000 additional shares of common stock. The stock will first be offered for subscription by present stockholders. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co.

Virginia Electric & Power Co.
Feb. 18 directors approved plans for sale of $20,000,000 1st & ref. mtge. bonds. Competitive bidding is expected around June 1. Probable bidders: White Weld & Co.; Union Securities Corp.; Stone & Webster Securities Corp.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

● **Wabash RR. (3/10)**
The company has issued invitations for bids to be received before noon (EST) March 10 for the purchase of $3,165,000 equipment trust certificates, to be dated March 1, 1949, and to mature in 15 annual instalments from March 1, 1950, to March 1, 1964. Present offering will constitute the first instalment of a proposed issue of $9,690,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers.

● **Wheeler, Osgood Co., Tacoma, Wash.**
Feb. 23 reported stockholders will shortly be asked to approve issuance of 170,000 shares (par $5) of cumulative convertible preferred stock and 150,000 shares of common, the proceeds to be used to provide additional working capital. Sills, Minton & Co., Inc., is expected to underwrite the offering.

Our Reporter's Report

The current month holds promise of lifting the investment banking business, that is the new issue end of it, out of the doldrums that have gripped things recently. Naturally much depends on the basic trend of business as the month moves along, since any visible widening of the recent slack could conceivably bring revision of corporation's projected plans.

But at the moment most signs point to a revival of underwriting activity, not a small part of the potential this month and next taking the shape of equity offerings, chiefly by public utilities.

The really big undertaking ahead involves American Telephone & Telegraph Co.'s huge convertible debenture project which could foot up to $391,000,000 or thereabouts if it is all taken. Stockholders will have first call on this one but it is expected that any unsold balance will be underwritten.

An exceptionally large prospective stock offering embraces more than a million shares of Ohio Public Service junior stock, including 362,000 new shares and 638,000 for the account of Cities Service Co. which is disposing of the stock in compliance with the Holding Company Act.

Within the next several weeks. Pacific Lighting Corp. will launch a 100,000-share preferred stock offering which should give bankers their first real feel of the senior equity market since the Potomac Edison offering toward the end of last year.

Buyer's Market

The shelves of underwriters are virtually clear now so far as recent new corporate offerings are concerned. But even so there are some bankers who, while naturally cheered by the better picture presented, are inclined to greater caution in bidding for new issues.

As far as the latter are concerned, and despite the more venturesome spirit of some of their number, a "buyer's market" prevails currently and the "bureaucrats," that is portfolio buyers, are in command of the situation.

Underwriters have found the latter to be quite determined in their stand against yields of much less than 3% even on best names, and this condition in reflecting in current bidding. On the Northern States Power Co. issue for example, the winning bid for the $10,000,000 bonds was 102.20 for 3s with the reoffering price set at 102.75 to yield 2.86%. The lowest of eight bids was a full half point under the best.

Extending Arm's Length

The Securities and Exchange Commission appears to have welded an extension to its "arm's length bargaining" rule from all indications. This developed in connection with a recent big of financing.

One firm was automatically ruled out of the running by reason of the fact that it had acted in the capacity of adviser to the issuer in setting up the deal.

That the Street could understand. But then a second potential bidder for the business was ruled out on the contention that its association with the advisory firm in syndicates marketing other non-connected issues rendered it ineligible.

Triborough Bridge Prospects

The Triborough Bridge and Tunnel Authority is reported actively discussing plans for refinancing $101,000,000 of its bonds held by the Reconstruction Finance Corp., and raising of an additional $25,000,000 or so.

Officials are said to be confident that the debt could be refinanced and the new funds raised at a substantial saving through a public offering of new securities. They point, of course, to the stiffening of the tax-exempt market since the RFC agreed to take the bonds last Summer.

Beneficial Industrial Loan

Bankers who brought out Beneficial Industrial Loan Corp.'s $20,000,000 of new 3¼% sinking fund debentures, due in 15 years, were able to place that issue in short order.

The opportunity for diversification, plus the attractive yield, 3.12%, and the relatively short maturity brought out a brisk demand.

And it proved the point again that prospective buyers these days have a special eye for satisfactory yields.

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World Bank Grants Loan to Belgium

Proceeds of $16,000,000 credit will be used to finance construction of steel mills and power plant.

The International Bank for Reconstruction and Development reports that on Feb. 28 it granted a loan of $16 million to the Kingdom of Belgium. The purpose of the loan is to finance imports of equipment for the construction of two steel mills and of a power plant in the industrial district of Liege.

Proceeds of the loan will be utilized by two private Belgian steel corporations and a private electric company.

The loan is for a term of 20 years and carries an interest rate of 4¼%, including 1% commission which, in accordance with the Bank's Articles of Agreement, is allocated to its special reserve fund. Amortization payments, calculated to retire the loan by maturity, will start in the fifth year.

The loan is in accordance with the Bank's policy of supplementing the European Recovery Program by financing projects which involve permanent additions to Europe's productive capacity, and which give reasonable prospects of repayment.

Out of the total amount of the loan, $4.5 million has been allocated for the purchase abroad of equipment for a cold rolling mill with tinplating facilities by the Compagnie des Fers Blancs et Toles a Froid (Ferblatil), a newly established subsidiary of S. A. John Cockerill, the oldest and largest steel manufacturers in Belgium. The total cost of this project will amount to the equivalent of $9.8 million, of which approximately 55% will therefore be met by the company in Belgian francs.

An amount of $5.8 million out of the loan is to be used for the purchase abroad of equipment for a blooming mill by S. A. d'Ougree Marihaye, the second largest Belgian steel corporation. The total cost of this project will also amount to the equivalent of $9.8 million, of which approximately 40% will therefore be met by the company in Belgian francs.

DIVIDEND NOTICES

GUARANTY TRUST COMPANY OF NEW YORK

New York, March 2, 1949.

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending March 31, 1949, payable on April 1, 1949 to stockholders of record at the close of business March 9, 1949.

MATTHEW T. MURRAY, Secretary.

ANACONDA COPPER MINING CO.
25 Broadway
New York 4, N. Y., February 24, 1949

DIVIDEND NO. 163

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Seventy-five Cents ($0.75) per share on its capital stock of the par value of $50 per share, payable March 30, 1949, to holders of such shares of record at the close of business at 3 o'clock P.M., on March 8, 1949.

C. EARLE MORAN, Secretary & Treasurer.

AMERICAN LOCOMOTIVE COMPANY

30 Church Street New York 8, N. Y.

Preferred Dividend No. 163
Common Dividend No. 95

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable April 1, 1949 to holders of record at the close of business on March 11, 1949. Transfer books will not be closed.

CARL A. SUNDBERG
February 24, 1949 Secretary

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 172
Common Dividend No. 161

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending March 31, 1949, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1949, to holders of record March 7, 1949. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
February 23, 1949 Secretary

AVAILABLE

Partner and trader of small over-the-counter house of old standing, available for new partnership with small capital outlay or will go with other unlisted house. Box O 33, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND No. 871

The Board of Directors has declared dividend No. 871 of fifty cents ($.50) per share of $12.50 par value Capital Stock, payable March 18, 1949 to stockholders of record 3:00 o'clock P. M., March 8, 1949.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, Secretary.
February 17, 1949

DU PONT — E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *February 21, 1949*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the outstanding Preferred Stock—$4.50 Series and 87½¢ a share on the outstanding Preferred Stock—$3.50 Series, both payable April 25, 1949, to stockholders of record at the close of business on April 8, 1949; also $2.50 a share, as the first interim dividend for 1949, on the outstanding Common Stock, payable March 14, 1949, to stockholders of record at the close of business on February 28, 1949.

L. duP. COPELAND, *Secretary*

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 134 of thirty-five cents (35c) per share on the common stock payable April 15, 1949, to stockholders of record at the close of business on March 15, 1949.

GERARD J. EGER, Secretary

INTERSTATE POWER COMPANY
DUBUQUE, IOWA

Notice of Dividend

The Board of Directors has declared a dividend of 15¢ per share on the outstanding Common Stock, payable March 25, 1949, to stockholders of record on March 15, 1949. The transfer books will not be closed.

OSCAR SOLBERG, *Treasurer*
February 24, 1949

The Borden Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Wednesday, April 20, 1949, at 11:00 o'clock A.M. (Eastern Standard Time) at 43 Park Avenue, Flemington, Hunterdon County, New Jersey.

Only stockholders of record at the close of business on Tuesday, March 22, 1949, will be entitled to vote at said meeting, notwithstanding any subsequent transfers of stock.

The stock transfer books will not be closed.

The Borden Company
THEODORE D. WAIBEL, *Secretary*

With Bourbeau & Douglass

LOS ANGELES, CALIF.—Mildred Olson has been added to the staff of Bourbeau & Douglass, 510 South Spring Street.

John Nuveen Adds

CHICAGO, ILL.—Joseph Schnur is now connected with John Nuveen & Co., 135 South La Salle Street.

DIVIDEND NOTICES

IRVING TRUST COMPANY

One Wall Street, New York
February 24, 1949

The Board of Directors has this day declared a quarterly dividend of 20 cents per share on the capital stock of this Company, par $10., payable April 1, 1949, to stockholders of record at the close of business March 7, 1949.

STEPHEN G. KENT, *Secretary*

ELECTRIC POWER & LIGHT CORPORATION

DIVIDEND NOTICE

The Board of Directors has this day declared a dividend of $1.50 per share on the $6 Preferred Stock and a dividend of $1.75 per share on the $7 Preferred Stock of this Corporation, payable April 1, 1949, to stockholders of record at the close of business March 10, 1949.

H. F. SANDERS,
February 24, 1949 *Treasurer.*

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 201

A quarterly dividend of $1.50 per share on the Preferred Stock has been declared payable March 21, 1949, to stockholders of record at the close of business on March 8, 1949.

Checks will be mailed.

BRUCE H. WALLACE, *Treasurer*
New York, February 23, 1949

CHEMICALS · TEXTILES · PLASTICS

CELANESE CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK $4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable April 1, 1949 to holders of record at the close of business March 11, 1949.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1949 to holders of record at the close of business March 11, 1949.

COMMON STOCK

60 cents per share, payable March 31, 1949 to holders of record at the close of business March 11, 1949.

R. O. GILBERT
Secretary
March 1, 1949

With Heath & Co.
(Special to THE FINANCIAL CHRONICLE)

ELGIN, ILL.—Raymond J. Kelley has been added to the staff of Heath & Co., Tower Bldg.

DIVIDEND NOTICES

MERCK & CO., INC.

A regular quarterly dividend of 87½c a share on the $3.50 Cumulative Preferred Stock of this corporation, for the quarter ending March 31, 1949, has been declared payable on April 1, 1949, to stockholders of record at the close of business March 14, 1949.

A quarterly dividend of 75c a share on the Common Stock of this corporation has been declared payable on April 1, 1949, to stockholders of record at the close of business March 14, 1949.

GEORGE W. MERCK, *President.*
March 1, 1949.

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of twenty-five cents (25¢) per share on the Common Stock of the Corporation, payable April 1, 1949, to stockholders of record at the close of business on March 10, 1949.

J. H. MIRACLE,
February 24, 1949 *Secretary*

UNITED FRUIT COMPANY

DIVIDEND NO. 199

A dividend of fifty cents per share and an extra dividend of one dollar per share on the capital stock of this Company have been declared payable April 15, 1949 to stockholders of record March 10, 1949.

EMERY N. LEONARD
Treasurer

VANADIUM CORPORATION OF AMERICA

VANCORAM

420 Lexington Avenue, New York 17

Dividend Notice

At a meeting of the Board of Directors held today, a dividend of twenty-five cents per share was declared on the common stock of the Corporation, payable March 22, 1949, to stockholders of record at 3:00 o'clock p. m., March 10, 1949. Checks will be mailed.

B. O. BRAND, Secretary.
Dated February 28, 1949.

GT — GENERAL TIME INSTRUMENTS CORPORATION

Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

Regular quarterly dividend of $1.06¼ per share, on the 4¼ per cent Cumulative Preferred Stock, payable April 1, 1949 to shareholders of record March 14, 1949.

COMMON STOCK

A dividend of 40 cents per share on the Common Stock, payable April 1, 1949 to shareholders of record March 14, 1949.

JOHN H. SCHMIDT
Secretary-Treasurer
March 2, 1949.

WESTCLOX · BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

DIVIDEND NOTICES

SOUTH PORTO RICO SUGAR COMPANY

March 1, 1949.

The Board of Directors has this day declared a quarterly dividend of 50c per share on the $25.00 par value 8% Preferred Stock outstanding; and a dividend of One Dollar per share on the outstanding Common Stock, all payable on April 1, 1949 to stockholders of record at the close of business on March 14, 1949.

F. M. SCHALL, Treasurer.

WICHITA RIVER OIL CORPORATION

Dividend No. 12

A dividend of Twenty-five cents (25¢) per share will be paid April 15, 1949 on the Common Stock of the Corporation, to stockholders of record at the close of business March 31, 1949.

JOSEPH L. MARTIN, *Treasurer*
February 28, 1949.

WELLINGTON WF FUND

77th Consecutive Quarterly Dividend

This dividend of 20c per share from ordinary net income is payable March 31, 1949, to stockholders of record, March 11, 1949.

WALTER L. MORGAN
Philadelphia *President*

THE West Penn *Electric Company*
(INCORPORATED)

PREFERRED DIVIDENDS

The Board of Directors of The West Penn Electric Company has declared regular quarterly dividends on the preferred stocks of the Company as follows:

$1.75 per share (1¾%) on the 7% Cumulative Preferred Stock and $1.50 per share (1½%) on the 6% Cumulative Preferred Stock, for the quarter ending May 15, 1949, payable on May 16, 1949, to stockholders of record at the close of business on April 18, 1949.

$1.75 per share on the Class A Stock for the quarter ending March 30, 1949, payable on March 30, 1949, to stockholders of record at the close of business on March 18, 1949.

COMMON DIVIDEND

The Board of Directors of The West Penn Electric Company has also declared a dividend on the Common Stock of the Company in the amount of twenty-five cents (25¢) per share, payable on March 31, 1949, to stockholders of record at the close of business on March 16, 1949.

H. D. McDOWELL, *Secretary*

International Minerals Chemicals

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Dividends were declared by the Board of Directors on February 24, 1949, as follows:

4% Cumulative Preferred Stock
28th Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of Fifty Cents (50c) per share.

Both dividends are payable March 30, 1949, to stockholders of record at the close of business March 18, 1949.

Checks will be mailed by the Bankers Trust Company of New York.

Robert P. Resch
Vice President and Treasurer

★

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
General Offices: 20 North Wacker Drive, Chicago 6

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Commerce Secretary Sawyer has adapted to the use of the Federal government an ancient device for obtaining financial benefit. If applied broadly by all government regulatory agencies, it could benefit the government by billions. In the first case to which this device has been applied, it will save a vast sum, perhaps millions, but just how much, officials do not divulge.

Here is the story:

Arabian-American Oil Co., through a subsidiary, is building a 30-inch steel pipeline to transport oil from its concessions in Saudi-Arabia, to the Mediterranean. This takes a lot of steel. The latest official estimate, is that 260,000 tons of steel will be required for the 1,067-mile pipeline.

Arabian-American Oil had contracted for the fabrication of this steel, and had paid for same. A great deal of the steel, and every pound represented in this license, was all ready for shipment to the area where the pipeline is being laid.

The Government of the United States, under an act of Congress, has the power to license and hence to regulate and prohibit, if necessary, the shipment abroad of any supposedly scarce materials. The purpose of this legislation is two-fold. One purpose is to prevent the exportation of such a large volume of any scarce commodity, such as steel, as to jeopardize the domestic economy. The other purpose is to promote the nation's foreign policy. Thus the government would restrict or prohibit the shipment of scarce materials to countries behind the "Iron Curtain."

The pipe in question was all fabricated and ready to go, but would make possible a resumption of work in building the trans-Arabian pipeline.

All that stood in the way of actual shipment was the OK of the government, an OK necessary to authorize shipment since the government has the power to regulate and the power to prohibit.

Furthermore, all of the government except Commerce Secretary Sawyer recommended that the license be granted, ECA so recommended, so did the Armed Services, so did the State department, "in fact everybody."

Only Commerce Secretary Sawyer delayed the license. As the Secretary officially explained, it was his department which suggested before the license be granted, that Aramco (Arabian-American Oil Co.) share with the Federal government some of the transportation savings which would be achieved if the pipeline were built.

"In view of the shortages of steel in the domestic economy, and in view of the requirements of the military agencies for oil in the Mediterranean area, the Department of Commerce suggested to the company that it consider the possibility of sharing with the United States Government some of the transportation savings which would result from completion of the Trans-Arabian Line," Mr. Sawyer stated.

Since Mr. Sawyer stood between Aramco and its steel, the company capitulated. Its problem was very simple. Give the government a favorable price, and it got the steel. No bargain price, no steel.

"Negotiations between the company and the National Military Establishment on this question were begun late in November, and concluded on Feb. 18, 1949," explained the Commerce Secretary.

"The company has now agreed to transport for the National Military Establishment, at cost, substantial quantities of oil from the Persian Gulf to the Mediterranean, for a period of 10 years after completion of the pipeline. The use of the pipeline, instead of tankers, is expected to result in a substantial financial savings to the United States Government," stated Mr. Sawyer.

The idea of using the export license power to get a better deal for the government was Mr. Sawyer's own. The announcement of this application of regulatory power came AFTER Congress had completed action on the bill continuing the power of the government, through the Secretary of Commerce, to license the export of materials. The chief criticism of the bill made in the House was that it vested too much authority, too sweeping discretion. The instant release of 25,000 tons of pipe, however, came under the old law.

* * *

Officials tacitly refuse to fill in one of the broad gaps about how the increased industrial capacity deal would operate.

Mr. Truman has asked for power to put the government into the production, processing, transportation, or storage of any commodity the production of which he adjudges is not sufficient to meet whatever national goals the President thinks are desirable.

After the production goal is proclaimed and productive capacity of private industry is found to be insufficient, then under the proposal private industry theoretically would be given a period of time in which to decide whether it wanted to construct the increased production capacity, with or without the help of a government loan.

The gap is that no provision is made for industry collectively to deal with this question.

For instance, suppose that the government called for the construction of a new installed steel production capacity of 10,000,000 tons. Presumably the steel companies would have to get together to determine how much of this investment (and risk) each would undertake to forestall government-built plants. Or, conversely, one of the leaders in the industry might shoulder the entire risk.

Under the past application of the antitrust laws, if the producers themselves divided up the increased capacity, they would risk antitrust prosecution for concerted action. On the other hand, should one company go for the proposition, it would risk later prosecution for becoming an alleged monopoly or "dominating" the industry.

Ever since the Madison oil case of the '30s, both industry and government have recognized that "conspiracy" to do what the government wants, must be protected by statutory immunity. Hence this immunity has been written into law, as in the case of the voluntary agreements for materials allocations.

No such immunity from the Department of Justice is proposed in the Administration plant capacity bill.

When asked how the private industry of the country could be given a chance of complying with any of the Presidential goals for expanded capacity by reaching agreements, or by becoming dominant factors on their own, officials just kiss off the question. "Oh, we aren't going to build any plants. We doubt if any will be needed," they say.

* * *

It develops that the proposed appropriation of $300 million for Federal aid to education is running into a snag. Heretofore it had been thought that this proposition would pass with relative ease. Disagreements between the parochial and public schools were thought to have been ironed out. It is now reported that there is new disagreement over how the funds would be distributed to the two classes of institutions.

* * *

If it hasn't come out already, look for the Administration shortly to back large-scale, direct government lending to finance so-called private home construction. This will be added as an amendment to the "private housing" bill sponsored by the Administration.

The compromise public housing and slum clearance bill will cost probably not less than $15 billion in Federal funds alone over a 40-year period, say opponents. The greatest part of this will consist of instalments running for 40 years at the rate of $300-odd million a year to subsidize this housing.

This bill was a more favorable "compromise" than even the proponents of public housing were expecting until recently. They had not expected more than 600,000 units to clear. Conservative opponents are softening in their opposition.

* * *

If Mr. Truman carries out his Jefferson-Jackson Day dinner threat to hit the sawdust trail to evangelize for his "Fair Deal," you can practically take it for granted that before long you will be seeing the President in Your Town.

Mr. Truman's threat was that if Congress didn't get a move on and make good on the Truman campaign promises, the President would go around the country arousing the people against his, the 81st Congress. The President is bound to have to make the trip, for the only way he could get his legislative program enacted in 1949 would be to dissolve the Congress and re-appoint Congressmen with brown shirts who would all rise in unison and aye his every proposition without the formality of committee hearings, committee consideration, or floor debate.

The "repeal" of the Taft-Hartley bill even in the form the President doesn't want, is not expected by seasoned legislators to be achieved before April. The entire civil rights program will cause infinite delay. The control bill, if it does get to either floor of Congress, will not get consideration until late in April. Social security expansion, including home relief with Federal funds, will not get out of committee for several weeks, except in emasculated form. Congress has sniffed an inferential OK of the International Trade Organization under the Reciprocal Trade Agreements act extension, and will give this quite a rumble. Opposition to lend-lease arms for western Europe is already indicated. The public health program may get out of committee, but cannot be considered and either approved or disapproved by the Senate short of three or four weeks debate.

Mr. Truman will be lucky to get two or three important parts of his program adopted before summer.

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

BUSINESS BUZZ

"You Here Again?"

Halsey, Stuart Offers Central Equip. Issue

Halsey, Stuart & Co. Inc. and associated underwriters were awarded Wednesday $12,300,000 New York Central RR. second equipment trust of 1949, 2⅝% equipment trust certificates, maturing $820,000 annually March 15, 1950 to 1964, inclusive. The certificates, issued under the Philadelphia plan, were immediately reoffered, subject to Interstate Commerce Commission authorization, at prices to yield from 1.50% to 2.90%, according to maturity.

The certificates will be issued to provide for not more than 80% of the actual cost, estimated at $15,996,085, of the following new standard-gauge railroad equipment: 25 Diesel switching locomotives; 13 Diesel road freight locomotives; 38 sleeping cars; 600 hopper cars, and 500 gondola cars.

Associated in the offering were: R. W. Pressprich & Co.; A. G. Becker & Co., Inc.; Blair & Co., Inc.; Equitable Securities Corp.; Harris, Hall & Co. (Inc.); Hornblower & Weeks; Merrill Lynch, Pierce, Fenner & Beane; Otis & Co. (Inc.); L. F. Rothschild & Co.; First of Michigan Corp.; Graham, Parsons & Co.; Hirsch & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; William Blair & Co.; Burr & Co., Inc.; Freeman & Co.; Ira Haupt & Co.; Hayden, Miller & Co.; Clayton Securities Corp.; Julien Collins & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; Alfred O'Gara & Co., and F. S. Yantis & Co., Inc.

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