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Trends in Finance

By BENJAMIN STRONG*

President, United States Trust Company of New York

Prominent banker asserts increased risks from government regulation and from unpredictable economic measures have discouraged venture capital, and high taxes endanger business solvency. Expresses doubt economy can stand more regulating.

I am sure you will agree that the subject assigned to me, "Trends in Finance," is a very broad and rather indefinable one. In my own opinion, finance is little more than a piece of mechanism that permits our economic machine and business life to function. As such it also reflects the conditions of health or sickness that may prevail in our economic life.

Benjamin Strong

Finance, then, has two functions—as an economic machinery and as a means of diagnosis. Let us for a moment consider the latter func-

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*An address by Mr. Strong before the New York Chapter of the American Society of Chartered Life Underwriters Forum. New York City, April 7, 1949.

Less Spending, Threat to Stability

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

Dr. Slichter contends, though purchasing power is at postwar high, consumer spending is sagging, causing unemployment rise. Holds sales must increase $10 billion annually to keep employment steady, and this can be done by improved marketing and pricing. Lists as long-term trends: (1) rise in government spending faster than production; (2) higher taxes; and (3) wages outstripping productivity.

I

In January, 1949, personal incomes after taxes were running at an annual rate of $12 billion above January, 1948—an increase of over 5%. The index of the prices of consumer goods was up only 1.2%. Consequently, incomes after taxes had 4% more purchasing power in January, 1949 than in January, 1948. Despite the rise in money incomes, the total volume of retail sales in January, 1949 was slightly less than in January, 1948—$9.5 billion as compared with $9.7 billion a year ago. In February, 1949, incomes after taxes were still substantially above February, 1948, but retail sales in February, 1949 were no greater than in February, 1948.

Prof. S. H. Slichter

These facts about incomes and retail sales epitomize the present business situation. Incomes and purchasing power are at new postwar highs, but willingness to spend is dropping. The drop in retail sales in January, 1949, below January, 1948 is especially noteworthy because this is the first

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*An address by Dr. Slichter before the National Conference of Electric and Gas Utility Accountants, Detroit, Mich., April 11, 1949.

Socialism in Europe Today

By DR. WILHELM ROPKE

Professor, Graduate Institute of International Studies (Geneva)

Political economist maintains Socialism is paradoxical in having noble motives counterbalanced by its inevitable threats to the good society. Compares difference between "democratic" and "totalitarian" Socialism to that between murder and manslaughter—an immaterial one to the victim. Cites European experience as showing even "moderate" Socialism is road to super-monopoly, economic paralysis, super-nationalism, and international discord.

The Paradoxes of Socialism

GENEVA, SWITZERLAND—The proper way to look at Socialism is to regard it as one of the most paradoxical movements of all times. Even if inspired by noble motives, it not only fails to reach its goals but threatens the very principles of a Good Society on which we all agree, including the Socialists as far as they are non-totalitarian. We all attribute the highest value to liberty under the law and to the civic rights, but Socialism is taking them away from us, step by step. We all strive for a prosperous, orderly, efficient, and just economic system, but Socialism brings us disorder, want, and new and greater injustice. We all loathe monopoly of every kind, but Socialism means a super-monopoly from which there is no escape. We all wish a real community of nations but Socialism is cooping them up separately and sowing the seeds of discord between

Wilhelm Ropke

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EDITORIAL

As We See It

How Many Worlds?

"The fact is that nearly all the difficulties of the United Nations have been caused by one factor: great power disagreement outside the United Nations and completely independent of the United Nations." So commented the President of the Assembly in the course of a defense of the troubled life of the organization which was to encourage, develop and give expression to the concept of "One World" which swept most of this planet at the end of an unprecedented conflict which had cost humanity immeasurably.

We must say in all candor that it appears to us that Dr. Evatt, unwittingly we assume, has in the very premises exposed the weakness, not to say the impotence, of the United Nations. No such organization could possibly function successfully so long as "great power disagreement outside" it, "and completely independent of" it, can and do develop as has been the case during the past two or three years. Such a course of events evidently reduces it to a sort of debating society. It is doubtful, to say the least, whether the debates and the pageants staged at the sessions of the United Nations since the end of active hostilities have had any such

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Are Stocks Undervalued?

By ARNOLD BERNHARD*
Editor, Value Line Investment Service, Inc.

Market analyst stresses habitual divergence between value and short-term market price. Maintains key to market's pricing of common stock lies in projecting, from past record, its likely capitalization of expected earnings and dividends. On this basis believes present market is undervalued, and that many stocks will rise.

The topic of my discussion is—*Are Stocks Undervalued?* I say that they are, and I say so because I have in my mind a concept of value which is not at this moment the equivalent of prices. Some may agree that stocks are undervalued but it is obvious that most investors do not think that stocks are undervalued, because if they did, their buying of stocks would force prices up to the point where stocks would no longer be undervalued. That raises the question whether it is possible for you and me or any other analyst engaged in the practical task of advising on the purchase and sale of securities, to determine objectively, and in conflict with prevailing opinion, how different the price of a stock ought to be from what it is. From these opening remarks, you will gather that this is going to be a rather abstract discussion of the theory of stock values. But it cannot be unimportant. More and more we hear the expression, "this or that stock is undervalued or overvalued or fully valued." When an analyst or an adviser speaks in such terms, he implies that he has a standard of value in mind, whether he defines that standard or not.

Arnold Bernhard

Value is often different from price. Dow, whose theory of price trends has had enormous influence in Wall Street, insisted that every student of the market should "first of all know value." That was his expression, "first of all, know value."

Another famous authority on stock prices, Baron Rothschild, said that the way to succeed in the stock market was to "buy stocks when they are cheap and sell them when they are dear." He, too, implied a standard of value, though he did not define it. You cannot buy something cheap or something dear unless you know what cheap is and what dear is. Those are relative terms and they must be related to some kind of a standard.

Value Definition Difficult

Value is something that exists in the mind. It is, therefore, as difficult to define as life itself. In all economic history there has never been a definition of pure economic value that has won universal acceptance. All the great economists have attempted to define value — Aristotle, Adam Smith, Ricardo, Bohm-Bawerk, Jevons, Clark, Pareto—but there is no definition of value in the economic sense that has been accorded universal acceptance.

We cannot say that a stock's value is the equivalent of its price. If that were so, we should be wasting our time discussing value at all. Value would be price and price value and that is all we should need to know. But since we are all making our livings telling people that stocks are worth more or less than they are selling for, we obviously cannot believe that price and value are the same thing.

Common Stock Value a Mystery

I think that the accepted classical definition of the value of a common stock is the one that holds the value of a common stock to be equal to the sum of all the dividends it will pay in the future, discounted to the prevailing interest rate. I do not see how any one could take exception to this theory of value. The only fault I can find with it is that it is unusable. It is unusable because nobody knows what the sum of all the future dividends will be. If we could determine in advance what the sum of dividends will be over a 20-year span, or whatever life expectancy the company is determined to have, common stocks would not be issued. Capital, instead of being asked to assume a partnership risk, would be granted a contract, specifying the return to be paid on the investment over a period of time and the date when the capital would be returned out of the depreciation reserves. We should then have bond capital, or possibly income bonds, but not common stocks.

The very reason for the existence of common stocks is that nobody knows or is expected to know what the dividends will total in the future. To define the value of a stock therefore as the sum of its future dividends, discounted to the interest rate, boils down to this: that the value of a common stock is a mystery.

We need not give up the search, however, even if no perfectly satisfactory definition of value has been found. If we are able to determine value within certain limits, we shall have rendered a service.

Up to this point we have reasoned that value is something different from price and that it cannot be defined. Value is something that exists in the mind of people. But since the common conception of value is expressed in price at a given moment, we seem to be forced back to the premise that price and value are the same thing, since they are both the expression of value as it exists in the minds of the buyers and sellers who participate in a free market.

The reasoning is not perfectly circular, though. There is a break in the circle which offers us an opportunity to evolve a practical standard of value. That break lies in this fact: that people—the very same people—do not put the same price tag on a stock at all times. If the market price of General Motors is 30 in March of 1938 and 30 is its value, in the opinion of all the buyers and sellers who participate in a free market, and if the price of General Motors is 50 in October of 1938, can we not find in this variation in price the clue to those factors which determine value and through value, price? Let us admit that because value cannot be defined, we must accept the verdict of the market as to what value is. That does not mean that we have to accept the verdict of the market at every moment. Obviously, the market changes its mind. What causes it to do so?

Importance of Dividends

We reject the theory that the value of a stock is the total of the dividends it will pay during its life, not because this is theoretically incorrect, but because it is impracticable. However, common sense tells us that dividends in some way or other have a bearing on the price at which a stock will sell and, therefore, on its value.

We know, too, that dividends can only be paid from profits and that profits are not always the same as dividends. Profits are often reinvested in the business and not paid out in dividends. While dividends may be said to be a function of profits, they are not the equivalent. Therefore, we may assume that profits in their own right may have some bearing on what the market will think the price of a stock should be.

Assets also have some weight. We know from many court tests that book values are given weight in reorganization proceedings in an effort to determine the amount of equity available for apportionment to various claimants.

We have reason to believe also that habit of mind has something to do with price determination. If U. S. Steel sells for $100 a share during a year, that figure will influence the thinking of buyers and sellers of U. S. Steel in the following year, even though other factors significantly related to value may have changed.

Now let me state where we stand in this argument at this point. We say that value and price are not necessarily the same thing. Yet the only determinant of value, which is something that cannot be defined, is price. We find a break in the circle of reasoning in the fact that prices are not the same

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*Transcript of address by Mr. Bernhard before N. Y. Society of Security Analysts, April 8, 1949.

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Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

First Results of Poll on NASD

Initial tabulation indicates widespread dissatisfaction throughout industry with organization itself. Regulations governing "spreads" and prohibition against discounts to non-members heavily opposed. Many dealers comment on effect of "5%" philosophy on securities of smaller corporations.

We publish today the initial results of the poll being conducted by the CHRONICLE for the purpose of ascertaining the views of the securities industry with respect to the National Association of Securities Dealers, per se, also its policies and methods of operation. In order to obtain a complete cross-section of opinion on the subject, a ballot was forwarded to every firm, whether member or non-member of the NASD, with the exception of stock exchange floor brokers and those doing strictly a municipal bond business. The latter were not included for the reason that they are not subject to the jurisdiction of the NASD. The first page of the ballot contained a series of questions pertaining to the "rules" and methods of procedure followed by the NASD. On the reverse side the recipient was requested to indicate the nature of the firm's business (retail, etc.) and to express comments as to what effect, if any, the NASD's "5% mark-up" philosophy has on the market for securities of the smaller corporations of the country. Many hundreds of firms made comments on this latter query and, further below, appear as many of these expressions (whether pro or con) as can be accommodated in this week's issue. Others will appear in subsequent issues.

We show first the composite results up to press time (April 13) of the opinions expressed by both members and non-members of the NASD on the series of questions set forth on the face of the ballot. We defer making any editorial comment in the matter until a later date, in light of the fact that other ballots, owing to the time element, are probably in transit.

RESULTS OF NASD POLL
(RETURNS FROM NASD MEMBERS)

Total ballots returned	891		
(1) *5% "Yardstick"*			
Favoring	190	or	21.3%
Opposed	**675**	**or**	**75.8%**
No opinion	26	or	2.9%
(2) *Questionnaire for Reports on Spreads*			
Favoring	199	or	22.3%
Opposed	**670**	**or**	**75.2%**
No opinion	22	or	2.5%
(3) *Examination of Books and Records Where Neither Complaints nor Charges Are Pending*			
Favoring	177	or	19.9%
Opposed	**689**	**or**	**77.3%**
No opinion	25	or	2.8%
(4) *NASD Trial System*			
Favoring	96	or	10.8%
Opposed	**786**	**or**	**86.2%**
No opinion	27	or	3.0%
(5) *Rule Forbidding Discount to Non-Members*			
Favoring	234	or	26.2%
Opposed	**628**	**or**	**70.5%**
No opinion	29	or	3.3%
(6) *Should Maloney Act Be Repealed?*			
Favoring	**577**	**or**	**64.8%**
Opposed	242	or	27.2%
No opinion	72	or	8.0%

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Advertising in Securities Merchandising

By JOHN T. McKENZIE*
Executive Department, Standard & Poor's Corporation
Editor, "Advertising in Action"

Mr. McKenzie points out procedures and processes in merchandising securities through advertising and gives illustrations. Discusses direct mail advertising and cites cases of its effective use. Gives examples of window displays in selling securities and urges watching results and analyzing cost studies. Lists "a few nudges from experts."

I have been asked to talk on "Modern Merchandising of Securities Through Advertising". . . because I have projected some ideas from time to time which have attracted the attention of your Committee. Most of my time is spent in writing and planning, but I believe this talk tonight will give you food for serious thought.

John T. McKenzie

All advertising campaigns start with an appropriation. For without money, there can be no promotion.

Each time I speak of an appropriation I think of an old friend of mine—an advertising man. When he goes after his advertising money, he tells the story about the rooster that went out for a walk one morning, stumbled over an ostrich egg . . . called the hens together and said, "Now, I'm not complaining, but this is just a sample of what our competitors are doing!"

Let's assume you have done a sales job on your partners or officers—you've been able to wangle an appropriation out of them. You're ready to start advertising.

You'll spend part of your money on newspaper advertising—part on direct mail lead building—mail order—a coordinated campaign.

(1) Start with a schedule—and I'll pass over this phase very quickly. This is the type of schedule form we use at Standard & Poor's Corporation. (See Chart No. 1.)

Each black dot represents a mail release, each mailing piece is given a job number. All typography, printing, paper, envelope, plate, postage, collating, inserting and bundling charges are segregated by job.

A similar schedule is worked out on our newspaper advertising.

(2) Set up an appropriation control system—so you'll have money left for tail-end newspaper insertions or mail releases. We work our control on a monthly basis as illustrated at the bottom of Chart No. 1.

(3) Decide on *media, size of space, type of mailing pieces, copy appeal, mailing lists* to use. Very important elements in any campaign. Security advertising is highly selective. You must know where you're going right from the start.

You have some nice graveyards in Boston. But, as in other cities, the largest by far is the advertising graveyard. It's just loaded with dead advertising.

"Tombstone" advertising we call it. Dignified tombstones—ads devoid of salesmanship—devoid of readership—devoid of a single glow of human warmth.

I like that word "tombstone" as applied to some advertising. It conveys exactly the right meaning. REST IN PEACE—speak in a hushed voice—here lies the sacred dead. But *good* advertising is fighting! Don't let anyone tell you anything different. There is no peace, calm, stillness and quiet in selling. It's an encounter *not necessarily rough and tumble*, but, nevertheless, vital, dynamic.

Recently, I thumbed through 670 advertisements ads of brokers and dealers. That represents quite an expenditure. But how many of those 670 do you guess were "tombstone" cards?

Only 35 carried a sales message.

Only 35 said: "We have something that will benefit you. Let's get together." The other 635 were the loveliest collection of dignified "tombstone" cards to be found anywhere in America. Take a look at just a few of them (as shown in Chart No. 2).

We've deleted the names only.

This type of advertising is dignity, cultured in timidity—a wistful compensation for loss of the common touch. It assumes that the investment business is sacred and that a firm's address is Mount Olympus.

The devil spits on his hands every time a partner talks "Campaign of dignified cards to keep our name before the public."

What a waste of good 60-cent American dollars.

Like a salesman sending his card in to the buyer, through the receptionist, and expecting the buyer to bring the order out to him.

They're almost as bad as the bakery salesman who called at our house. One day when he brought his basket to the door, my wife asked: "What have you nice today?" The bakery salesman answered: "Oh, nothing much."

Now, let's take a look at some Ads that do pack sales punch.

I have one here, a full-page newspaper Ad, that brought 3,000 replies. I don't show this for size, but to bring out the fact that you do have to "sell" in copy just as a salesman has to talk convincingly to sell.

A few more good examples of this are given in Chart 3.

They are not outstanding examples of typography or layout, but they do get over a potent sales message in small space.

Mailing Pieces and Letters

Now, let's consider effective *mailing pieces* and letters. What makes them pay?

Robert Collier, considered by many direct-mail and mail-order copywriters to be the "daddy" of all engaged in the profession, has this to say about what makes letters and mailing pieces pay:

"A letter may have perfect diction—a finished style; it may bristle with attention-getters and interest-arousers; it may follow every known rule; yet when it reaches the Hall of Judgment where the reader sits and decides its fate, it may find itself cast into the hell of waste basketdom, while some screed lacking any pretense of polish or the finer arts of correspondence, blandly picks up the bacon and walks home with it. Why?

"Because getting the results you set out to accomplish with a letter is no more a matter of rule of thumb than is landing a fish with a rod and hook. You know how often you have seen a ragged urchin pull in fish after fish with the crudest of lines, when a 'sportsman' nearby, though armed with every piscatorial lure known to man, couldn't even raise a bite.

"It's a matter of bait, that's all. The youngster knew what the fish would bite on, and he gave it to them. The 'sportsman' offered them what he had been led to believe fish ought to have—and they turned up their fishy noses at it.

"Hundreds of books have been written about the art of fishing, but the whole idea is contained in

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*A lecture by Mr. McKenzie, ninth of a series in a course on Investment Salesmanship, sponsored by Boston University and the Boston Investment Club, Boston, Mass., March 29, 1949.

Do You Want Articles Under One Cover?

On this page we give an additional lecture in the series on Investment Salesmanship, sponsored by the Boston Investment Club and Boston University, transcripts of which are being published in the CHRONICLE. (The previous lectures appeared on page 4, in our issues of March 3, 10, 24 and 31, and April 7.) The Boston Investment Club advises that preliminary inquiries indicate that many firms, individuals and Associations in the investment industry are interested in obtaining all of the lectures under one cover. The Club is anxious to determine the maximum potential interest in such a brochure and, accordingly, requests that inquiries in that regard be sent to Dr. Douglas H. Bellemore, Chairman, Economics and Finance Department, Boston University, Boston, Massachusetts.—Editor.

Moving Ahead on All Fronts!

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Asserting we are starting off at this time from position of unexampled financial and economic strength, Secretary Snyder looks for continued prosperity. Says return to normal buyers' markets can usher in greatest period of business development. Stresses financial soundness of government and praises Treasury bond stabilization program. Contends present readjustments are helpful and healthy, but warns against undue credit expansion and speculation.

In peacetime as well as in war, the United States must act to keep our defenses strong. We must be strong on all fronts. We must have the power behind us to maintain and strengthen our confidence in the future, in the security of our jobs, and in the soundness of our country's whole economic and financial structure.

John W. Snyder

I believe that we are moving ahead on all of these fronts. And I believe we will continue to progress, step by step, if we continue to be guided by American tradition and by American experience.

Our country has seen vast changes in the past 50 years. We have passed from a predominantly rural and small-town economy to a highly complex urban and industrial civilization. We have lived through two great wars.

These happenings have brought with them many new problems and new strains. Each one has been a challenge to our energy, our determination and to our purpose. We have moved cautiously to solve each problem. But we have maintained an unswerving confidence in our ability as American citizens to lead our country forward with ever-increasing social and material health.

This confidence in the future is a most important asset. But it cannot be taken for granted. We must not allow our coming of age as a nation to bring with it a tired refusal to meet the challenge of our growth and progress.

Reappraisal of Our Domestic Economy

There is evidence that we are entering, today, on a new period of reappraisal in our domestic economy. If we are worthy of our traditions—so splendidly portrayed in the history of your own city—we will look on this period as one of unprecedented opportunity. We will find in it an opportunity to build the foundations of our prosperity stronger and deeper than has ever been possible before.

We have had, up to now, little time for appraisal. Our productive machinery was converted, almost over night, to meet the vast requirements of war. Almost as quickly, we turned to peace, and to the need of satisfaction of the pent-up demand for civilian products which had back-logged during the war.

Now, the urgent replacement demand has slackened. The scramble for things is over. American business has invested more than $75 billion in new plant and equipment since the end of the war to maintain and expand production of goods—an annual rate of investment approximately twice the peak of any former year. Since V-J Day, Americans have bought 12 million new cars and trucks, 28 million new refrigerators, vacuum cleaners, and washing machines, and something like 50 million new radios and television sets. Now that these and other accumulated demands are more nearly satisfied, our economy is becoming readjusted to normal buyers' markets and competitive conditions. I need hardly remind you that our traditional type of American enterprise flourishes best in a competitive environment. We know how to achieve when we have to work at selling.

Moreover, we are starting off this time from a position of financial and economic strength unexampled in our history. Liquid assets of individuals are at the highest figure on record, totaling over $200 billion. Net working capital of corporations has been steadily increasing since 1939, and now stands at a record level of about $65 billion. Employment and incomes, and corporation profits are, likewise, at or around record levels. Our position has not been undermined, as it has been at various times in the past, by speculative operations in real estate or on the stock and commodity exchanges.

Above all, the financial soundness of the United States Government—which is today the fulcrum of world stability and world peace—is beyond question. The Treasury's major objective has been to maintain that soundness through fiscal policies and debt-management operations designed to promote confidence in the government's credit and in the financial stability of the country. And I believe that the steps taken toward maintaining that confidence have contributed to the maintenance of our present unparalleled economic position.

Objectives of Fiscal Policy

A sound fiscal policy must, of course, be based on a revenue system that will meet the cost of prescribed government functions and provide for reducing the government debt. Since Feb. 28, 1946, when the Federal debt reached the peak of $280 billion, there has been a decline of over $28 billion in the outstanding obligations of the Federal Government. Moreover, there has been an even greater decline — $32 billion — in holdings of Federal securities by the banking system. This reduction in the bank-held debt has been one of the objectives of postwar debt management and has been brought about, in part, by vigorous promotion of sales of savings bonds and other securities to individuals during the postwar period. I believe that we can all take pride in the fact that holdings of savings bonds by individuals are actually at a higher level today than they were at the end of the war, when it was predicted that they would be widely redeemed as soon as goods in short supply were once more available. You will be interested to know that individuals now hold over $47½ billion of savings bonds, almost $5 billion more than they held at the end of December 1945.

A second major objective of Treasury fiscal policy in the interest of financial confidence has been the maintenance of stability in the government bond market. With a national debt today of $252 billion, the maintenance of stable conditions in the market for governmental obligations is essential.

The Treasury bond stabilization program, carried out during the

(Continued on page 24)

*An address by Secretary Snyder before the Executives' Club of Chicago, Chicago, Ill., April 8, 1949.

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 for the nation as a whole slipped moderately last week and was lower than the comparable period a year ago.

A fractional decline was noted in continued claims for unemployment insurance with initial claims falling almost one percent in the week ended March 26. However, the total of all claims in the week reflected a rise of about 79% above the like week of 1948.

For the week ended April 7, civil engineering construction increased about 35% to $178,242,000. The 1949 cumulative total surpassed that of the comparable period last year by 24%.

Lumber production increased 6% in the week ended March 26, being about 8% less than the corresponding 1948 output. Shipments of lumber, on the other hand, were 3% above production and new orders fractionally above production.

* * *

In an address on Monday of this week before the Economic Club of Detroit, Walter S. Tower, President of the American Iron and Steel Institute, declared that the so-called "steel shortage" has disappeared and steel supply no longer is a problem to most consumers.

Record-breaking steel production in the postwar period was largely made possible by steel companies' expenditures of $2,000,000,000 for expansion and plant improvement, Mr. Tower said, adding that this was a major factor in the establishment of new peacetime peaks last year in total production, employment and payrolls of the nation's manufacturing industries.

Upon the completion of all plans so far authorized or announced, close to 100,000,000 tons of steel ingots can be produced annually, and, at the close of 1950 that figure may be reached if consumers want the tonnage, Mr. Tower stated.

* * *

Net railway operating income of class I railroads in February, 1949, totaled $29,754,215 compared with $39,425,295 for the same month in 1948, according to an announcement of the Association of American Railroads on Tuesday of last week.

Net income, after interest and rentals, for the month amounted to $5,000,000 as against $19,000,000 in the same month of 1948.

For the first two months of 1949, net operating income before interest and rentals, totaled $62,998,694 compared with $81,071,749 in the like period of 1948, while net, after interest and rentals, for the same period was estimated at $17,000,000 compared with $37,000,000 in the first two months of 1948.

In the 12 months ended Feb. 28, 1949, the rate of return on property investment averaged 4.30%, compared with 3.32% for the like period of 1948.

Total operating revenues in the first two months of 1949 amounted to $1,406,435,652 and compared with $1,466,625,429 in the same period of 1948, or a decrease of 4.1%, while operating expenses amounted to $1,184,046,785 as against $1,202,211,199 in the corresponding period of 1948, or a decrease of 1.5%.

* * *

Spurred by favorable weather and by the nearness of Easter, shoppers purchased a noticeably larger volume than in the preceding week. Total retail dollar volume was slightly above that of the similar week last year. Promotions of spring merchandise were generally well received.

As many buyers placed re-orders for seasonal goods, total wholesale dollar volume rose moderately in the week and was slightly above that of the comparable week in 1948. There was a slight improvement in deliveries as compared with this time last year, though collections were less prompt than in the corresponding week a year ago.

STEEL OPERATIONS SCHEDULED THIS WEEK TO RISE 0.4% OF RATED CAPACITY

This week there is no doubt that the steel industry is in a buyers' market and steel people are concerned that undue significance will be attached to the leveling off process. The ingot rate is pointed slowly downward and base steel prices will be tested before the year is out. Steel users are getting rid of inventories that loom large in comparison with their sales and steel firms will soon be taking all the orders that are offered to them, states "The Iron Age," national metalworking weekly in its current summary of the steel trade.

The so-called quota system in steel, says the magazine, has almost vanished and that only plates and pipe are scheduled on the basis of strict customer quotas. All other items are being booked pretty much as orders are received. But there is so much difference between conditions this week and six months ago, observe "The Iron Age," that it is hard to believe.

Steel order volume has decreased in the past few weeks. So much so that a few steel firms are happy that they started to take extra business over and above what they thought they would produce in the second quarter. It is now the general practice on all steel items except plate and pipe to enter business the same as in prewar years, with some steel firms using the old quota setup as a sales bogey for district offices—the exact reverse of its use several months ago, this trade authority adds.

There are many in the industry who privately think the pattern now shaping up looks like 1937-38. Then the steel rate dropped off sharply in the second half of 1937 and continued downward until well into 1938. If the present trend turns out that way the rate will go considerably below 75% which appears to be the midpoint of recent guesses on how low the rate will go this year, this trade magazine declares. But there are other ways that steel consumers are getting their steel cheaper than the full railroad rate. Barge shipments are increasing. More and more steel is going out by truck.

(Continued on page 42)

Observations . . . .

By A. WILFRED MAY

Margin Regulation and Economic Planning

Although the recent lowering of margin requirements apparently has proved a dud marketwise, its political implications are broad and significant. It clearly shows how government management gets to stepping outside the bounds of its prescribed functions, and highlights the abortive contradictions into which it must run.

A. Wilfred May

Let us note the extent to which the Reserve authorities have departed from their originally-stated prerogatives in this field. Curtailment of credit used to further security speculation was made a pillar of our 1933-34 Federal securities laws. Such control was deemed necessary by Congress following the sensational disclosures of the way the nation's banking and credit machinery had become involved in the Stock Exchange holocaust of the 1920s (to the tune of $6¾ billion in brokers' loans and almost double that amount in all loans on securities).

The FRB's Mandate

Whereas the Securities Exchange Act of 1934 delegated powers of administration and enforcement of its other provisions to the newly-founded Securities and Exchange Commission, it exceptionally vested in the Federal Reserve Board the safeguarding of the nation's credit system from speculative excesses. As stated in the Act's opening section, one of its primary purposes is *"to protect . . . the national credit, . . . and make more effective the national banking system and Federal Reserve System, and to insure the maintenance of fair and honest markets in such transactions."*

And the purposes of margin control are further stated as follows in the preamble to the detailed specifications in Section 7: *"For the purpose of preventing the excessive use of credit for the purchase or carrying of securities, the Federal Reserve Board shall. . . ."*

No intention was expressed or implied, either formally in the law or in the discussion leading thereto, of giving the Board power to use margin regulation as an instrument to deal with the country's general inflationary forces, or even to control the more narrow area of stock market prices.

1946 Philosophy

The Board's overstepping of the law's original intent was decisively revealed in January, 1946 at the time of its imposition of 100% margins, or a virtual "cash market." For it frankly tied its action to the country's inflationary status of the time, albeit not embracing full confidence in its effectiveness as an antidote. Said then Chairman Eccles in explanation at the time: *"The action is desirable as a preventive step at this time of strong inflationary pressures and until such time as inflationary dangers are passed."*

The latest step of a fortnight ago in lowering the margin requirement from 75% (where it had been) to 50% was taken in a setting much further down the road to general economic management. That the margin action was taken as part of the Board's general economic philosophy and current policy rather than simply as an intra-market fiscal step is indicated by surrounding events as well as by explanations offered by Board officials.

When the order was issued Mr. Eccles explained that the country "has been in a recession for several months," and that the lowering of margin requirements indicated that the Board considered deflation more imminent at this time. Another Board spokesman explained similarly that the action was intended as "particularly anti-deflationary with respect to the stock market."

Margins Tied to Economic Aims

But such professions of restricted intra-market purpose must be questioned in the light of the market's long-standing inactivity around the present price level as well as by the previously-existing paucity of speculative credit outstanding. It must be remembered that the Board had persistently for months and years turned a deaf ear to pleas for margin-reduction, in spite of customers' credit balances hovering thoroughly deflated around their all-time low.

Not only was the margin action taken against the background of Mr. Eccles' and the Board's deflation fears, but also following its major relaxation of Regulation W's control over consumer credit.

Adds to Planners' Confusion

Besides the transgression entailed in adding stock market credit control as still another instrument for broad economic planning, the Board's action is highly significant in highlighting the confusion to which such governmental direction inevitably leads. The Reserve Board experts have been worrying about **deflation** (Mr. Eccles stating that "the recession has been under way for several months"). On the other hand, top Presidential Economic Advisers Keyserling and Clark have persisted in seeking new controls to fight the "continuing" threats of **in-flation**, with their chairman predicting "**dis-inflation.**" Again the Secretary of the Treasury bases whatever planning he must do on interpretation of our situation as one of "stabilization" and "continuing prosperity," while some Interior Department officials maintain we are sliding into a sizable recession in both prices and volumes. Further adding to the confusion, the ECA's Deputy Director says the odds are 25-to-1 against a depression this year.

Will the planners in any field ever become chastened enough even to keep operating within their prescribed limits?

"Canada Today"

The Bank of Montreal has just published a 100-page booklet entitled "Canada Today," which is filled with facts about the new Canada. Illustrated with over 100 photographs, the booklet describes Canada's great industrial growth during the war; long thought of as a source of raw materials, with little in the way of heavy industry, Canada has undergone tremendous changes in the last decade, and today ranks as the third greatest trading nation in the world. Copies of the booklet may be had for the asking from the Superintendent of the Business Development Department of the Bank of Montreal, Place d'Armes, Montreal.

Westheimer Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Benedict J. Lazar has become associated with Westheimer & Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges. Mr. Lazar was formerly with the Federal Reserve Bank of Cleveland for many years.

Parker Campbell with Blair

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO—Parker Campbell has become associated with Blair & Co., Inc., of New York. Mr. Campbell was formerly with the Toledo office of Otis & Co. and in the past represented First Cleveland Corporation in Toledo.

Nat. M. Goodhue Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Nathaniel M. Goodhue has opened offices at 84 State Street to engage in the securities business. In the past he was associated with Tucker, Anthony & Co.

Arrowsmith with Hornblower

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—William H. Arrowsmith is with Hornblower & Weeks, 83 Exchange Street. In the past Mr. Arrowsmith conducted his own investment business in Montclair, N. J.

Impact of Military Preparedness on Our Economy

By EDWIN G. NOURSE*
Chairman, Council of Economic Advisers, Executive Office of the President

President's top economic adviser, pointing to drain on resources by military outlays, pleads for intermeshing of military machine and industrial forces. Stresses economic efficiency as war potential, and warns of inflation and disruption of civilian economy by heavy military costs. States reasons for limiting military appropriations to $15 billion, and calls for building up and strengthening economic and social forces. Warns heavier military expenditures may lead to budget deficits or additional taxes, but contends North Atlantic Pact does not require heavier defense costs.

Last November, I addressed an orientation conference similar to this on the subject "Economic Implications of Military Preparedness." I began by drawing a contrast between the purely military point of view and the purely economic point of view, and said that there should be a blending or reconcilement of these views rather than conflict between them.


Edwin G. Nourse

Members of the military profession are technicians in the science of defense. Since the economy and the social structure, hardly less than the political state, are lost if the system of military security should fail, the plan the military offers must be one that provides every technically available safeguard against any and all foreseeable threats. In a word, they think of the total resources of the country as potentially available for implementing the security effort.

The economist's thinking is definitely cast in a different mold. His basic purpose is to provide consumers with the greatest volume of goods and services. Every unit of manpower or material withdrawn for military use is a cost without result product (except in the collateral sense of pageantry, contributions to technology, or incidental improvement in roads and other works that serve civilian as well as military uses). Ideally the economist's work would be directed toward getting the most efficient administration of economic resources, with security assumed or, at least, with military insecurity adequately guarded against by a very minor allocation of men and natural resources.

Must Meet on Common Ground

There is, however, a common ground on which the military man and the businessman or economist can and must meet. This common ground is likewise the field of decision on which the President, the Congress, and the thoughtful citizen must take their stand during the next few months and over the ensuing years. The common problem in whose solution both points of view and both types of professional competence are required is that of the needed balance between the military striking force and the civilian reservoir of men, morale, and machinery upon which the actual fighting force must depend in this day of industrialized war.

The old adage that "an army travels on its belly" has now to be enlarged to the form "travels on the economic machine that maintains the physical well-being of the soldier and keeps him supplied with efficient weapons." In providing the means of modern war the whole structure of economic society is involved. Hence in times either of war or of peace, the economist and the businessman are integral parts of the command organization no less than the general and the admiral. And in times like the present, tense but still short of war, we have to weigh with utmost nicety the needs of military preparedness against the possibilities of carrying on business as usual and the rate at which we can make social and cultural progress.

Moreover, since war has now become "total," it involves a very large ideological element. Both during the time of actual conflict and in the days of peace that precede it, workers and farmers, citizens as a whole, must find the affairs of the economy so conducted that they are convinced that our institutions provide them with the sort of life that is worth living and worth defending. The country that advances the welfare of its citizens lays a foundation of preparedness that the garrison state never can.

On V-J Day, the people of the United States looked forward confidently to rapid and extensive disarmament and we all rather assumed that the new highs of industrial and agricultural productivity demonstrated during the war would soon bring us a new Golden Age of peacetime prosperity and enjoyment. Then on March 17 of last year, President Truman brought the bad news that international developments required us in some measure to postpone this prospect and divert a substantially larger amount of our annual product to rearmament. The military chiefs followed Mr. Truman a day or two later, spelling out this need in terms of $3 billion annually of added budget load. The economic results were almost immediate. A process of market adjustment then underway toward lower price levels promptly gave way to a new burst of inflation that, by early Fall, carried both wholesale and consumer prices up to new postwar peaks.

The reasons for this impact of the preparedness program on the economy are quite evident. We had had two years and a half of vigorous postwar reconversion. During this period we were still feeling the tremendous economic momentum of the war influence, with its creation of superabundant monetary purchasing power and its accumulation of enormous unsatisfied wants, public and private—from highways, dams, generating plants, factory equipment, and operating inventories to houses, passenger cars, electric toasters, and bed linen. What we were witnessing in the market was an inability of end products to satisfy simultaneous demands of the market for capital goods, current consumption goods, and exports on the level that unprecedented savings, high current earnings, and foreign demand made possible. Hence we were being swept along in the grip of a strongly inflationary current, inadequately stemmed either by government policies or by private self-restraint.

The Inflation Angle

When I addressed the Orientation Conference in November, the process of budget making was under way, and there were strong indications that the zeal of the military or the Congress, the apprehensiveness of the citizenry, and local pressures for the expansion of military works might combine to produce a substantial enlargement of military expenditures. Analyzing this possibility in purely economic terms, I came to the conclusion that substantial increase of this sort would so aggravate the scarcities of strategic materials and skilled labor, and so augment the flow of purchasing power as to fan the flames of inflation[1] and create a necessity for control measures of considerable variety and scope.

Since we would still nominally be only in a "cold war," I doubted that enough warmth of either patriotism or fear would be engendered to remove the distastefulness of such controls on the individual. Hence their real efficacy would be problematical. I suggested that the return to controls and their continuance for some years would present a two-pronged danger. As a free people, we are always fearful that economic controls may prove habit-forming and develop a spirit of acceptance of authority over larger and larger areas of life and weaken the reliance of the people on free bargaining. If that danger is avoided, there is the opposite danger that in avoiding it, we develop evasion or defiance of constituted authority, black markets, and a lowering of the moral fiber of our people. In any event, by giving legal sanction to certain structures, procedures, and property rights for a period of years, controls build up greater or less vested interests on the part of beneficiaries of these arrangements to have them perpetuated and build up vested claims of those who have been hurt by them to secure some offsetting benefit. Either way, it complicates the return to smooth operation of the economy.

Soon after that first Orientation Conference, two important developments took place. First, the President's budget was presented, and it set a figure of $14.5 billion for the National Military Establishment and $500 million for stockpiling. An additional $800 million was proposed for universal training. Secretary Forrestal, in supporting that budget, pointed out that undue enlargement of military spending would weaken the national economy — "precisely the result some of our contemporaries would like to see." The 81st Congress has to weigh every defense authorization against the President's call for substantial tax increases even on the basis of the present budget.

Inflationary Pressures Abated?

A second development since November has been the progressive abatement of inflationary pressures. It is still too soon to be sure whether this easing will go so much further as to produce a real "recession" or whether it

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*An address by Dr. Nourse before the National Military Establishment, Joint Civilian Orientation Conference, Washington, D. C., April 5, 1949.

1 In considering the effects of defense expenditures upon the economy, we must take into account indirect as well as direct effects. To illustrate one such possible indirect impact, the President's Budget Message pointed out that the present pay structure for the military services is not in balance and that it should be adjusted. Unless great skill is exercised in the revision of this pay structure and due allowances made for differences in retirement provisions between military and civilian employees of the Government, we might upset the entire structure of Government pay. If military pay levels were so raised that they were out of line with Federal civilian pay, this would almost certainly force a substantial general upward adjustment of the whole Federal payroll. And a general rise in Federal pay could quite easily disturb the wage structure of industry.

From Washington Ahead of the News

By CARLISLE BARGERON

For the past several weeks I have been reading full page newspaper ads sponsored by an outstanding manufacturer to the effect that a worker in Russia has to labor much longer to get a loaf of bread or a pair of shoes than he does in this country. I hate to see good money, talent and well-meaningness thrown away in this manner when it could have been directed to so much a better purpose.


Carlisle Bargeron

There isn't one worker in a thousand in this country who thinks he would be better off in Russia than he is here or better off under the Communist form of government. Insofar as the Communist philosophy is concerned the Soviet propagandists have gotten exactly nowhere among our workers. Their inroads have been, instead, among the intellectuals.

Where the Communists have been effective among the workers is in planting the seeds of unrest and of the exorbitant and socialistic demands upon both the employer and the government. They have been tremendously effective in the rapid strides towards the socialized or "welfare" state that we have taken in recent years, the momentum of which has become so irresistible that eventually we seem almost surely to wind up with something on the order of the British government. But the Communists have not been effective in these activities as Communists, simply as accomplished agitators. And what is more important they alone would have accomplished nothing, would accomplish nothing in the future, were it not for the vast army of "100% Americans" who have gone whole hog for the socialistic concept, for national paternalism or for statism, whatever you want to call it.

These "100% Americans" were formerly known as fellow travelers. They are "Liberals." Throughout most of the New Deal they and the Commies were inseparable. They looked upon the Commies as sources of inspiring and worthy ideas. Their attitude was that they didn't care if the Commies were Commies as "long as we are both pursuing the same goal." This was Mrs. Roosevelt's expressed attitude.

But the Commies in those days were not openly acting as agents of Russia, they were not openly acting as salesmen of the Stalin dictatorship. They were selling the "dignity of the working man," "the right to bargain collectively with their employer," socialized medicine, subsidized housing, and the like, a bountiful living for all and without having to work for it either.

Our labor leaders, perfectly good Americans, welcomed the Commies' support in the organization of the mass industries; they welcomed the alien technique of the sit-down strike which the Communists contributed, and they should, if they do not, appreciate the thirst for power which the Commies gave them.

Now however, that the Commies are known as primarily agents of Russia, most of the labor leaders and the "Liberals" generally seek to shun them. But this is only in personal association. They don't shun the so-called "humanitarianism" of the Commies. They have adopted all the ideas as to our domestic happiness which originated in Eastern Europe. Their slogan is that the way to head off the Commies is to adopt these ideas of the Communists. There is admittedly a fine difference between the two groups. Under the Communists we would become vassals of Moscow. Under the "Liberals" we would maintain our own autonomy, our own Big, all powerful government.

It is along these lines, it seems to me, that messages to American workers should be directed. They don't want any part of Stalin. But they can't understand that the domestic program on which they are being sold will inevitably make of them mere subjects of an all-powerful State; that it has already gone far to make them simple statistics instead of human dignities.

I think, perhaps, it is unfortunate that the comraderie between the "Liberals" and the Commies had to be broken up. Because we are now venting all our spleen and a good part of our national energy towards "stopping Stalin" or preventing him from coming over here after us. The "Liberals" are right in there pitching with the rest, so their "patriotism" is not open to question.

Manifestly, too, this exercise of ours is doing our national substance no good, and generally speaking it seems to be the excitement of a people gone completely insane. Parenthetically, when by way of heading off Stalin, we prepare to send arms to the Commie ridden country of France, one wonders how far national insanity can go.

This, however, is the preoccupation of our "thinkers," not our workers. What the workers are swallowing is not anything they associate with Stalin or Communism at all. It is something they are told is advanced Americanism, and inasmuch as they are being made to think they are getting something for nothing, you can readily see that any effort at education among them should be towards the destruction of the myth, not the relative advantages of workers here and those in Russia.

Join Shields Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Marjorie C. Childress and Robert S. Honeyman are now associated with Shields & Co., 510 West Sixth Street. Miss Childress was formerly with First California Company.

Francis L. Coe Opens

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, MASS.—Francis L. Coe is engaging in a securities business from offices at 340 Maine Street.

Joseph Sattler Joins Standard Investment Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CAL. — Joseph Sattler has become associated with the Standard Investment Co. of California, 117 East Colorado Street. Mr. Sattler was formerly with Gross, Rogers & Co. and Pledger & Co.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Walter S. Wesp has been added to the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street.

Let Congress Encourage Producers

By ROGER W. BABSON

Mr. Babson, quoting advice of Thomas Jefferson, warns against government wasting labors of people under pretense of caring for them. Says New Dealers have started a dangerous prairie fire, and in order to extinguish it, Congress should change policy and legislate benefits to all corporations and individuals engaged in useful production. Otherwise, he says, "we all go bust."

A friend in Cleveland, Mr. E. J. Kulas, calls my attention to the following, written by Thomas Jefferson, the founder of the Democratic party, about 150 years ago! Read it carefully—then cut it out and send it to your Congressman. It should be printed on the fly-leaf of every school book: "I place economy among the first and most important virtues and public debt as the greatest of dangers. To preserve our independence, we must not let our rulers load us with perpetual debt. We must make our choice between economy and liberty, or profusion and servitude. If we can prevent the government from wasting the labors of the people under the pretense of caring for them, they will be happy. The same prudence which in private life would forbid our paying our money for unexplained projects, forbids it in the disposition of public money."

Roger W. Babson

Is Our Congress to Blame?

The above statement by Jefferson is just as true today as when he made it, yet President Truman won his election by preaching the very opposite and Governor Dewey did not have the courage to defy Mr. Truman. Both candidates and their fellow travelers ignored the truth and gave the people what, in their ignorance, they wanted. This same thing has happened at various times in history and was the primary cause for the fall of the Grecian, Roman, Teutonic and other Republics.

Can the few honest Congressmen accomplish much now? Yes, without opposing further New Deal measures, they can force legislation to encourage producers They can work for legislation which will so help manufacturers that they can pay increased taxes. Unfortunately, the New Dealers started a dangerous prairie fire; whether it can be controlled or must burn itself out, only the future can tell.

Is Truman Wholly to Blame?

Very few, except those who are close to the White House, realize the tremendous amount of mail which the President gets. Naturally, he can read only one letter out of every thousand; but all are read by someone and tabulated as to whether they condemn or approve the President's policy. They are a kind of daily "Gallup Poll" for the White House. The simple truth is that when President Truman makes an address appealing for more social security, more sick benefits, more unemployment insurance, more farm supports, and even for more taxes, which must go with these increased government benefits, 90% of these millions of letters approve.

The Republicans think that Mr. Truman was elected because the country was prosperous; but that when unemployment comes in 1950 or 1952, the Democrats will be thrown out. It is true that such a rule has usually worked in the past. But, will it work next time? In the past, the existing Administration had no way of helping the unemployed lacking bread and the farmers threatened by foreclosures. Now, this has all changed. The present Administration, even in an election during a depression, could promise so much more help than the Republicans would promise that the old rule might not apply again.

What Should Readers Do?

The first thing to realize is that the money which is given away in price supports or pensions must be collected from all the readers of this column. The second thing to realize is that these funds can be taken away from the rich only for a few years. Soon there will be no profits to tax. What then? The answer is very simple. If the unfortunate non-producers are to be supported by the fortunate producers, which is the basis of the New Deal philosophy and has some justification, then production and economy should be encouraged in every possible way by Congress, by Labor Unions, and especially by our Schools in order to have funds to tax.

The same basic truths which Jefferson preached apply today and we should teach these to our children. Some of us parents may hang on to enough money to keep us going through our few remaining years, whatever happens to the country. With our children this will be very different. Only character, hard work and economy, on their part, will save them. All cannot ride in the government's cart or it will stop. Some must pull the cart. My appeal is that accompanying all New Deal legislation should be special benefits to all corporations and individuals engaged in useful production. Otherwise, we all "go bust."

Bert R. Jones with Lord Abbett on Coast

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Bert R. Jones has become associated with Lord, Abbett & Co., 210 West Seventh Street. Mr. Jones was formerly Los Angeles representative for the Parker Corporation.

With Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Walter Gierlich has joined the staff of Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with King Merritt & Co.

How Placing Corporate Earnings Under Individual Income Tax Affects Risk Capital

By H. P. B. JENKINS

Associate Professor of Economics, University of Arkansas

Professor Jenkins considers proposal of repealing Federal corporate income taxes and applying corporate earnings taxation to shareholders under current rates. Shows effect of proposal on taxes paid by different income brackets and concludes, because higher bracket incomes will be hit hardest by change, the availability of risk capital will be greatly diminished. Says stockholders in high income brackets would be adversely affected by elimination of dividend taxation.

Federal taxation of corporate earnings is the object of vigorous controversy from two directions. On the one side, spokesmen for certain labor and political groups are urging the Congress to levy still higher taxes on corporate profits. On the other side, spokesmen for certain business and industrial groups are accusing our present corporate taxes of being a serious drain on the sources of risk capital, and asserting that any increase in those taxes would reduce the supply of risk capital below the minimum necessary for the maintenance of economic prosperity.

H. P. B. Jenkins

Of the major questions involved in this controversy over corporate taxation, one is the double-barreled question of whether economic prosperity could be maintained under a still higher total tax load, or even under the present total tax load; and—if the answer is in the negative—what can and should we do about it?

This problem involves considerations relating, not only to economic prosperity, but also to much more vital problems, including military defense. These problems are to complicated for examination in this paper, and they are hereby dismissed with the remark that no definite fraction of the national income can be designated as the maximum tax burden which is compatible with the maintenance of economic prosperity. Therefore, for purposes of this paper, it will be assumed that we actually need and can provide the total amount of Federal revenue to be produced by existing and proposed Federal taxes.

Another major question raised by the controversy over corporate taxation concerns the distribution of the Federal tax load: Could the distribution of the weight of Federal taxation among the different income-classes be changed in a way that would reduce its drain on the sources of risk capital, without any loss in revenue to the Federal Treasury? That is the question to be investigated in this paper. And this investigation will take the form of an examination of the effects of the supply on risk capital likely to be produced by one of the alternative methods of raising the same total amount of Federal revenue. And in this examination, no account will be taken of other aspects of taxation, such as, for example, equity and impartiality.

It is here assumed that the principle sources of risk capital in a free enterprise economy are (1) depreciation allowances, (2) retained corporate earnings, and (3) disposable personal incomes. Since depreciation allowances and similar provision for the recovery or replacement of invested capital would not necessarily be affected by the alternative examined in this paper, the sources of risk capital to which attention will be given here are the retained earnings of corporations and disposable personal incomes. Therefore, it is here assumed that any change in the tax structure which reduced the aggregrate of these two sources of risk capital, or which transferred disposable personal income from those income classes more likely to invest in corporate stock to those less likely to make such investments, would reduce the actual and potential supply of risk capital in the economy.

Individual Income Taxation

One of the alternatives open to the Congress is the repeal of the Federal corporate income taxes and the taxation of corporate earnings under the individual income tax alone, i.e., to treat corporate shareholders like partners in the business. Various schemes have been devised for bring shares of corporate profits under the individual income tax. But my conclusion is that the raising of any given amount of revenue by the employment of any of those schemes would be likely to cause a greater reduction in the supply of risk capital than is caused by the operation of the present system of taxing corporate earnings. The reasoning upon which this conclusion is based can be shown by a few questions and answers.

1. How Is the Burden of Taxes on Corporate Earnings Distributed Among the Different Income Classes?

Since the corporate profits constitute one of the important sources of risk capital, the present double taxation of those profits is one of the important influences on the supply of risk capital in our economy. No complete description of how corporate taxation affects the sources of risk capital is possible in the absence of complete data on the distribution among the different income-classes of ownership of corporate stock, dividend receipts and shares of total corporate earnings. Nevertheless, some light can be thrown upon this question by means of

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The Challenge to Democratic Capitalism

By MARRINER S. ECCLES*

Member of the Board of Governors, Federal Reserve System

Former Chairman of Reserve Board, asserting present deflationary drift is unavoidable and is less onerous now than if it occurred later, opposes pumping more easy credit into economy to sustain production. Holds too much credit has gone into housing and consumer goods, and defends government interference to maintain economic stability. Says long-term outlook is clouded by Soviet policy and sees our democratic capitalism being stimulated by fortuitous developments and temporary stop-gaps. Holds overshadowing problem is attainment of peace.

Today I should like to discuss three subjects because they are closely related: First, the current economic situation; second, the long-range problem of economic stability; and third, the need for establishing peace in the world before we can successfully deal with either our current or our long-range economic problems.

Marriner S. Eccles

For several months our economy has been in a phase of deflationary readjustment. In nearly all important areas, in both soft and hard lines, the supply of goods has overtaken demand at prevailing prices. Many prices have weakened and production has been cut back. Huge crops press down the prices of practically all agricultural commodities, and this is reflected in lower prices of foods. New private construction, particularly in housing, has declined. In many parts of the country a large number of new houses built last year remain unsold and are being marked down in price. Inventories have been at an all time record and pressure to reduce inventories in most lines is very great. Sales volume, on the other hand, is declining. Savings are increasing and bank loans are declining. Our export surplus has been contracting as production in other countries has increased and as they have used up their gold and dollar resources.

Some readjustment is not only inevitable but desirable after such a prolonged period of inflation. For nearly a decade the economy has been running under forced draft. During the war the tremendous increase in output that we achieved went largely into the wastes of war. Much of the income generated by the increase in output, however, went to swell the cash balances and liquid asset holdings of individuals and businesses because of shortages in the supply of goods.

With the end of the war there was a huge backlog demand for all kinds of goods in this country and throughout the world. There was also the need of filling empty inventory pipelines and meeting current demand that would have existed had there been no war. These demands were supported by a very large current income, by huge accumulations of liquid assets in the form of currency, bank deposits and government securities, widely distributed, as well as by easy credit. Excess demand inevitably spilled over into price inflation as the harness of controls, including excess profits taxes, were prematurely abandoned and as private credit expansion pumped new money freely into the already swollen spending stream.

As a result we have had a very substantial inflation. The average of consumer prices at the peak was 75% higher than in 1939, and 35% higher than at the end of 1945. Prices of housing, most foods, and many other consumer as well as capital goods increased much more. Some prices increased very little while others went up as much as 300 to 400%. Wages also increased from a very little to more than 150%. This disparity in price rises was sure to bring with it serious dislocations that made for future trouble.

Meanwhile, we have refilled the pipelines, taken the edge off of most urgent backlog demands of individuals and businesses, supplied their current demands, and provided to foreigners a very large net export of goods financed by existing gold and dollar balances and government loans and grants. In addition, we have maintained huge military and veteran aid programs.

Readjustments Needed

Last October at a meeting of Iowa bankers, when some early evidences of the current deflationary movement were beginning to appear, I expressed the hope that needed readjustments would be permitted to occur. It is important not to dissipate our basic elements of strength and our cushions against the current recession in an attempt to shore up the economy at present inflated levels, thus perpetuating economic dislocations that developed in the inflation process. The deflationary drift of recent months has been painful to some, but beneficial to others. It was certainly unavoidable at some stage and is less onerous now than it would be if further delayed by using one costly prop after another.

One danger is that we will not face up to the necessity for adequate readjustments. It is politically difficult to resist the numerous minority pressure groups. Each one wants the benefits of inflation for himself, but he wants the others to pay for them. The farmer wants a floor under his prices at present high levels, but he wants lower labor and living costs. Labor has fought for lower prices, but resists lower wage costs. Business wants competitive free enterprise, but does not want to make competitive price reductions.

Needed price readjustments should not be postponed by pumping more easy credit into the economy. In my opinion too much credit has already gone into housing and purchases of consumer goods at inflated prices.

The Longer-Range Problem

But the more important aspect of the economic problem is not the transitory one which I have just been discussing. It is the longer-range question called to mind by the astonishing ease with which our economy has met the tremendous production demands placed on it in the war and postwar period. Our remarkable achievements here, however, pose forcefully an old but unsolved problem, given conditions of peace in the world. That problem is: How can we keep our economy producing on a sustained basis at the high levels of which our manpower and productive facilities are capable? How can we provide a steady distribution of the goods and services that we are able to turn out?

Sustainable economic stability is the foremost long-run problem of democratic capitalism. Democracies have not yet succeeded in solving it. On the contrary, recurrent depression has been a chronic tendency of Western capitalism. And there is a tendency for depressions to become more severe. From the record it is perhaps not surprising that in other parts of the world there has been a drift away from democratic capitalism. Only a month or so ago, we read in the newspapers that the economic wizards of Russia had met to discuss the timing and severity of our next collapse.

However small our success in maintaining stability, capitalism has succeeded in developing an unrivaled technology of production. For a long time, except in war or general inflation, our capacity to produce has constantly exceeded our use of that capacity. The problem has been to maintain aggregate demand for total output. Let me explain what I mean. When total income at high levels of employment does not flow back directly or indirectly into the expenditure stream, demand becomes insufficient to take off the market what it produced. As a result, production, income, and employment fall off and deflation inevitably sets in.

Whose responsibility is it when this happens? The answer is that it is nobody's individual responsibility, but everybody's collective responsibility. There are millions of people and tens of thousands of businesses in our country who receive income and decide how to use it. There is no assurance that these many income recipients will make a sufficient amount of total expenditures to disburse the entire income. If they do not then trouble begins to develop.

This characteristic pattern of instability has increasingly required collective action through government to supplement the spending stream in order to provide a sufficient amount of total expenditures. Government intervention is the only answer we have yet devised and it is likely to be the only answer to the problem of depression when it arises, because government alone is in a position to act on a sufficient scale. I do not like this any more than you do, but it seems to be unavoidable if we are to maintain, without loss of our freedoms, the high living standards for our people which we have the capacity to produce. The experience of history plainly shows that political and other freedoms will not survive in the midst of widespread unemployment and destitution. These freedoms only thrive when there is reasonable freedom from want and insecurity.

Complexity of the Problem Today

Our problem of maintaining economic stability and providing personal and family security is immensely more complex today than it was before the first World War. Since that time, we have become immeasurably more industrialized, urbanized, and interdependent. Geographical frontiers have largely disappeared. We have seen the rise of huge business, labor and farm organizations with concentrated decision-making and centralized power. Our prices and costs have become increasingly rigid. A great deal more of our expenditures are for goods of a durable type, the purchase of which is temporarily or indefinitely postponable. The Federal Government as well as State

(Continued on page 29)

*An address by Mr. Eccles at luncheon of the Commonwealth Club of California, San Francisco, Cal., April 8, 1949.

First Results of Poll on NASD

(Continued from page 3)

(RETURNS FROM NON-MEMBERS OF NASD)

Total ballots returned	177		
(1) *5% "Yardstick"*			
Favoring	22	or	12.4%
Opposed	**135**	**or**	**76.3%**
No opinion	20	or	11.3%
(2) *Questionnaire for Report on Spreads*			
Favoring	19	or	10.7%
Opposed	**144**	**or**	**81.4%**
No opinion	14	or	7.9%
(3) *Examination of Books and Records Where Neither Complaints nor Charges Are Pending*			
Favoring	10	or	5.6%
Opposed	**155**	**or**	**87.6%**
No opinion	12	or	6.8%
(4) *NASD Trial System*			
Favoring	7	or	4.0%
Opposed	**162**	**or**	**91.5%**
No opinion	8	or	4.5%
(5) *Rule Forbidding Discount to Non-Members*			
Favoring	6	or	3.4%
Opposed	**164**	**or**	**92.6%**
No opinion	7	or	4.0%
(6) *Should Maloney Act Be Repealed?*			
Favoring	**138**	**or**	**78.0%**
Opposed	21	or	12.0%
No opinion	18	or	10.0%

Dealers' Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

As previously noted, the reverse side of the ballot included the following question:

"(4) What effect, if any, do you think the NASD's '5% Mark-Up' philosophy has on the market for securities of the smaller corporations of the country?"

Hundreds of dealers took advantage of the opportunity to express their views on the question and as many of them as can be accommodated in this issue are reprinted herewith. A number of replies included the firm's name, but the majority elected to reply anonymously in accordance with the option contained in the ballot. In cases where the firm name appeared, we consider it a matter of fairness not to indicate the source in view of the fact that time does not permit of our obtaining individual sanction to publish it. Where the comment was made anonymously, this is indicated by the symbol appearing at the end of each comment.

SMALL ALABAMA TOWN

Causes dealers to avoid handling such, if possible, even though the stocks are as worthwhile as those on Big Board.*

MONTGOMERY, ALA.

Very harmful.*

DENVER, COLO.

Makes such securities hard to sell.*

SMALL GEORGIA TOWN

Makes a slow market, thus making sale of equity shares for new money very difficult.*

ATLANTA, GA.

Very bad.

ATLANTA, GA.

Destructive.

CHICAGO, ILL.

It reduces the interest of security dealers in such issues and consequently makes it harder to market new issues and makes the market thinner or non-existent on outstanding issues.*

CHICAGO, ILL.

Detrimental, if any.*

CHICAGO, ILL.

It makes the marketing of these securities much more difficult.

CHICAGO, ILL.

Bad.*

CHICAGO, ILL.

The smaller corporations of the country who have securities outstanding will eventually have to go into banks for their money as long as the 5% mark-up rule persists, because the smaller corporations who do not have very many shares outstanding require considerably more work by the security dealer to secure and place the securities.*

* Commented anonymously.

(Continued on page 40)

See page 11 for "Dealer-Broker Investment Recommendations and Literature" column.

The Inflation Spiral May Resume

By LAWRENCE CLAYTON*

Member, Board of Governors, Federal Reserve System

Federal Reserve Governor reviews recent economic slowdowns, and gives reasons for relaxing instalment credit restrictions and margin requirements. Warns there is no likelihood government's fiscal policy this year will be deflationary, and says final budget for coming year may be unbalanced. Holds inflationary spiral may return and certain consumer groups will be priced out of market.

I begin by giving you a few definitions of terms that you sometimes run into in the economic and governmental world. Most of these categories that I shall mention are far from me; that is, I do not claim to be any one of the kind of people that I am going to describe. But these are types that you might run into at any time in Washington, D. C.

Lawrence Clayton

A "coordinator" is a man who brings organized chaos out of regimented confusion.

A "conference" is a group of men who individually can do nothing but as a group can meet and decide that nothing can be done.

A "statistician" is a man who draws a mathematically precise line from an unwarranted assumption to a foregone conclusion.

A "professor" is a man whose job it is to tell students how to solve the problem of life, which he himself has tried to avoid by becoming a professor.

An "efficiency expert" is a man who knows less about your business than you do and gets paid more for telling you how to run it than you could possibly make out of it even if you ran it right instead of the way he told you to.

A "Consultant" is an ordinary man who is a long way from home.

An "economist" is a financier without any money, who has a Phi Beta Kappa key on one end of his watch chain and no watch on the other.

Not having prepared anything in particular today, I won't resort to statistics. In fact, I have no great predilection for statistics as did the young Harvard graduate who was sent up into a lumber camp—we'll say in northern Michigan—and having become addicted to the use of statistics and having been placed in charge of this lumber camp, made a very unusual report after the first month of operation.

I should say by way of preface that this was an unusual camp, and that it had 50 men loggers and two women cooks.

So, at the end of the first month, his report to the personnel division recited, after he had learned only a few days before that one of the loggers had married one of the cooks:

"Two per cent of the men have married 50 per cent of the women."

I think I might use about five of my minutes, and there won't be very many after that, to tell you a little bit about the general nature of the interests of the Federal Reserve Board. I am afraid too many of the people in the Federation may feel that the Reserve Board exists solely to make life miserable for the Federation and for its individual members, and I am quite sure that the stockbrokers — except this morning when they feel kindly toward us —have been feeling for some time past that we exist solely to make life miserable for the stock exchanges and the brokers.

But those two functions (regulation of instalment credit and stock margins) are the least important, although they are important, of the responsibilities of the Federal Reserve Board and the System. As you all know, I am sure, our predominant functions are in the banking field. We do really regulate, in large extent, the banking system of the country, not the investment banking system but the commercial banking system, because the member banks of the Federal Reserve System, while only about half of the total number of banks in the country, do include the banks which have about 85% of the deposits of the banking system.

So that predominantly the banks of the country are members of the Federal Reserve System. And by exercising a certain degree of control upon the lending activities of the commercial banks of the country, we can, in a measure, affect the expansion or contraction of general business.

Over the past several years we have endeavored to restrain the too rapid expansion of bank credit, and if we should now be entering a period of deflation that might go considerably more than it has any evidence of going at the moment, we would expect to reverse those policies and to encourage rather than discourage the expansion of bank credit and borrowing on the part of businesses and individuals for various types of spending.

Recent Economic Changes

I say "if," because certainly up to this moment, while we have had clearly more than a seasonal adjustment downward, there is no justifiable implication in the figures that we are headed for a severe depression.

Mr. Ney said I might comment briefly on the business situation as I see it. As I say, there is an adjustment on at the present time. The fact that the Reserve Board has been willing, after quite a long period of unwillingness, to reduce the margins on trading on the stock exchanges and also within the last month has relaxed to some extent the terms on instalment credit is certainly evidence that there has been a change, a real change, more than seasonal, in the current level of business and in the prospective rate of business. And while it may well be that we may see for a month or more, and perhaps several months, a decline in business, not in the absolute sense but as against the year preceding, month by month, I don't think there is any reason to feel that 1949 is going to have any of the earmarks of 1939 or 1940. I think it will be pretty close to 1947.

That, of course, is pure "guessment" as they sometimes say, but I don't believe, in view of the other important factors in the situation, that we are in for a substantial decline such as would turn all your black figures into red figures.

I do think we are definitely in a more competitive situation, where selling has got to be the watchword instead of just procuring, and where sales organization will have to be keyed up to the highest state of efficiency if the organization in question is to succeed.

Government's Fiscal Situation

There are other factors that I wish to allude to: First of all, the government's fiscal situation. While some of you may not take much stock in the effect upon the business world of the government's budget, we at the Board think it has a very profound effect. We don't see any chance at all that the government's fiscal policy will be deflationary in this year of 1949. I would say the odds favor the budget being inflationary. That is to say, the government will pay out to the American public more than it takes back from them. So that there should be most likely an inflationary effect upon the spending habits of the American people through the operation of the government's fiscal policy in the year 1949.

I don't want to be misunderstood. I am not saying that the government has any intention of adding to the inflationary forces, but the government, you understand, is not just the Administration. The government includes Congress. And it seems very likely to me that Congress will at least equal, if not exceed, the budget estimates prepared by the Bureau of the Budget, and that it will not, on the other hand, provide any additional taxes. So the chances are that the budget will at worst be balanced, and at best, from the standpoint of retail trade, may well result in some considerable deficit.

That would almost certainly be true if Congress should now decide, as a corollary of the Atlantic Pact, to authorize a billion or a billion and a half, or two billion, or whatever the figure may turn out to be, for the rearming of the countries who have joined the Atlantic Pact. Certainly if that happens, there will be an immediate stimulus to all kinds of business in this country, but particularly, of course, heavier industry.

But the additional payrolls and purchasing power created thereby would certainly reflect themselves in the retail trade.

I think I have talked long enough to give you just a general indication of what I see in the picture. I hope you won't feel, because the Board has taken some modest action with reference to these selective controls, that we differ fundamentally with the position of the Council of Economic Advisers, for instance, or anyone else in official Government position, with reference to the potentialities in the situation in 1949.

Inflation Spiral May Resume

It is still entirely possible that we might get such an upturn in the latter part of the year, particularly if Congress should embark on a deficit financing program, which would turn the spiral again upward. That is still possible. We think the odds have been shifting in the other direction, and whereas 60 or 90 days ago it looked like a toss-up, in betting language, the odds have been moving in the other direction.

But the potentialities are still there. We are still at a very, very high price structure compared to the past, and a very, very high level of total activity in this country. In fact, there is good reason to assume, on sober reflection, that we could not very well hope to freeze the inordinately high level of spending which was reflected in the final figures for 1948.

We all know that we have been through a very inflationary period, and we have arrived at a very high price structure, and with a great deal of unbalance in the situation. And we probably would not be nearly as well off if we should endeavor to make permanent the level of the economy we had in 1948 as against going through some healthy readjustment to bring back a buyer's market and a competitive situation with respect to production and selling.

The unbalances result chiefly, of course, from the fact that we had accumulated such enormous spending power during wartime that with release of all controls in the postwar period, we could not keep the economy, on its way up from reconversion, from getting into an unbalanced situation. By and large, you have the farm community of the country getting from 200 to 250% more in total income than before the war. You have business in the aggregate enjoying somewhere near 300% greater profits after taxes than before the war. You have organized labor keeping up with the procession and, in some cases, even moving a little ahead of it with reference to the cost of living.

But, apart from those segments of the economy, there are a whole lot of other segments of the economy that have not kept pace with the general rise. And the people represented in those groups are the ones who are being priced out of the market. And that, I think, explains more than anything else the slump that has been experienced by the members of this Federation throughout the country—a slump which has gone beyond the usual seasonal downturn.

I think it is the unbalance more than anything else and not the general level of purchasing power that is responsible for the slowdown that nearly every segment of business is experiencing at this time.

As I said earlier, I don't myself have any fears of any severe depression, and I think what we are going through is healthy and that there are forces which will keep it from going very far.

*Stenographic report of an address by Governor Clayton before the American Retail Federation, Washington, D. C., March 29, 1949.

R. C. Williams, Jr., With Marache, Sims & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—R. C. Williams, Jr. has become connected with Marache, Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Williams was formerly with Bartling, Corbrey & Co., and Edgerton Wykoff & Co.

Jarecki With Paul Flynn

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. —Raymond B. Jarecki has become affiliated with Paul R. Flynn Co., 411 West Seventh Street. Mr. Jarecki was formerly with Reagan & Co. and its predecessor firm for many years.

With Edgerton, Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Anton Gaspich has been added to the staff of Edgerton, Wykoff & Company, 618 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Gaspich was previously with Turner-Poindexter & Co.

Illinois Brevities

New high records in both sales and earnings were set by **Montgomery Ward & Co.** and **Sears, Roebuck & Co.**, according to their annual reports covering the year ended Jan. 31, 1949, which were recently issued. **Montgomery Ward** reported net sales of $1,211,955,909 and net earnings of $68,232,076, or $10.28 per common share, after charges and income taxes, against sales of $1,158,674,514, and a net of $59,050,066, or $8.86 per common share, for the preceding fiscal year. **Sears, Roebuck's** net sales for the 12 months ended Jan. 31, 1949 were $2,295,991,180, exceeding the volume in the preceding year by $314,455,431, while net income after provision for all taxes was $137,206,016, or $5.80 per common share, compared with $4.56 per share for the fiscal year ended Jan. 31, 1948.

* * *

Halsey, Stuart & Co. Inc., of Chicago, headed three different groups of underwriters who publicly offered the following utility securities: On March 24, $35,000,000 New England Telephone & Telegraph Co. 25-year 3% debentures due March 15, 1974 at 100.75% and interest; on March 24, $12,000,000 Eastern Gas and Fuel Associates first mortgage and collateral trust bonds, 3¾% series due 1974, at 102.459% and interest; and on March 10, $10,000,000 West Penn Power Co. first mortgage 2⅞% bonds, series N, due March 1, 1979, at 101.10% and interest.

Other Illinois banking houses participating in these offerings were: In the **West Penn Power** financing Mullaney, Wells & Co.; in **the Eastern Gas** financing William Blair & Co., the Illinois Co., and Mullaney, Wells & Co.; and in the **New England Telephone** offering the aforementioned bankers and Bacon, Whipple & Co., Julien Collins & Co., Martin, Burns & Corbett, Inc., Patterson, Copeland & Kendall, Inc. and F. S. Yantis & Co., Inc.

* * *

Halsey, Stuart & Co. Inc., as sole underwriter, on March 24 publicly offered $2,500,000 Gulf Power Co. first mortgage bonds, 3% series due 1979, at 100.56% and interest.

* * *

In addition, Halsey, Stuart & Co. Inc. headed five other groups of underwriters who offered the following equipment trust issues: On March 9, $2,550,000 **Missouri-Kansas-Texas RR.** 2½% equipment trust certificates; second series 1949, at prices to yield 1.40% to 2.875%, according to maturity; on March 11, $3,165,000 **Wabash RR.** 2¼% equipment trust certificates, series B, at prices to yield 1.40% to 2.65%, according to maturity; on March 15, $4,500,000 **Spokane Portland & Seattle Ry.** 2⅜ equipment trust certificates, 1949 series, at prices to yield 1.35% to 2.55%, according to maturity; on March 17, $3,780,000 **Delaware, Lackawanna & Western RR.** 2½% equipment trust certificates, series H, at prices to yield 1.40% to 2.80%, according to maturity; and on April 7, $9,990,000 **Pennsylvania RR.** 2½% equipment trust certificates, series W, at prices to yield 1.2% to 1.70%, according to maturity.

* * *

An issue of 25,000 shares of B/G Foods, Inc. class A common stock, par $10, was publicly offered on April 7 at $11.25 per share by an underwriting syndicate which includes, among others, Straus & Blosser; Dayton & Gernon; Ames, Emerich & Co.; Link, Gorman & Co., and Sills, Fairman & Harris, Inc., all of Chicago.

* * *

Marshall Field & Co., Chicago, for the calendar year 1948 reported a net income, after income taxes, of $11,234,077, or $5.45 per common stock, from net sales of $224,547,479, compared with a net of $10,556,783, or $5.10 per common share, from $211,402,847 net sales in 1947. Current assets at Dec. 31, 1948 amounted to $65,168,744, against current liabilities of $28,276,024.

* * *

It is expected that Straus & Blosser will also participate in the proposed public offering of 131,841 shares of 6% cumulative convertible class B preference stock (par $2) of Trenton Chemical Co., Detroit. The funds are to be used to pay for expansion, etc.

* * *

Daniel W. Creedon, President of Libby, McNeil & Libby, Chicago, food canners, in the company's annual report for the year ended Feb. 26, 1949, reported sales of $153,574,246 as compared with $145,370,616 for the preceding fiscal year. Cases sold were the highest in its history. Earnings, after income taxes, were $3,809,933, or $1.05 per share, compared to $5,366,394, or $1.48 for the previous year.

* * *

A group of 33 underwriters on April 5 publicly offered $10,000,000 4% debentures due 1964 of General Telephone Corp., including the following Illinois bankers: Central Republic Co. (Inc.), Kebbon, McCormick & Co., Blair & Co. and Carter H. Harrison & Co.

* * *

William Blair & Co., also on March 9 participated in the public offering of an issue of $4,000,000 Minnesota Power & Light Co. first mortgage bonds, 3⅛ series due 1979, at 102.46% and accrued interest.

* * *

Hickey & Co., Inc., and Blunt Ellis & Simmons, both of Chicago, were included among a group of 35 investment bankers who on March 22 publicly offered 250,000 shares of common stock (no par value) of Slyvania Electric Products, Inc., at $21.87½ per share. The net proceeds are to be used to expand production of cathode ray ("picture") tubes.

* * *

Dolese & Shepard Co., Chicago, for the calendar year 1948 reported a net profit, after charges and Federal income taxes, of $163,590, compared to $83,166 for the year 1947. Net sales for 1948 totaled $1,041,790, against $810,506 for the previous year. Current assets amounted to $409,481 and current liabilities to $283,859 as at Dec. 31, 1948.

* * *

Chicago investment houses participating in the public offering on April 6 of 1,000,000 shares of common stock (par $7.50 per share) of the Ohio Public Service Co. at $16 per share were: Central Republic Co. (Inc.); Blunt Ellis & Simmons; the Illinois Co.; Farwell, Chapman & Co.; and Mullaney, Wells & Co. Of this total, 361,840 shares represented new financing, and 638,160 shares are for the account of Cities Service Co.

* * *

Community Public Service Co., Fort Worth, Tex., placed privately, through Central Republic Co. (Inc.), Chicago, an issue of $3,000,000 of its first mortgage 3¼% bonds, series B, due 1974, with nine institutions. The net proceeds are to be used to refund promissory notes and to finance extensions and improvements of the utility company's facilities.

* * *

The Illinois Co. also on March 10 was included in a group of 16 investment bankers who publicly offered 50,000 shares of West Penn Power Co. 4.10% preferred stock, series C (par $100) at $104.50 per share.

* * *

Walter E. Heller & Co., Chicago, placed privately a 3½% promissory note due Feb. 1, 1964 through Harris, Hall & Co. (Inc.) it was announced on March 8. The proceeds of the loan were used to reduce current borrowings.

* * *

Herman Nelson Corp., Moline, manufacturers of industrial heating equipment and ventilators, placed privately through Reynolds & Co., a $660,000 4¼% sinking fund note due March 1, 1950-61.

* * *

The consolidated net income for 1948 of the Standard Gas & Electric Co. and its presently majority owned subsidiaries, except Pittsburgh Rys. Co. (debtor under Section 77B of the Bankruptcy Act) and its subsidiaries and other street railway subsidiaries of Philadelphia Co. amounted to $6,688,790. For 1947 the consolidated net income, restated for comparative purposes by exclusion of the operating results of Louisville Gas & Electric Co. (Del.) and Louisville Gas & Electric Co. (Ky.), both of which companies ceased to be majority-owned subsidiaries in 1948, amounted to $5,951,022. The consolidated net income for 1948 was equivalent to $14.28 per share on the outstanding shares of prior preference stock, $7 cumulative and $6 cumulative, and after deducting annual dividend requirements on such stocks the remainder was equivalent to $4.63 per share on the outstanding shares of $4 cumulative preferred stock. After deducting annual requirements on the latter stock, the balance was equivalent to 22 cents per share on the common stock.

* * *

Community Public Service Co., Fort Worth Texas, placed privately an issue of its first mortgage bonds, series B, 3¼%, due 1974, through Central Republic Co. (Inc.) of Chicago, with nine institutions, it was announced on March 10.

* * *

The sales of National Tea Co., Chicago, for the four weeks ended March 26, 1949 amounted to $21,279,654, as compared with $20,813,149 for the preceding four weeks period and $220,892,169 for the same period in 1948.

Jewel Tea Co., Inc., Barrington, reported that its retail sales for the four weeks ended March 26, 1949, were $12,577,274, against $12,330,335 in the preceding four weeks' period and $11,324,610 in the corresponding period of 1948.

* * *

Other Illinois firms reported earnings per common share for the latest fiscal year as follows: **American Hair & Felt Co.**, $7.87 (against $6.66 in the preceding year); **Bell & Gossett Co., Morton Grove**, $3.34 (against $3.29); **B/G Foods, Inc.** $1.98 (against $1.70); **Central Illinois Public Service Co., Springfield**, $1.75 (against $1.68); **Cory Corp.**, 50 cents (against $1.91); **Feltman & Curme Shoe Stores Co.**, 38 cents (against 45 cents); **Gardner-Denver Co., Quincy**, $2.86 (against $2.88); **General Box Co.**, 57½ cents on average number of shares outstanding (against 89 cents); **General Outdoor Advertising Co., Inc.**, $4.07 (against $3.72); **General Steel Castings Corp., Granite City**, $6.82, disregarding preferred dividend arrearages (against $5.26); **Harrison Wholesale Co.**, $3.08 (against $2.24); **Independent Pneumatic Tool Co.**, $2.69 (against $3.78); **Jefferson Electric Co., Bellwood**, 90 cents (against $4.20); **Lincoln Printing Co.**, $2.72 (against $5.21); **Lindsay Light & Chemical Co., West Chicago**, $7.49 (against $6.52); **Link-Belt Co.**, $14.37 (against $8.68); **National City Lines, Inc.**, $1.97 (against $1.57); **National Cylinder Gas Co.**, $1.94 (against $1.50); **Signode Steel Strapping Co.**, $2.91 (against $2.18); **Stone Container Corp.**, $1.62 (against $2.91); **Union Tank Car Co.**, $3.77 (against $3.14 before adjustments, and $4.23 after adjustments); and **Wells-Gardner Co.**, $1.80 (against 85 cents).

Richard A. Whiting To Open Own Offices

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Richard A. Whiting is opening offices at 30 Federal Street to engage in the securities business. Mr. Whiting was formerly vice-president of Bond & Goodwin, Inc.

COMING EVENTS

In Investment Field

April 20, 1949 (New York City)
Bond Club of New York dinner meeting at the Starlight Roof, Waldorf-Astoria.

April 20, 1949 (Washington, D. C.)
National Security Traders Association - Securities & Exchange Commission dinner.

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

April 28-29, 1949 (Houston, Tex.)
Texas Group of Investment Bankers Association 14th Annual Meeting at Shamrock Hotel.

May 5, 1949 (St. Louis, Mo.)
St. Louis Municipal Dealers annual cocktail party.

May 6, 1949
St. Louis Municipal Dealers annual outing at Norwood Hills Country Club.

May 7-8, 1949 (Virginia Beach, Va.)
Southeastern Group of Investment Bankers Association Spring Meeting at the Cavalier Hotel.

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

May 16-17, 1949 (Hot Springs, Ark.)
Spring meeting of NASD Board of Governors and Advisory Council at The Homestead.

May 17, 1949 (Pittsburgh, Pa.)
Pittsburgh Securities Traders Association annual outing at South Hills Country Club.

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

May 27, 1949 (New York City)
Toppers Annual Outing at Rock Springs Country Club, West Orange, N. J.

June 3, 1949 (New York City)
Bond Club of New York 25th Annual Field Day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 6-7, 1949 (Cincinnati, Ohio)
Municipal Bond Dealers Group Annual Spring Party. Cocktail party for out of town guests June 6th; outing June 7 at the Kenwood Country Club.

June 10, 1949 (Los Angeles, Calif.)
Bond Club of Los Angeles field

June 10-12, 1949 (Minneapolis, Minn.)
Twin City Security Traders Association Summer Party at Gull Lake.

June 10, 1949 (New York City)
Municipal Bond Club of New York Field Day at Sleepy Hollow Country Club.

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

June 17, 1949 (New Jersey)
Bond Club of New Jersey Annual Field Day at Rock Spring Club, West Orange, N. J.

June 21-24, 1949 (Canada)
Investment Dealers Association of Canada 33rd annual meeting at Minaki Lodge, Ontario.

June 24, 1949 (Toledo, Ohio)
Bond Club of Toledo 15th annual outing at Inverness Country Club.

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.

Dealer-Broker Investment Recommendations and Literature

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

Canada—Booklet on development of the country—Superintendent, Business Development Department, Bank of Montreal, Place d'Armes, Montreal, Que., Canada.

Cotton — Memorandum — Orvis Bros. & Co., 14 Wall Street, New York 5, N. Y.

Economic Recovery of Europe and the ultimate effect upon government bonds of Great Britain, Belgium, Sweden, Netherlands, Norway and Denmark — New study—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Insurance Companies—Study of possible benefits by lower commodity prices—White & Co., Mississippi Valley Trust Building, St. Louis 1, Mo.

Local Housing Authority Bonds and Notes—Analysis of Federally-subsidized low rent housing program—C. J. Devine & Co., Inc., 48 Wall Street, New York 5, N. Y.

Also available is the 1949 edition of the firm's review of **U. S. Government Financing Operations.**

Market Survey — Abraham & Co., 120 Broadway, New York 5, N. Y.—In the issue are brief data on **Sears, Roebuck & Co.; American Machine & Foundry, Maine Public Service, Lehigh Valley Railroad, American Power & Light, Sperry Corp.** and **Greyhound Corp.**

New York City Bank Stocks—Comparison and analysis as of March 31 of 19 bank stocks—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Preliminary New York Bank Earnings — Indicated for first quarter — New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Public Utility Shares—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Railroads — Memorandum — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Reinsurance—Brochure—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Also available are studies of **American Alliance Insurance Co., General Reinsurance Corp., National Fire Insurance Co., New Hampshire Fire Insurance Co.** and, in the current issue of "Bank & Insurance Stock Digest," a tabulation of **1948 Fire and Casualty Insurance Operating Results.**

South African Gold Shares—New study—White, Weld & Co., 40 Wall Street, New York 5, N. Y.

Thirty Stocks Whose Earnings Should Increase in 1949—In the current issue of "Fortnightly Market and Business Survey"—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

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Amerex Holding Corp.—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Also available is an analysis of the possibilities for **Central Public Utility 5½s of 1952.**

Amerex Holding Corporation—Detailed study available to dealers and investors on request—Trading Department, Goodbody & Co., 115 Broadway, New York 6, N. Y.

American Equitable Assurance Co.—Analysis—Blair & Co., Inc., 44 Wall Street, New York 5, N. Y.

Also available are leaflets on **Merchants and Manufacturers Insurance Co.**, a tabulation of indicated first quarter **Bank Earnings**, and data on **Aetna Fire Insurance Co.** and **Manufacturers Trust Co.**

Anheuser-Busch, Inc. — Memorandum—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

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

Also available are brief data on **American Power & Light, Consolidated Vultee, American Gas & Electric**, and **Warner Bros.**

Fernandina Port Authority 4% toll road revenue bonds—Circular—Allen & Co., 30 Broad Street, New York 4, N. Y.

Getchell Mine, Inc.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Gillette Safety Razor—Memorandum—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

Also available is a memorandum on **Visking Corp.**

Harshaw Chemical Co. — McDonald & Co., Union Commerce Building, Cleveland 14, Ohio.

Hazeltine Corp. — Analysis — Bacon, Stevenson & Co., 39 Broadway, New York 6, N. Y.

Laclede Gas Light Co.—Special memorandum—Newhard, Cook & Co., Fourth and Olive, St. Louis 2, Mo.

Laclede Gas Light Co.—Memorandum—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Lehman Corp. — Analysis of changes in portfolio—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Merck & Co.—Detailed study—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are analyses of **Chicago Corp., Dixie Cup, Lily-Tulip** and **Erie Income 4½s of 2015** and leaflets on **American Republics, Brooklyn Union Gas Co., Hercules Powder, Johns-Manville, Monsanto Chemical, National Bank of Detroit, National Steel, Ohio Oil, Ruberoid, Union Carbide** and **Victor Chemical Works.**

Noranda Oil — Circular—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Polaroid Corp. — Memorandum—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Public Service Co. of Indiana—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

St. Louis-San Francisco Railway Co. — Analysis — Vilas &

(Continued on page 13)

The Outlook for Interest Rates

By RAYMOND RODGERS*

Professor of Banking, New York University

Holding private saving does not necessarily affect supply of credit and capital, Dr. Rodgers contends monetary authorities alone can and do finally determine interest rates. Foresees ample capital, chiefly from reinvested profits and debt creation, and warns of lack of equity investment. Looks for smaller capital demand and lists as influencing interest rates: (1) government agricultural support policy; (2) broadening of social security; (3) increased public housing; and (4) debt management policy. Concludes mortgage rates will stiffen, commercial rates will remain firm, and rates on corporate issues of different grades will widen.

The interest rate is the very heart of competitive capitalism. Paradoxically, it is both cause and effect. It is the result of basic natural forces in the economy, many of which are initiated and, sometimes, fostered by it. In addition to the natural pressures flowing from economic developments, there are artificial, but nonetheless powerful, forces pressing on the interest rate from the government and from the central banking system. The importance of these forces deliberately created by government policy was greatly increased with the advent of managed money in 1933; and they became the dominant factors in interest rate determination with the inauguration of public debt management in World War II.

Raymond Rodgers

In any economy with modern commercial banking and investment banking facilities, such as ours, a change in savings does not necessarily, or even directly lead to a change in the supply of credit and capital. Under such conditions, the capacity to save—or willingness to forego consumption—has but a very indirect connection with the rate of interest. This being the case, the monetary authorities can, within wide limits, determine the rate of interest because they can control the supply of credit and they can exercise great influence on the demand for credit.

This does not mean that the "managers" of our money and our debt can disregard underlying economic forces with impunity. On the contrary, the basic idea of such "management" is a conscious effort to adjust money and credit to the needs of the economy or to the needs of the government—or both. Money and credit management which does not give full weight to basic economic forces is bound to fail.

With these principles in mind, what will be the "natural" pressures from the economy on interest rates during the coming months?

Present Readjustments and Interest Rates

The most basic factor in the economy today is the spreading business readjustment. It is on the assumption, yes, the conviction, that this is a business readjustment, centered on realignment of prices, rather than a serious depression, that the following observations are made. (Parenthetically, may I remind those who think we face something more serious than a readjustment in the economy, that business men—and bankers—were blue in January, February, and March 1947! They were also blue in January, February and March, 1948. Repetition of this gloomy business psychology in 1949 almost looks as if it had become a regular pattern, doesn't it?)

The supply of capital from all sources will be very great in 1949. Because of changes in methods of financing, the great increase in capital formation in recent years is not full realized by many. The post-war practice of using reinvested earnings and bank borrowing, especially reinvested earnings, on a greatly increased scale tends to hide the enormous growth of the capital supply. In fact, there are some who feel that needed expansion of industry has been prevented by shortage of investment capital. Yet the records shows that American industry added nearly $19 billion of new plant and equipment in 1948 alone!

Those who criticize the pattern of present-day investment are on much firmer ground. Whereas 30% of the gross business investment in 1929 was secured by the issuance of new equity (stock) securities, the recent level has been only 6%. Too heavy reliance on reinvested earnings or on debt creation introduces different, but equally dangerous, elements of weakness in our economy.

More specifically, financial provision for depreciation on the billions and billions of plant equipment expansion since 1941 will place substantial sums at the disposal of management in 1949. The almost universal inclusion of sinking fund or amortization provisions in modern debt arrangements has a double effect: (1) It decreases the demand for capital by reducing the total of debt; and (2) it increases the supply by placing funds in the hands of lenders for reinvestment. While net corporate earnings after taxes this year will not be as high as in 1948, cash dividends paid out probably will not decline very much. An idea of the importance of this source can be secured from the Department of Commerce report that in 1948 publicly announced dividends of American corporations reached $6,074,200,000, which was a 14% increase over the 1947 total. While personal income taxes will take a very heavy toll of this total, there will still be a most substantial amount left for investment.

Insurance companies, savings banks, and other large institutional investors will have enormous sums for investment during 1949. The total of life insurance in force and the volume of new insurance written will remain at very high levels. Pension plans will continue to expand and the provision for each participant will continue to rise. The savings banks are again very active in seeking deposits and many of

(Continued on page 34)

*Address by Dr. Rodgers before the 55th Annual Convention, Florida Bankers Association, Miama, Fla., April 12, 1949.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The Irving Trust Company on April 1 announced the promotion of Arthur G. Boardman, Jr. from an Assistant Vice-President to Vice-President and the election of James A. Austin as a Vice-President.

* * *

The State Banking Department announced on April 1 the issuing of a certificate to **Brown Bros. Harriman & Co.,** 59 Wall Street, New York, N. Y., to continue business as private bankers with $2,000,000 capital. The new authorization was issued to the company by reason of admission of Robert A. Lovett as a general partner.

General partners were listed as Thatcher M. Brown, Moreau Delane Brown, Prescott S. Bush, Louis Curtis, E. Roland Harriman, Stephen Y. Hord, Frederick H. Kingsbury, Jr., Robert A. Lovett, Thomas McCance, Ray Morris, Harold D. Pennington and Knight Woolley, and as limited partner, W. Averill Harriman.

* * *

Governor Thomas E. Dewey and State Comptroller Frank C. Moore were guests at a luncheon last Friday at the **Bank of Manhattan,** 40 Wall Street, this city, attended by the officers and directors of this historic institution. The Governor and Comptroller were shown the bank's original charter bearing the signature of Gov. John Jay, dating back to April 2, 1799. Mr. J. Stewart Baker, Chairman of the Board, presented Gov. Dewey with a section of the wooden water pipe which was laid by the Manhattan Co. in 1800 in old New York City. The bank's historical exhibit on the main floor was commemorative of its 150th anniversary and week long celebration.

* * *

Benjamin Strong, President announced on April 8 that the Board of Trustees of **United States Trust Co. of New York** have appointed Alfred A. Fraser, III and Henry G. Hopper, Assistant Secretaries of the company.

* * *

An exhibition of products imported from Italy, sponsored by the American Chamber of Commerce of Trade with Italy, Inc., has been placed on display in the windows of the principal offices of **Colonial Trust Co.,** Avenue of the Americas and Forty-eighth Street, New York City.

At the same time, the banking institution has published a series of monographs, "World Recovery Through Imports — Trade with Italy," designed to encourage increased imports from Italy. These are being mailed to more than 350 banks in the port cities of the United States and to a selected list of importers and others interested in international trade.

The trade exhibition and monographs are results of visits to Italy last year by Arthur S. Kleeman, President of Colonial Trust Company, and Mario Diez, Vice-President in charge of the bank's International Division.

"The firm progress of Italy on the path to economic recovery is one of the brightest spots in the world economic picture," Mr. Kleeman said, "and it is our belief that to keep it so, we must do everything we can to encourage further imports of Italian goods. It is our hope that this exhibition and publication of our monographs will help to bring home to American businessmen and manufacturers the fact that Italy, in the years to come, will be a tremendous market for our exports, provided that Italy can pay for them through exports of her own to the United States. If we would sell to Italy, we must buy from Italy."

The Italian trade exhibition will continue through the first two weeks in May.

* * *

Joshua B. Powers, founder and President of Joshua B. Powers, Inc., which company represents publishers of many of the world's great newspapers, has been elected to the Board of Directors of **Colonial Trust Company,** it is announced by Arthur S. Kleeman, President.

* * *

A unique exhibit of the personnel records of **The East River Savings Bank** of this city, Joseph A. Broderick, President, will be on display this week, at the "1949 Personnel Workshop," of the School of Commerce at New York University. This is the first time that the public has been given an opportunity to view the co-ordinated system of personnel records which were recently completed by the bank for its own use. The application of visible records for assembling personnel facts will be made available later through the manufacturing suppliers of bank systems and record management devices. Altogether, some 1,200 companies and 300 labor unions have contributed 18,000 pieces of rank-and-file employee and supervisory literature in eighteen different classifications. All this material was first shown by the American Management Association at its Chicago Conference.

* * *

April 14th, marks the ninetieth anniversary of the founding of the **Queens County Savings Bank, New York.** Organized in 1859 by a group of leading citizens of the old Village of Flushing, the bank originally was set up to provide residents of Flushing and neighboring communities with a local savings institution.

At the end of the first year's operations, the bank boasted a total of 267 depositors, with savings aggregating $7,898. Today, the institution's books show a total of 104,670 depositors and total resources of more than $90,000,000.

The original bank was established in the old Village Hall, a small frame building situated on the site of the present park at Main Street and Northern Boulevard. It was open for only three hours a week, from five to eight on Thursday evenings, and the bank's funds were kept in the safe of Clement and Bloodgood's General Store, then at the corner of Broadway and Prince Street.

The bank now has four offices located in Flushing, Corona, Little Neck and Kew Gardens, the newest of which, the Kew Gardens Hills Offices, was opened for business on Jan. 8, 1949.

Joseph Upton, President of the bank, says that the institution's growth "has kept pace with the population increase of Queens, which has climbed from 32,903 in 1860 to 1,529,000 in 1949." He attributed the bank's growth to "a well-defined policy of aggressiveness which has been consistently followed, in principle and practice."

* * *

The County Trust Company, White Plains, N. Y., was given approval as of April 4 by the New York State Banking Department to change the location of its branch office from Station Plaza, Hartsdale, New York to 232 East Hartsdale Avenue, Hartsdale, New York, effective on or after April 5, 1949.

* * *

The Rye Trust Co., Rye, N. Y., was given approval by the New York State Banking Department as of April 1 to certificate of increase of capital stock from $235,000, consisting of 1,800 shares of preferred stock A of the par value of $25 each, 900 shares of preferred stock B of the par value of $50 each, and 2,900 shares of common stock of the par value of $50 each, to $272,500, consisting of 500 shares of preferred stock A of the par value of $25 each, 900 shares of preferred stock B of the par value of $50 each and 8,600 shares of common stock of the par value of $25 each.

* * *

David M. Barry, who has been Cashier and Executive Vice-President, has been elected President of the **Peekskill National Bank and Trust Co., Peekskill, N. Y.,** to succeed the late Dr. Stanton Curry, President for ten years. George V. Bishop, former Assistant Cashier, was promoted to be Cashier. James Dempsey, attorney and former Assistant District Attorney of Westchester County, was elected Chairman of the board of directors, a new position, according to a special dispatch to the New York "Times" from Peekskill, N. Y., on April 4.

* * *

The Hardley Falls Trust Co., Holyoke, Mass., has established a branch at Westover Field, Chicopee Falls, Mass., effective March 28, it was announced by the Board of Governors of the Federal Reserve System.

* * *

Oscar A. Anderson, 52, Executive Vice-President and Treasurer of the **Guaranty Bank Trust Co., Worcester, Mass.,** died on April 3 at his home after a long illness, according to the Boston "Herald" of April 4 which went on to say:

He had been associated with Worcester banks 32 years, having been affiliated with **Worcester County Trust Co.** 15 years before joining the Guaranty bank when it was formed in 1930. He had held his present position for nine years and had been a bank director since 1944.

* * *

Branch banking was given a new wrinkle on April 12 when the **Stamford Trust Co., Stamford, Conn.,** opened its first Commuters Branch in the westbound New Haven Railroad Station. State dignitaries and executives of the Railroad joined with Harold E. Rider, the bank's President, to celebrate the formal opening of the small red-brick branch bank which has been set up to accommodate Stamford residents who work in New York and elsewhere.

The commuters and local townspeople crowded in and around the Stamford Station waiting room to witness the formal inauguration of the new branch which was attended by the Honorable Richard Rapport, Bank Commissioner of the State of Connecticut, Mr. W. R. Benjamin, Treasurer of the New York, New Haven and Hartford Railroad Co., and Mr. S. A. Boyer, Assistant Vice-President of New York, New Haven and Hartford Railroad Co.

* * *

The board of directors of **The Trenton Banking Company** on April 5 elected Richard G. Macgill an Assistant Vice-President, according to an announcement issued by Caleb S. Green, President. Macgill will take up his duties on April 11. He comes from the Bankers Trust Co., New York City.

He began his business career with the First National Bank of Baltimore and served in all departments there during the period July 1, 1932 to Dec. 31, 1939. From Jan. 1, 1940 to November 1944 he served as Assistant Cashier of the First National Bank of Southern Maryland in Upper Marlborough, Md. In 1944 he was offered a position in the Metropolitan Division of the Bankers Trust Co., New York City, and served in their Fifth Avenue Office until the present time.

* * *

J. William Hardt retired on April 1 as Chairman and Executive Vice-President of the **Philadelphia National Bank.** Mr. Hardt who retired under the bank's retirement system will continue as a director. Mr. Hardt joined the Franklin National Bank in 1908 which was absorbed by the Philadelphia National Bank in 1928.

* * *

Tioga National Bank & Trust Co.'s stockholders have approved the proposal under which **Second National Bank of Philadelphia** will buy the assets and assume the deposit liabilities of Tioga National, according to the Philadelphia "Evening Bulletin" of March 30, which also said:

The business of both banks will be consolidated formally at the close of business April 30, 1949. Upon completion of the purchase, Second National will have deposits of $25,000,000 and total resources of $27,000,000.

* * *

The Yardley National Bank, Yardley, Pa., has increased its common capital stock, effective March 30, from $50,000 to $100,000 by sale of new stock, according to the April 4 bulletin of the Office of the Comptroller of the Currency.

* * *

Official opening of **The Bank of Virginia's** new office at 21st and Granby Streets, Norfolk, was held on April 11 with an open house from 7 p.m. to 10 p.m. At this time the public was welcomed for an inspection of the new bank building and installations just completed at this location. The office opened for business at regular banking hours on Tuesday, April 12, offering complete banking services at this second Bank of Virginia office in Norfolk.

Tazewell F. Thompson, Assistant Vice-President, is in charge of the bank's operations at 21st and Granby. The Main Street office of the bank continues in full operation to serve that area of the city, with L. H. Zehmer, Vice-President in charge since 1944. A third Bank of Virginia office now under construction at Charlotte and Boush Streets will be opened in the fall.

* * *

Ben Williamson, Jr., of Ashland, Ky., grandson of the founder of the **First National Bank of Williamson, W. Va.,** took over on April 6 as President of the firm, according to Associated Press advices from Williamson, W. Va., on April 6, which added:

Mr. Williamson succeeds E. R. Ward, whose resignation as President and a member of the board was accepted on April 5, effective April 1.

Mr. Ward was replaced on the board by Vice-President H. V. Hefner.

* * *

The New Carlisle National Bank, New Carlisle, Ohio, has increased its common capital stock from $75,000 to $175,000, effective Mar. 30. $25,000 of the increase resulted from a stock dividend and $75,000 from the sale of new stock, according to the April 4 Bulletin of the Office of the Comptroller of the Currency.

* * *

Issuance of a 99-year charter to the **First State Bank of Round Lake, Ill.,** was announced on April 6 by Benjamin O. Cooper, Auditor of Public Accounts, Springfield, Ill. The new bank, which expects to be ready for business about May 1, is to be located at the corner of Cedar Lake Road and Railroad Avenue, Round Lake, Lake County, Ill.

The community which the institution will serve has been without banking facilities for the past ten years.

The new bank has **capital stock** of $25,000, Auditor Cooper reported. In addition, it has a surplus of $15,000 and a reserve of $10,000 for operating expenses, making a total capital structure of $50,000.

Officers of the bank are: Dr. Gaspar F. Goshgarian, President; Claus F. Junge, Vice-President; and Willard J. Murphy, Cashier. Directors, in addition to the three officers, include Roy C. Davis and Raymond S. Ellis.

* * *

Benjamin G. Cooper, Auditor of Public Accounts, at Springfield, Ill., on April 6 issued a certificate authorizing the **Highland Park Building Loan and Savings Association,** 21 North Sheridan Road, Highland Park, to change its name to the **Highland Park Savings and Loan Association.** Walter E. Meierhoff is Secretary of the Association.

* * *

Ray Evans, who has been a member of the staff of **The City National Bank & Trust Co. of Kansas City, Mo.,** for the last year, after May 1 will represent the bank's Correspondent Bank Division in northern Kansas—to succeed Guy M. Hadsell, Assistant Cashier, whose new territory will be Nebraska, Colorado and Wyoming. Emory F. James, Jr., who formerly had this territory, has resigned his position with the bank. James R. Gayler, Vice-President, will represent the bank in New Mexico in addition to his Oklahoma and Texas Panhandle territory.

* * *

The **Commercial National Bank of Greenville, Miss.,** has increased its common capital stock, effective March 28, from $120,000 to $180,000 by sale of new stock, according to the April 4 Bulletin of the Office of the Comptroller of the Currency.

* * *

As a result of the sale of new stock the **First National Bank of Strawn, Texas,** has increased its common capital stock, effective March 28, from $50,000 to $75,000, it is learned from the April 4 Bulletin of the Office of the Comptroller of the Currency.

* * *

Dietrich Schmitz announced as President, that John L. Locke, President of Fisher Flouring Mills, was elected to the board of the **Washington Mutual Savings Bank of Seattle** at a meeting of the trustees held on March 29, it was learned from the Seattle "Times" of March 30.

* * *

The Chartered Bank of India, Australia & China, 38 Bishopsgate, London, in its statement of condition as of Dec. 31, 1948, reports the highest total resources in the history of the 96-year-old institution. Resources on that date totaled £138,421,141, an increase of £12.132.342, over the figure of £126,288,799 reported at the close of the previous year. Deposits including reserves for contingencies on Dec. 31, last, totaled £120.411,190 compared with £110,158.808 (adjusted) for Dec. 31, 1947. Net profits for 1948 amounted to £467,111 after providing for taxation and contingency accounts. Net earnings for 1947 were £448,058. The report states that a final dividend of 6%, less income tax, will be paid in April out of the 1948 balances, making the annual distribution 12%, the same as in 1947. The bank maintains branches in New York, India, Pakistan, Burma, Ceylon, Malaya, Siam, Indonesia, Indo-China, the Philippines, China and Japan, as well as in Great Britain and Germany.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Dullness with strong and weak spots continues to dominate market. Expect more of the same for rest of month.

Last week the tape started to move a little though it never generated sufficient excitement to attract any volume either way. That, however, wasn't surprising. In fact the maintenance of a *status quo* in price quotations is enough for the time being. Two weeks ago I anticipated that the month of April would be a dull one. Nothing has happened since to make me change my opinion.

* * *

With the coming of spring the news of first quarter earnings is being awaited with some mingled emotions. Here and there estimated earnings show a continuance of profitable operations. In other cases, declines are expected. But it's all kind of mixed up and judging from the tape action, no one really cares.

* * *

The question of taxes has been relegated to the muttering stage and some people seem to think that nothing will be done about them. I don't think so. We are deeply in the red and with more money being spent for foreign countries, the chances are a new hike in taxes is almost a certainty.

* * *

The market, meanwhile, having indicated higher prices, has done little. It will, I believe, continue to do just that, for at least another two weeks. It is during such periods, however, that buying can be calmly undertaken.

* * *

A few weeks ago I recommended a few stocks, having added to the list whenever these became available. As the market stands now you are long of the following: Cooper Bessemer at 27½ to 28½ (we'll take the median and call it 28). Stock is currently selling about 31. Suggest you hold it but keep your stop at 27. Old stop was 26.

Dresser was recommended between 20½ and 21½. An error in last week's column made the price read 27½-28½, the stop of 21½ was equally incorrect. If you refer to column of March 31 you will see the correct price. In any event stock became available at 21½ and stop is 18. Dresser is now about 22½.

Bristol Myers came into the list at 31 and went up to 33. It's now about 32. Stop remains at 29.

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.]

Dealer-Broker Invest. Recommendations and Literature

(Continued from page 11)

Hickey, 49 Wall Street, New York 5, N. Y.

Simpson's, Limited—Analysis—James Richardson & Sons, 367 Main Street, Winnipeg, Man., and 80 King Street, West, Toronto, Ont., Canada.

Tiffany & Co.—Memorandum—Stillman, Maynard & Co., 61 Broadway, New York 6, N. Y.

U. S. Plywood—Data—In "News and Views"—Bache & Co., Chrysler Building, New York, N. Y.

In the same issue are data on **Boeing Airplane Co., Grumman Aircraft** and **Radio Corporation of America.**

Zonolite Co.—Memorandum—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, N. Y.

Dominic Cronin With Cruttenden & Co.

CHICAGO, ILL. — Dominic C. Cronin is now associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges, it is announced. Mr. Cronin's connection with Cruttenden & Co. was previously reported in the Financial Chronicle of March 31st.

Willard Penry Joins Wesley Hall Co. Staff

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CAL. — Willard W. Penry has become associated with Wesley Hall & Co., First National Bank Building. Mr. Penry was previously with the Pacific Company of California and for many years with Hope & Co.

Richard Zehm Now with Clair S. Hall & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Richard E. Zehm has become associated with Clair S. Hall & Co., Union Trust Building. Mr. Zehm was formerly with Otis & Co. for many years.

Joins Leedy, Wheeler Staff

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, FLA. — Fred C. Wight has become connected with Leedy, Wheeler & Alleman, Inc., Florida Bank Building. Mr. Wight was previously with Thomson & McKinnon.

A Depression—Neither Inevitable Nor Probable

By W. WALTER WILLIAMS*

Chairman, Committee for Economic Development
President, Continental, Inc., Seattle, Wash.

Mr. Williams reviews recent trends and lays down as conditions for continued prosperity: (1) appreciation that our economic system has capacity to maintain stability; (2) clarified understanding between government and business; (3) recognition by business and labor that continuous increase of consumers' income can come about only by more productivity; (4) recognition of buyers' market and return to normal pricing and marketing; (5) wise use of Federal budget to stabilize economy; and (6) monetary and debt policy for preventing depression.

It takes a rash man to speak on the subject designated, which is "The General Business Outlook for 1949." Prophecy is always dangerous, particularly so when prophecy may result in the adoption of wrong policies. For that reason this discussion will beat a hasty retreat from the prophetic and undertakes to place the emphasis upon those facts which are clear at this time. That doesn't mean that there need be any retreat in analyzing the facts at hand and where they point. Above all, it doesn't imply any pussyfooting about the way many of us are behaving.

W. Walter Williams

A lot of us today are permitting ourselves to indulge in an unwarranted case of jitters. When you look at the overall picture, there is no reasonable justification for the jitters we find in some quarters.

There are four questions foremost in our minds today:

(1) What has been happening in the United States since the Fall of 1948?

(2) Where are we now?

(3) What are the mistakes which could get us into a depression?

(4) How can we maintain prosperity?

It should be borne in mind at the outset that we have an economy and a standard of living which permits the right of choice. We have a margin or surplus in our pockets, in our bank accounts and in other property. This margin or surplus gives us, as consumers and as businessmen, the right inseparably linked with our precious freedom to spend or to refrain from spending. We citizens by exercising that right of choice will determine to an important degree whether our economy ticks well or ticks poorly.

Make no mistake, we can create trouble if we are only stupid enough. And most of our mistakes will come, if we make them, out of our fears and our stupidity.

L. R. Boulware, Vice-President of General Electric, recently made a speech in which he showed some faith in our capacity to act like ignoramuses.

Mr. Boulware asked the rhetorical question: "How are we acting?"

His answer was: "Just like we had been studying to be half-wits."

Before we go into some of the stupidities we can commit, let us look at the hard facts and see what cause there is for real alarm at the moment.

What Has Been Happening Since the Fall of 1948?

In a period like this it is easy to feel as Rufus Choate felt when he was about to visit an opera given in a language he did not understand. He told his daughter to let him know what was going on. He said he did not want to dilate with the wrong emotions. Sometimes it seems that the current economic drama is being staged in a language that nobody understands. Some economists say we are about to experience a resumption of inflation once seasonal farm employment gets under way and once the full impact of government spending is felt. Another economist has referred to the present situation as disinflation. Other economists talk about adjustments and recessions and one even likened the existing situation to a baby that drank its milk too fast and is now emitting a series of burps. Another economist, commenting on this figure of speech, asked if the economy were not actually in for a series of protracted hiccups. Perhaps you see what I mean then when I say that our present situation is so obscure that it is pretty difficult to decide what emotions to dilate with.

Out of the great confusion and contradiction of economic reporting and guessing in the last six months the following basic facts emerge clearly:

(1) The great pressure of demand on supply has been considerably reduced. Ever since the war consumers, businesses and the government have been trying to buy more goods than were produced. This great pressure on demand gave us rapid increases in the prices of many goods (such as foods and other farm products) and acute shortages of those goods whose prices rose more slowly (such as steel, automobiles, refrigerators and other durable manufactured goods). During the last few months the excess pressure of demand on supply in large measure has disappeared.

In part this reflects the fact that our production of goods has been increasingly very rapidly. The speed with which American business has increased output since the war is an outstanding achievement of the free enterprise system. Industry after industry had enlarged capacity, improved pro-

(Continued on page 36)

*An address by Mr. Williams before the Eastern Regional Clinic of the Mortgage Bankers Association of America, New York City, April 4, 1949.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

The various banks in New York City last week issued their quarterly statements for the period ended March 31. Although there were variations in individual cases, the results in most instances were in line with expectations.

Indicated earnings on an overall basis were little changed from the previous year. In some cases where net operating earnings are reported on a quarterly basis slight gains were shown. Such was the case of National City which reported $0.77 per share for the first quarter of 1949 as against $0.74 a share a year earlier.

For comparative purposes the indicated earnings per share of the various New York City banks for the first quarter of 1949 compared with those for the same period of 1948 are presented below. Also shown are the deposits at the end of the periods and as of Dec. 31, 1948.

	Per Share Indicated Earns. First Quarter 1949	1948	Deposits Mar. 31, 1949	Dec. 31, 1948	Mar. 31, 1948
			(000's Omitted)		
Bank of Manhattan	$0.58	$0.53	$1,080,920	$1,180,773	$1,033,285
Bankers Trust	0.63	0.87	1,360,714	1,325.472	1,325,455
Central Hanover	1.50	1.50	1,325,645	1,400,785	1,417,743
Chase National	0.63	0.45	4,067,177	4,237,000	4,295,185
Chemical Bank & Trust	0.75	0.73	1,326,728	1,435,190	1,168,936
Commercial National	0.81	0.86	165,922	183,678	188,093
Corn Exchange	1.24	1.21	750,858	772,123	750,631
First National	17.00	20.52	511,379	523,324	519,734
Guaranty Trust	5.41	4.88	2,309,540	2,330,237	2,332,836
Irving Trust	0.29	0.30	1,037,114	1,113,182	995,260
Manufacturers Trust	1.16	*1.19	2,111,608	2,223,383	2,085,683
†National City	0.69	0.75	4,534,193	4,731,275	4,616,665
New York Trust	1.55	1.56	566,423	642,399	622,700
Public National	1.09	1.14	484,018	515,991	512,591
U. S. Trust	10.15	8.96	127,620	133,239	111,511

*Adjusted for stock dividend paid in January, 1949.
†Includes indicated earnings of City Bank Farmers Trust Company.

The trend of deposits for the quarter was generally down. The Treasury was an important factor and tax collections increased government balances with the Federal Reserve.

The trend of loans and investments was also down and totals at the end of the quarter were, with a few exceptions, lower than at the end of 1948.

These various amounts are shown in the following table.

	Loans and Discounts Mar. 31, 1949	Dec. 31, 1948	Mar. 31, 1948	U. S. Government Securities Mar. 31, 1949	Dec. 31, 1948	Mar. 31, 1948
			(000's Omitted)			
Bank of Manhattan	$408,647	$455,974	$434,482	$309,622	$344,796	$342,789
Bankers Trust	563,849	571,153	576,407	485,731	441.902	449,775
Central Hanover	477,387	425,538	418,156	491,795	590,525	643,386
Chase National	1,524,426	1,482.834	1,405,957	1,334,139	1,482,078	1,725,309
Chemical Bank & Tr.	540,438	560,799	432,571	386,884	415,567	415,757
Commercial Natl.	46,034	48,039	52,644	95,602	96,526	103,036
Corn Exchange	70,140	80,285	73,765	462,675	461,605	486,341
First National	104,344	110,333	77,143	317,343	325,693	373,005
Guaranty Trust	1,012,290	1,034,441	810,900	920,758	959,611	1,158,058
Irving Trust	419,701	429,049	398,798	370,705	395,088	404,946
Manufacturers Trust	572,764	605,912	496,449	939,831	970,586	1,080,514
National City	1,397,011	1,423,085	1,276,311	1,657,371	1,737,912	1,949,523
New York Trust	263,255	256,427	248,900	174,310	217,193	263,466
Public National	152,972	140,307	135,597	213,330	248,764	268,883
U. S. Trust	38,703	37,944	25,600	76,614	81,759	69,895

For the quarter the trend of loans declined in sympathy with general business conditions. Seasonal factors were also a consideration. In most cases, however, the totals outstanding were above a year ago. Five of the banks listed, Central Hanover, Chase National, New York Trust, Public National and U. S. Trust, were able to show a slight gain for the last quarter.

U. S. Government securities also showed a declining trend for most banks. Treasury operations were a dominating factor in this connection.

Cinn. Municipal Men To Hold Outing

CINCINNATI, OHIO—The Municipal Bond Dealers Group of Cincinnati has set June 6 and 7 as the days for their annual spring party. A cocktail party will be held June 6 for out of town guests and the Kenwood Country Club will be the scene of the activities on June 7. Besides the usual dinner, there will be golf, baseball and tennis.

With Boardman Freeman

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Julian K. Croxford and Melvin S. MacDonald are now with Boardman & Freeman, Inc., 75 Federal Street.

Didrichsen, Mullally With Glidden, Morris

Following the dissolution of Didrichsen & Co., announcement is made that F. v. z. Didrichsen and Charles J. Mullally have become associated with Glidden, Morris & Co., 72 Wall Street, New York City.

Now Coffin, Betz & Co.

PHILADELPHIA, PA.—Neil J. Sullivan has retired as a partner of Coffin, Betz & Sullivan and the firm name has been changed to Coffin, Betz & Co. Offices will be maintained in the Fidelity-Philadelphia Trust Building, Philadelphia.

Burr Names Two V.-Ps.

William H. Shroder and John H. Knuth have been elected vice-presidents of Burr & Co., Inc., 57 William Street, New York City, the firm announces.

Hardy with Colvin Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL. — Thomas F. Hardy, Jr., has become affiliated with Colvin & Co., Russ Building. Mr. Hardy was previously with Davies & Mejia.

Conservative New England Fund Management Lauded by Parker

As Reported by DOUGLAS K. PORTEOUS

Chief executive officer of Incorporated Investors likens today's careful mutual fund management to traditional conservative and successful "Boston Trustees" and to British trust practice. Advises salesmen to stress overall program in lieu of portfolio items.

The principles of the conservative old "Boston Trustees" was mentioned as the foundation of the three early MUTUAL INVESTMENT FUNDS founded in Boston back in the middle '20s. Mr. William A. Parker, the chief executive officer of Incorporated Investors, discussed the past and present developments in this field at the New York Institute of Finance.

William Parker

Mr. Parker's company, Incorporated Investors, has 32,121 stockholders, including 1,432 institutional investors, such as hospitals, churches, pension funds, trust companies and insurance companies. The total assets of this fund approximate $61,000,000.

Mr. Parker stated that money in New England had been pretty carefully taken care of, and handed down from generation to generation, partly as a result of the sound work of Boston trustees. They have for a long time performed the services of the British Mutual Trust and the present day Mutual Investment Fund in this country.

Mr. Parker traced the lack of knowledge of the American public in "ownership" securities prior to the twenties; the broken faith due to the '29 collapse; and the shattering of faith in '37. Interest has continued steadily downward in common stocks. On the other hand, the public's appetite for Mutual Investment Funds has been steadily upward in recent years; a definite observable trend!

In retail distribution of Funds, Mr. Parker urged against discussions of stock market action stating that Funds should not be purchased for market action. He recommended also that salesmen should avoid discussions of individual items in a Fund's Portfolio just as insurance salesmen avoid discussing the merits of issues in a company's portfolio. A fund is not an ITEM, it's a way of investing, a PROGRAM designed for future performance, including the preservation of purchasing power.

Appeal to the Big Investor

Mr. Parker feels that many large investors are not purchasing any investments at present because they do not like the market, the business outlook, the international situation and for other reasons. An appeal can be made to the big investor to liquidate some of his holdings and go more heavily into unproductive cash, or the alternative of employing "detached" competent full-time management for a large portion of his total fund—thereby providing a hedge against the large investor's own judgement.

Mr. J. Denny May, of Incorporated Investors, engaged in a sales demonstration with Mr. Parker as the prospect. This stimulating exchange of objections and answers brought to the fore many prospect reactions.

In answer to the question "Why buy a lot of things in a portfolio of a fund in order to get the stocks you want?" Mr. May stated that the record proves stock selection by fund managements have been better long-term holdings then the lists of individual investors. In other words, the funds have proved their ability to select both the highly favored stocks as well as, the unpopular undervalued stocks and that the combination of these types has performed outstandingly over the long-term.

The large investor could also be appealed to from the standpoint of convenience in earmarking portions of an estate for specific beneficiaries. This reduces the cost of estate administration and might assure competent management for a long period of years for these beneficiaries.

NSTA Notes

PITTSBURGH SECURITIES TRADERS ASSOCIATION

The Pittsburgh Securities Traders Association will hold their third annual outing at the South Hills Country Club on May 17.

The Association also announces the following 1949 committees:

General Program Chairman: G. C. Bodell, Young & Co.. Inc.

Membership: Richard W. Everson, Reed, Lear & Co., Chairman; Frank Tiernan, Jr., Preston, Watt & Schoyer, co-Chairman; Paul A Day, Glover, & MacGregor; Charles Kalbach, Reed, Lear & Co.; and Snowden Richards, Jr., Kay, Richards & Co.

Special Committee: Harry J. Steele, Fauset, Steele & Co., Chairman; George E. Lestrange, Arthurs, Lestrange & Klima, James Lear, Reed, Lear & Co.; Anthony E. Tomasic, Thomas & Co.; Wilbur Johnson, Johnson & Johnson, co-Chairman; A. Lowrie Applegate, Geo. Applegate & Co.; J. Ray Baldridge, Moore, Leonard & Lynch; Duane B. Barbour, Merrill Lynch, Pierce, Fenner & Beane; John L. Fitzgerald, Jr., Singer, Deane & Scribner; Albert R. Carter, Preston, Watts & Schoyer; George A. Depp, Chaplin and Co.; Robert Doyle, C. F. Childs & Co.; John L. Emery, H. M. Byllesby & Co.; Wm. R. Foley, Reed, Lear & Co.; Sterling E. W. Graham, Graham & Co.; Arthur R. Hefren; Harold K. Keir, Hemphill, Noyes & Co.; Cyril Knock, Reynolds & Co.; Paul V. Lane, S. K. Cunningham & Co.; Guy W. Lewis, Peoples First National Bank & Trust Co.; Horace E. Matters, Moore, Leonard & Lynch; Albert J. Metzmaier, Jr., Mellon National Bank & Trust Co.; Charles G. Peeler, Jr., Blair & Co., Inc.; Charles V. Shanahan, Singer, Deane & Scribner; Sydney Stolack, Blair F. Claybaugh & Co.; Raymond M. Taylor; Samuel H. Teresi, Thompson & Taylor Co.; S. J. Titus, R. C. Schmertz & Co.; Austin Umstead, A. E. Masten & Co.; John W. Wolf, Kay, Richards & Co.; and Roger J. Zingerman, Merrill Lynch, Pierce, Fenner & Beane.

Publicity Committee: E. E. Sweitzer, E. E. Sweitzer & Co., Chairman; Fred L. Stout, Stout & Co.

Entertainment: Louis W. Voight, Hemphill, Noyes & Co., Chairman; George W. Sheridan, McKelvey & Co.; Elmer E. Powell, E. E. Powell & Co.; Frank L. Satler, Jr., Moore, Leonard & Lynch; Edward C. Kost, A. E. Masten & Co.

Hotel Reservations: F. M. Ponicall, Jr., Singer, Deane & Scribner, Chairman; Wm. J. Ackerman, Reed, Lear & Co.

Speakers: Franklin Maroney, Blair & Co., Inc., Chairman; Owen Kraft, Blyth & Co., Inc.; Wm. J. Ackerman, Reed, Lear & Co.; Stanley Dodworth, Buckley Bros.

Special Event: John R. Klima, Arthurs, Lestrange & Klima, Chairman; Kenneth W. Moir, Chaplin & Co.; Thomas R. Davis, A. E. Masten & Co.

Golf: Paul F. Eves, Fidelity Trust Co., Chairman; Norman Ward, Norman Ward & Co.; Laird M. Arthur, Arthur & Guy, Inc.

LaBoccie: Steve W. Steinecke, S. K. Cunningham & Co., Chairman; John Ballard, Hemphill, Noyes & Co.

Insurance-Annuity—Charles N. Fisher, Singer, Deane & Scribner, Chairman; William Vorsanger, Blair F. Claybaugh & Co ; Walter H. Babbitt, W. H. Babbitt & Co.; James H. Scott, James H. Scott & Co.

Richard J. Wallace With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Richard J. Wallace has become associated

Richard J. Wallace

with Dempsey-Tegeler & Co., 209 South La Salle Street. Mr. Wallace was formerly with Remer, Mitchell & Reitzel, Inc. for many years specializing in bank and insurance stocks.

Paul R. Warwick, Jr., Co. Formed in Dallas

DALLAS, TEX.—Paul R. Warwick, Jr. is forming Paul R. Warwick, Jr. & Co. with offices in the Southwestern Life Building to conduct a securities business. He was formerly Dallas wholesale representative for Distributors Group of New York.

Hugh J. Devlin to Open Own Firm in New York

Hugh J. Devlin will open offices at 40 Wall Street to engage in the securities business. Mr. Devlin was formerly with Fitzgerald & Co., Inc.

With Shaw, Hooker & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Lorrain B. Mackey is now with Shaw, Hooker & Co., 1 Montgomery Street. Mr. Mackey in the past was with Brush, Slocumb & Co. and E. H. Rollins & Sons.

Mutual Funds

By HENRY HUNT

Market Review

"As in 1948, the March market came in like a lamb and went out like a lion. While there were further declines in business activity, commodity prices and employment during the month, investors seemed rather pleased that the adjustments to a normal peacetime basis were more orderly than they were in the early 1920's. They were at least willing to buy well situated stocks that give good yields since they felt that some seasonal upturn in business is suggested by the report of the National Association of Purchasing Agents that production generally is being maintained and in some cases is improving. This indicates that the decline in industrial activity which was evident at the end of 1948 has lost momentum for the time being.

"Also offsetting some of the unfavorable trends in business is the feeling that President Truman's honeymoon is over, that Congress is taking a realistic and independent view of the situation, that the North Atlantic Defense Pact has improved the position of the free enterprise nations, and that inflation is considered a 'dead duck' even in Washington where instalment restrictions were eased and security margins reduced. Encouraging was the example set in Canada where personal income taxes are to be reduced and where 10% of the dividend income of individuals is to be deducted from the total income tax due. While our government has been withdrawing more money from our economy than it has put back in recent months, that trend is expected to be reversed in the near future.

"Most encouraging of all has been the action of the market itself in holding above the February lows and in showing greater volume on advancing than on declining days. During March there was a willingness to take a greater risk in the market which has made our Index of Speculative Confidence rise in each of the last five weeks. It has been eight months since we have had two consecutive months of rally in the market. Only in two years out of the last 30 (1931 and 1920) has the market failed to rally for at least two months after a decline lasting as long as this one has. In his column in the 'Wall Street Journal,' Oliver Gingold pointed out that the purchaser of stocks on March 15 would have been able to take a long-term six months profit on Sept 15 in 12 out of the last 16 years. Some of the services that were so correct in their predictions that the market would decline in November after the election, regardless of which party won, are now predicting an equally sharp advance."—Written by Ralph Rotnem of **Harris, Upham.**

A $10 Bill for $5

"The March 21 issue of 'Life' points out that the stocks of many well-known and established American companies are selling at less than the value of their cash on hand. In other words, a share of stock can be purchased at a price which discounts the actual dollars in the company's treasury and completely ignores the value of the plant equipment, good will, patents and processes and managerial skill.

"This is no new phenomenon but it is a rare one. Perhaps once or twice in the average person's lifetime does a combination of circumstances create such an opportunity. Such, for example, was the case in 1932. At that time, not only was the ownership of business on the bargain counter but the returns on investment were outstandingly generous. A relatively few investors laid the foundations for fortunes by recognizing value and acting on their judgment.

"Today, although there has not been the sharp decline in price that the 1932 panic created, there has been a tremendous rise in the underlying assets of business. As a result, a few investors are going to have an opportunity to buy 'dollars at a discount.' A few investors are going to have the opportunity to buy securities at outstandingly generous income rates and with every confidence that their capital will grow.

"Unfortunately, there will be only a few. Such opportunities, of course, do not exist for long, and they are taken advantage of fairly quickly when publicly recognized. The spotlighting of these unusual factors by a magazine with the editorial standing of 'Life' may well prove to be the factor which crystallized public opinion in this case."—From "Keynotes" published by **The Keystone Company of Boston.**

Four Time-Tested Rules

"The acid test as to whether or not you truly are in the Mutual Fund business for keeps is your willingness to sell your most cherished customers—before you start working on 'the prospect list.'

"To produce any worth-while results, a retail investment trust program must be planned with care and conviction.

"There are no sales gadgets—no trick selling ideas—which eliminate the time and work it takes to explain to customers face-to-face why they should put some of their savings in certain kinds of Funds.

"And finally, if you really want to shoot for a BIG volume lay your plans to sell a lot of people a lot of times—not a lot of shares to a few people—once."—**Putnam Fund Distributors, Inc.**

Don't Be a "Willy Loman"

"One of the hits of the season on Broadway is a play called "The Death of a Salesman." It is the story of Willy Loman— a run-of-mill salesman, who could not or would not see the wisdom of building his business future on a foundation of SERVICE TO THE CUSTOMER.

"He meant well, cherished certain ideals, worked hard according to his light, yet never seemed able to 'click' as he had wanted to. He became side-tracked with false goals and sales will-o-wisps. For years he battled with his own conscience until finally, at 63, he realized his life had become a failure, simply because he had overlooked certain fundamentals—and his failure had ruined the lives of his faithful wife and two sons. Beset by worry and distraught by disillusionment, his spirit broken and his health ruined, Willy took what seemed to him to be the only way out, ending a life which had become unbearable, all because he had failed to understand the meaning and importance of one simple little word . . . SERVICE!

"There was a time when selling was considered a display of smartness. Today it is a demonstration of SERVICE. Many salesmen in the old days were Willy Lomans. They were 'hit and run' boys—once-over men. They never visited a given territory a second time because too many victims were waiting for them with shot guns. They were disciples of 'Caveat Emptor.' But those days are gone forever. Today, if anyone must beware, it is the salesman. He who has not learned the value and importance of SERVICE, is either asleep or blind, and can hardly expect to enjoy the measure of success and progress to which he aspires, no matter what he sells."—An excerpt from "The Broadcaster," published by **Investors Diversified Services, Inc.**

Secondary Uptrend Indicated?

"A wholehearted signal that the secondary trend of the market is upward was given by both the Dow-Jones industrial and railroad averages when they passed previous highs last week. At the week's highs the industrials had advanced over seven points from the Feb. 25 low of 171.10, while the rails at their high were more than three points above the Feb. 24 low of 46.34.

"According to precedent, secondary movements last from three weeks to three months and retrace from one-third to two-thirds of the last leg of the primary movement.

"But before readers attempt to measure the possible extent of the current (or possibly recent) secondary uptrend, let them consider this record of futility of the stock market, which shows the price of the Dow-Jones industrial average at the close of various quarters in recent years:

Date	Price	Date	Price
Dec. 31, 1946	177.29	March 31, 1948	177.20
March 31, 1947	177.20	Dec. 31, 1948	177.30
June 30, 1947	177.30	March 31, 1949	177.10
Sept. 30, 1947	177.49		

"Within the period covered in the above list there have been bull and bear market signals, but the almost stationary average suggests that there was little advantage to be gained from following them."—"The Dow Analyst."

Prominent Personalities

(Fourteenth of a Series)

CHARLES F. EATON, JR.

President, Eaton & Howard, Inc.

When a man comes from "'Way Down East" in Maine, not far from the border of Canada, he is not likely to forget the fresh air, the sun, the wind, the lakes, the white water of the rivers and the good hunting and fishing, of his youth. That feeling of physical well-being which comes from plenty of oxygen in the lungs, once experienced, can never be forgotten. Charlie Eaton has never forgotten it, and that is why you see him off on a trip to the woods, where he can really relax, on the few occasions when the demands of business permit.

Charles F. Eaton, Jr.

Born in Princeton, Maine, Charlie spent his early days there. When one of his young sons asked him "Why do you always talk about Princeton, Maine?" his reply was "Because that is where I came from." The inference is that he still thinks well of what he learned at home in Princeton, Maine.

His schooling included Exeter and Harvard, after which his first venture into business was with the First National Corporation of Boston, predecessor of the present First Boston Corporation. Shortly thereafter, in 1924, the firm of Eaton & Howard was established. It has occupied his thoughts and energies ever since.

The field of investment counsel was new in 1924, and required a pioneering spirit. Charlie has been a pioneer ever since. Over the 25 years, investment habits in this country have changed greatly. Investment management as a specialized service has come of age, and its growth has been accompanied and augmented by another important development—the inception and growth in this country of the mutual investment company as a public institution. Here again Eaton & Howard ventured into the new field. It organized two mutual investment funds which bear its name, Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund, which it manages, and for which it also acts as underwriter.

It is not a mere coincidence that Charlie Eaton finds himself so wholeheartedly in the business of investment company management. He believes that in providing new shareholder-investors with a stake in the economic welfare of the country the investment company provides a real bulwark for our capitalistic system of free enterprise. He believes in the competitive system even for investment companies and that it is in the ordinary "give and take" of honest differences of opinion that right principles are evolved and sound procedures developed. He further believes that it is neither necessary nor desirable to oversell the investment company idea. It has already proved its worth, and that fact will become more evident with the passage of time.

While Charlie has a pretty busy program, he finds time in between for work on committees in the investment counsel, investment company, and investment banking fields. He is a Director of a leading Boston bank and a Director or Trustee of other financial institutions and charitable organizations.

Someone told Charlie once about the Indian, living on his tribal reservation, who was offered a job in New York with bright prospects of success after hard work. The Indian asked "What for?" and was told "So you can make a lot of money and retire and go fishing." The Indian's reply was "I can go fishing now." Charlie got a laugh out of the story, as he always does, but was not impressed by the philosophy expressed. You will never convince him that hard work is not good for everyone. Then you can enjoy your fishing.

Canadian Securities

By WILLIAM J. McKAY

Political considerations continue to outweigh economic logic in both Canadian and British official circles. With the prospect of a June election in Canada the Liberal administration's principal objective appears to be the winning of electoral approval; the effect on the economy of successive concessions is apparently of minor importance. Official statements continue to place emphasis on the undoubtedly praiseworthy results achieved in the past period of the sellers' market. Without the political necessity to create a favorable impression, the Dominion government would now be paying serious heed to the economic pitfalls ahead.

It should be borne in mind that the present gratifying $1 billion total of exchange reserves was bolstered during 1948 by many non-recurrent items. The past year moreover marked the definite end of the seller's market. Thus the immediate period ahead will be fraught with exceptional difficulties for countries which are dependent to large degree on the availability of export markets.

In the case of Canada the situation will be further aggravated as a result of the promising condition of the world's grain crops which threatens to produce intense future competition in dwindling world markets. The situation in the pulp, paper, and lumber industry is already causing growing concern; in the event of a devaluation of the Swedish kronor the forestry industry's export problem will become even more serious. In the case of another staple Canadian export item—base metals—falling prices, and increasing production elsewhere, are likely to pare still further the Dominion's vulnerable exchange reserves.

Meanwhile the British situation which inevitably exerts a vital influence on the Canadian economy gives cause for even more serious concern. Despite the efforts of the Labor government to paint a rosy economic picture it is likewise only possible to do so by pointing to the achievements of the past. Even the highly creditable first quarter's export figures undoubtedly still reflect contracts placed while the sellers' market still existed. It will be remarkable indeed if the level of the 1948 export target can be maintained—to attain the boosted 1949 target recently announced by the President of the Board of Trade will constitute a miracle. The realization of this British economic aim appears all the more unlikely in view of the avowed intention of the Labor government to continue to confound economics with politics by the pursuit of the policy of nationalization of industry and finance on a still broader scale.

The sooner therefore that the problem is considered from a purely economic as distinct from a political angle, the closer will be the approach to a satisfactory solution. On the other hand if there is continued procrastination in facing the economic facts, there is every likelihood that external influences will eventually dictate events. There is now evidence of increasing recognition elsewhere that rigid exchange controls and unrealistic currency levels are incompatible with ability to compete for export outlets in a buyers' market. Consequently economic necessity might compel a country such as Sweden to resort to unilateral devaluation in which event a chain reaction would be set up that would bring intolerable pressure to bear on sterling and other overvalued currencies. Although the Canadian dollar is not included in the soft-currency category, nevertheless as a consequence of its relationship with the pound it would also be sympathetically affected.

During the week both the external and internal sections of the market were steady but inactive. The corporate-arbitrage rate was firm at 11½% and free funds remained almost stationary around 6½%. It is somewhat remarkable that the recent wave of currency rumors has so far created no effect whatsoever in the market here for Canadian internal securities. The stock markets were dull and irregular and recorded more losses than gains. There was however considerable activity in Winnipeg Electric on reports of a $45 purchase price, so far unconfirmed by the Manitoba Government. Golds held most of their recent gains, and base-metals led by Consolidated Smelters which touched a recent new low, finally registered some improvement. Western Oils likewise showed a tendency to recover following an earlier decline.

St. Louis Stock Exch. Re-elects Officers

ST. LOUIS, MO.—Officers of the St. Louis Stock Exchange have been re-elected for the coming year. They are John A. Isaacs, Jr., Semple, Jacobs & Co., President; Edward D. Jones, Edward D. Jones & Co., Vice-President; and John H. Crago, Smith, Moore & Co., Secretary and Treasurer. Elected Directors were: Arthur A. Christophel, Reinholdt & Gardner; Bert H. Horning, Stifel, Nicolaus & Co., and Spencer H. Robinson, Hill Brothers.

George Atwood Joins Staff of Cohu Corp.

George D. Atwood, former partner of Reinhart & Bennett, members of the New York Stock Exchange, is now associated with The Cohu Corporation, 1 Wall Street, New York City, in the Retail Distribution of Mutual Investment Funds.

Carlisle-Jacquelin Co.

Carlisle & Jacquelin, 120 Broadway, New York City, members of the New York Stock Exchange, will admit James M. Brown, Jr., Exchange Member, to partnership on May 1. Mr. Brown has been active as an individual floor broker.

Mutual Funds' Role in Investment Business

Charles F. Eaton, Jr., President of Eaton & Howard, Inc., tells New York Investment Association proper use of investment trust shares can supplement regular functions of securities industry.

In an informal talk given recently before the New York Investment Association, Charles F. Eaton, Jr., President of Eaton & Howard, Inc., investment managers, discussed the role of open-end investment trust shares in the investment banking and brokerage business.

Charles F. Eaton, Jr.

"Mutual investment companies," Mr. Eaton declared, "are not in competition with the regular functions of investment banking and brokerage—certainly not if sound selling procedures are followed. Proper use of investment funds by bankers and brokers can supplement and complement those functions."

Mr. Eaton contends that certain phases of the investment business are still relatively inefficient and uneconomical. "I have particular reference to the use of the time and energy of your salesmen and registered representatives," the speaker said. "A disproportionate amount of time and effort is being devoted to relatively unprofitable segments of your business. Efficient and effective use of one's time and energy — continuously applied—is vitally important to the proper functioning of any business. This business is no exception. To insure our own economic survival and to render better and more profitable service to the investing public we must seek every possible means of improvement on this score." He then proceeded to give a brief resume of the background and growth of the investment company business in recent years, stating that:

(1) It is a sound method of investing as proven by its growing acceptance and use in this country.

(2) It operates under sound laws, i.e., the Investment Company Act of 1940, and certain State Regulations.

(3) Its record is an open book; anyone can easily secure pertinent and complete information on any phase of its operation.

(4) The majority of trusts are doing a good job, judged by any criterion one cares to apply.

Continuing, Mr. Eaton stated:

"How can mutual funds, therefore, help you in this search for increased efficiency and economy in your business and at the same time tap new markets? First of all, let us consider the small account. For obvious reasons this phase of your operations is particularly inefficient. These accounts take up a disproportionate amount of your time and effort which could be more advantageously devoted to your larger, more profitable accounts and to the continuous search for new business.

"You cannot — nobody can — give these small accounts adequate diversification and supervision nor make them profitable business without introducing more efficient and effective procedures. My own firm recognized this years ago. In fact, it was precisely the necessity for the better administration of our smaller accounts that caused us to create the Eaton & Howard Funds which got us into this business."

Mr. Eaton then went on to state that occasionally he is asked by investment bankers whether or not the use of mutual funds tends to "freeze" the money involved. "Undoubtedly that is true in some cases," he declared, "but I believe that such 'freezing' in most instances accrues to the benefit of all concerned. It depends upon whether or not the Funds are sold properly and in situations where they are suitable. Funds must not be oversold. But when you do use them properly they surely beget business in the most efficient and satisfactory way. That I know. I see evidence of it every day."

Mr. Eaton, in his talk, pointed out how large trust companies were forming common trust funds in recognition of the necessity for handling their small accounts more efficiently and effectively. He explained how, in recent years, several groups of religious and charitable organizations also have been commingling the investments of their various affiliated institutions by forming mutual investment funds of their own. "These developments," Mr. Eaton said, "are nothing more or less than a recognition of the inherent advantages of sound and constructive group investing. The sooner you comprehend the significance of this trend and the sound principles on which it is based, the better you will be able to solve some of your own personal problems as an investment man and at the same time render a broader service to your clientele.

"I have talked to you thus far about your small accounts, for this is the particular area in which there exists such an urgent need for improvement in your operations. Let me say now that there are a number of your larger accounts which will use investment funds, and advisedly so. Such funds present a logical method of acquiring not only a group of individual securities, but also continuous investment management. In addition to the broad diversification and constant supervision provided by mutual funds, the advantages of simplicity and freedom from detail have strong appeal to busy men and women of substantial means. Mutual funds are enabling these people to achieve peace of mind through professional management at low cost. Perhaps you would be interested to know that in the case of Eaton & Howard Balanced Fund 25% of the Fund is owned by shareholders having an investment of $25,000 or more. I point this out only to emphasize the fact that the small account is by no means the only logical place for mutual funds."

In concluding his remarks Mr. Eaton said that investment companies are growing up, and although there are still problems to be thrashed out here, as in any growing industry, competition and an honest difference of opinion on certain controversial matters should be welcomed and are a good thing for the business. "After all," he stated, "in the last analysis, you men in the investment banking and brokerage business will help govern what methods and procedures are deemed 'right' and 'proper' because you can demand them for and on behalf of your customers. You have a grave responsibility in this respect and I urge you to be discriminating in voicing your feelings on such matters.

"I only hope that in the few moments allotted to me I may have stimulated your thinking and aroused your imagination in regard to this whole growing field of open-end investment trusts. Let me, in closing, warn you again not to over-sell management. None of us, of course, are infallible. On the other hand, it would be equally poor judgment for anyone to underestimate the value of competent investment management.

"I believe mutual funds, by and large, are doing a good job of managing money and will continue to do so. At the same time, they offer you a sound method to supplement your regular business, tap new markets, increase your efficiency, and, therefore, the profitability of your business, particularly with respect to your smaller accounts. Your customers will be better satisfied, and what is most important, they will be bringing you an increasing amount of additional and repeat business with a minimum of extra selling effort and expense on your part."

"Bawl Street Journal" Seeking Contributions

That hardy perennial, "The Bawl Street Journal," is getting ready to make its annual appearance. The date this year will be June 3; the occasion, the 25th annual Field Day of the Bond Club of New York.

An invitation to Wall Street jokesmiths to contribute articles or advertisements lampooning men and events of the year in finance, business and politics has been issued by David B. McElroy, Chairman of the "Bawl Street Journal" Committee, and John A. Straley, editor. Contributors whose material is accepted will receive free copies of the paper, a publication which invariably becomes a collectors' item.

May 1 is the deadline for contributions which should be sent to Mr. McElroy at J. P. Morgan & Co. or Mr. Straley at Hugh W. Long & Co.

Burnside Director

Mortimer B. Burnside has been elected a director of United States Air Conditioning Corporation.

Business Man's Bookshelf

Austria: Crossroads of Europe—Ernest L. Bogart—Citizens Conference on International Economic Union, 80 Lexington Avenue, New York 16, N. Y.—paper.

Delivered Pricing and the Future of American Business—Second 1948 Economic Institute—Chamber of Commerce of the United States, Washington 6, D. C.—paper—$1.50.

Epic of American Industry, The—James Blaine Walker—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$5.

Expanding Welfare in a Free Economy—Edna Lonigan—American Enterprise Association, 4 East 41st Street, New York 17, N. Y.—paper 50¢.

Manual of Laws Relating to Loans and Investments by National Banks—American Bankers Association, 12 East 36th Street, New York, N. Y.—paper—$1.

Study of the Port of New York Authority—Municipal Service Division, Dun & Bradstreet, Inc., 290 Broadway, New York 7, N. Y.—board covers—$5.

Toward Mutual Understanding—Booklet covering the functions of the school—New York State School of Industrial and Labor Relations, Cornell University, Ithaca, N. Y.—paper.

Housing Authority Bond Study Issued

Govt. Finance Review Also Released by C. J. Devine

"Local Housing Authority Bonds and Notes," an analysis of the present Federally-subsidized low rent housing program and proposed amendments to this program, has been prepared by C. J. Devine & Co., Inc., 48 Wall Street, New York City, and is now available for distribution. Specialists in government and municipal securities, the investment banking firm has closely followed housing financing at the Federal, state and local levels. The current booklet was written to give banks, investment dealers, insurance companies and other investors a "basic data book" on low rent housing on which may be super-imposed any subsequent amendatory changes.

Divided into two sections, the study reviews first the organization and obligations of the Public Housing Administration and local housing authorities throughout the country. The second section is devoted to an analysis of bill 1070 now ready for deliberation in the United States Senate which would amend the United States Housing Act of 1937 and authorize possibly $7,000,000,000 new financing with bonds of substantially improved caliber.

Describing as distinctly high grade the bonds which would be issued under the Act of 1937 with amendments proposed by Senate bill 1070, the brochure points out that such securities should have broad market acceptance at prices related to tax exempt money market conditions.

The 1949 edition of the C. J. Devine & Co., Inc. review of U. S. Government financing operations also just issued discloses that commercial bank holdings of marketable U. S. Treasury securities decreased approximately $17.6 billion between Jan. 31, 1945, and Nov. 30, 1948. In its analysis of changes in ownership of Treasury securities, the review also shows that during the same period other categories of investors increased their holdings of Treasury issues, this being especially true of Federal Reserve banks and private investors. Influenced by this increase the total of outstanding marketable government securities was reduced only $5.7 billion over the four year period.

The review, prepared in booklet form, includes a graph of market prices of representative U. S. Government issues covering the last 10 years and a discussion of occurrences which influenced market prices during this period. Other sections of the review contain a chronology of important financial and economic events from V-J Day through 1948; details of public offerings of marketable U. S. Treasury issues from June, 1945 thorugh 1948; records of marketable and non-marketable issues outstanding Dec. 31, 1948 and total government debt, direct and guaranteed, at various dates.

The statistics on ownership of marketable U. S. Government securities show distribution of each issue of bonds, notes and certificates among investor classes as of Nov. 30, 1948. Tabulations of receipts and expenditures of the Treasury are recorded by fiscal years, with actual records covering 1941-1948 and budget estimates for 1949-1950.

As in previous years, the review contains graphs and tables showing yields on all classes of marketable U. S. Treasury issues and descriptive tables of U. S. Treasury and Agency obligations.

Investment Dealers Association of Canada Annual Meeting, June 21-24, at Minaki Lodge

TORONTO, ONT., CANADA—The 33rd annual meeting of the Investment Dealers Association of Canada will be held at Minaki Lodge, Ontario, starting Tuesday morning, June 21, and finishing Friday afternoon, June 24. Reservation should be made with J. A. Kingsmill, 11 Jordan Street, Toronto.

The program for the meeting is as follows:

Tuesday, June 21:
- 10:30 a.m. Meeting of the Outgoing District Executive Committee Members
- 1:00 p.m. Luncheon—Special Speaker
- 3:00 p.m. Meeting of the Outgoing Dominion Executive Committee

Wednesday, June 22:
- 10:00 a.m. Annual Meeting; President's Address, Reports from Districts, Committees, Election of Officers
- 1:00 p.m. Luncheon—Special Speaker
- 5:30 p.m. Retiring President's Cocktail Party

Thursday, June 23:
- 10:00 a.m. Special Forum, Discussion of Problems of Members
- 11:15 a.m. Conference With Newspapermen
- 1:00 p.m. Luncheon—Special Speaker
- 5:30 p.m. New President's Cocktail Party

Friday, June 24:
- 10:00 a.m. Meeting of Members to Review IDAC Problems

The program is being arranged so that the business sessions for the members will be held in the mornings. The afternoons and evenings will be left free for recreation with the exception of meetings of the outgoing and incoming Dominion Executive Committees (consisting of eight Executive Officers of the Association) which will be held in the afternoon. It has been decided to hold no annual dinner this year. Guest speakers will address the members at luncheons. There will therefore be no necessity for formal dinner clothes. Arrangements have been made with the Ontario Liquor Commission and Minaki Lodge to have the Ladies Lounge set aside for the use of members, which will open at certain hours for the serving of liquid refreshments, without charge to the members, similar to the arrangement at Manoir Richelieu last year. The registration fee for each member, which will be charged to his account at the Lodge, will be $25.

Rates at the Lodge will depend on the accommodation allotted. These rates vary from $6.00 per day, single ($11.00 double) to $11.00 per day, single ($18.00 double), which includes meals.

Train schedules are as follows: The Association has applied for the reduced rate to the Canadian Passenger Association under the "Identification Certificate Plan" and the forms to obtain the reduced rate will be forwarded to members attending at a later date. This reduced rate for the going trip is only good between June 18 and June 23 and for the return trip is good up to 30 days.

RAIL FARES

To Minaki From	Regular	Identification Certificate Plan (See letter April 4, para. 5)
Vancouver	$102.85	$85.75
Calgary / Edmonton	56.60	47.20
Winnipeg	7.10	5.95
Toronto	67.50	56.25
Ottawa	70.00	58.35
Montreal	76.95	64.15
Saint John	104.90	89.95
Halifax	111.55	96.15

BERTH AND ROOM RATES

	Lower	Single Bedroom	Compt. for 1	Compt. for 2	D. Room for 1	D. Room for 2
Vancouver to Minaki	$15.95	$31.90	$40.00	$45.00	$48.00	$56.00
Edmonton to Minaki	8.10	16.20	20.50	23.00	25.00	29.00
Calgary to Winnipeg	7.20	14.40	18.00	20.50	22.00	26.00
Winnipeg to Minaki		—Seat rate is 75¢—				
Toronto to Minaki	9.70	19.40	24.50	27.50	30.00	34.00
Ottawa to Minaki	10.00	20.00	25.00	28.00	30.00	35.00
Montreal to Minaki	11.25	22.50	28.50	31.50	34.00	40.00
Saint John to Minaki	15.60	31.20	39.50	44.00	48.00	56.00
Halifax to Minaki	17.20	34.40	43.50	48.50	52.00	61.00

RAILWAY SCHEDULE

WESTBOUND	City	Day and Date	Time	Via
Leave	Halifax	June 18th	8:00 AM	CN #3
Arrive	Montreal	June 19th	7:20 AM	"
Leave	Saint John	June 18th	8:00 PM	CP #39
Arrive	Montreal	June 19th	11:35 AM	"
Leave	Montreal	June 19th	8:20 PM	CN #1
Leave	Ottawa	June 19th	10:55 PM	CN #1
Arrive	Minaki	June 21st	8:00 AM	"
Leave	Toronto	June 19th	11:00 PM	CN #3
Arrive	Minaki	June 21st	8:00 AM	"

RETURN	City	Day and Date	Time	Via
Leave	Minaki	June 24th	10:34 PM	CN #4
Arrive	Toronto	June 26th	7:00 AM	"
Leave	Minaki	June 24th	9:30 PM	CN #2
Arrive	Ottawa	June 26th	6:10 AM	"
Arrive	Montreal	June 26th	9:00 AM	CN #2
Leave	Montreal	June 26th	8:00 PM	CN #4
Arrive	Halifax	June 27th	7:50 PM	"
Leave	Montreal	June 26th	3:15 PM	CP #40
Arrive	Saint John	June 27th	6:40 AM	"

EASTBOUND	City	Day and Date	Time	Via
Leave	Vancouver	June 18th	7:15 PM	CN #2
Arrive	Minaki	June 20th	9:30 PM	"
Leave	Calgary	June 19th	8:00 PM	CP #8
Arrive	Winnipeg	June 20th	6:00 PM	"
Leave	Winnipeg	June 20th	7:40 PM	CN #4
Arrive	Minaki	June 20th	10:34 PM	"
Leave	Edmonton	June 19th	9:45 PM	CN #4
Arrive	Minaki	June 20th	10:34 PM	"

RETURN	City	Day and Date	Time	Via
Leave	Minaki	June 25th	7:08 AM	CN #1
Arrive	Vancouver	June 27th	9:20 AM	"
Leave	Minaki	June 25th	7:08 AM	CN #1
Arrive	Winnipeg	June 25th	10:10 AM	"
Leave	Winnipeg	June 25th	11:10 AM	CP #8
Arrive	Calgary	June 26th	9:05 AM	"
Leave	Minaki	June 25th	7:08 AM	CN #1
Arrive	Edmonton	June 26th	8:15 AM	"

The Association office will not arrange return railroad reservations unless specifically requested to do so. As the trains from Minaki are all Trans-Canada trains, it is particularly necessary to make reservations at an early date. Sleeping cars from Montreal and Toronto (leaving the night of June 19) will be combined at Capreol and operated from that point either as a section or special, so that arrival at Minaki will be at 8:00 a.m., June 21. All times given in the schedule are Standard Time.

We Shall See!

"The Republican leaders seem to think the plain people in this country are plain stupid. In my experience the average citizen in the United States is bright enough to tell his enemies from his friends.

* * *

"So far, the Democratic party has failed to discipline the handful of Southern Democrats, led by Senator Harry F. Byrd, Democrat, of Virginia, who have deserted their party leaders, their party principles and their party promises again, again and again."—Harvey W. Brown, President of the International Association of Machinists.

"During this period it is imperative that every possible step be taken to secure meetings between representatives of the CIO organizations and the various Congressmen and Senators. They must be impressed with the fact that labor and the people in this country are dissatisfied with the record of the 81st Congress during its first three months—and they must demand immediate and positive action. . . ."—Philip Murray, President of the CIO.

Now we shall have to see whether the Murrays and the Browns run this country, or whether duly elected representatives of the people have minds of their own.

Sees More Savings Going Into Non-Governments

In reporting volume and composition of individual saving in 1948, SEC finds though individuals' holdings of securities were about same as in 1947, a larger portion was in securities other than U. S. Government obligations. Finds individuals' holdings of cash and bank deposits lower.

During the year 1948 individuals saved $4.9 billion in liquid form, according to estimates of saving by individuals in the United States made public by the Securities and Exchange Commission. This was $3.4 billion less than in 1947 and approximated the 1940 level. In addition to saving in liquid form, individuals purchased $7.7 billion of new homes and there was also a considerable amount of new physical investment and expansion of inventories by farmers and unincorporated business. Including these non-liquid forms of saving, individuals added more to their total assets in 1948 than in 1947.

As of the end of 1948 individuals held about $130 billion in cash and bank deposits and about $70 billion of U. S. Government securities. Of the total of cash and deposits, $24 billion was in the form of currency, $56 billion was in time and savings deposits, and $50 billion was in checking accounts. U. S. Government securities held by individuals were mainly U. S. savings bonds, $34 billion of Series A-E bonds and $14 billion of Series F and G bonds, with other U. S. Government securities amounting to $21 billion. In addition, individuals had an equity of about $54 billion in private insurance and about $36 billion in government insurance and pension reserves. Equity in savings and loan associations amounted to about $11 billion at the end of 1948.

During 1948 individuals' holdings of U. S. Government securities increased by about $1.4 billion while their holdings of securities other than U. S. Government increased by $2.8 billion. Individuals also added about $3.5 billion to their equity in government insurance and pension reserves, $3.4 billion to their equity in private insurance, and $1.1 billion to their equity in savings and loan associations. During the same period individuals increased their mortgage indebtedness by $3.7 billion and other consumer indebtedness by $2.3 billion, and reduced their holdings of cash and bank deposits by $1.4 billion.

While the increase in individuals' holdings of securities during 1948 was about the same as in 1947, a larger proportion was in the form of securities other than U. S. Government. Holdings of U. S. savings bonds increased by about $2.1 billion with Series A-E bonds accounting for $700 million, more than twice the amount for 1947. There was a decline in individuals' equity in U. S. Government securities other than savings bonds reflecting redemptions of Armed Forces Leave Bonds of $300 million and an increase in security loans by banks of about $400 million.

During 1948 saving in the form of securities other than U. S. Government amounted to $2.8 billion compared with $1.4 billion in 1947. New securities issued by state and local governments reached a record level, largely because of flotations to pay veterans' bonuses, and individuals' holdings increased by $1.2 billion. This may be compared with a $400 million increase in the preceding year. In 1948 there was a record of $5.0 billion increase in the net issues of corporate and other bonds. Of this total, $400 million was taken by individuals while $4.6 billion was bought by institutions. Almost all the net increase in corporate stock of $1.2 billion, however, was absorbed by individuals.

Individuals' equity in insurance and pension reserves increased in 1948 by about $6.9 billion as compared with an increase of $7.1 billion in 1947. Individuals' saving in private life insurance, one of the more stable forms of savings, amounted to $3.5 billion, maintaining the rate of increase shown since 1945. Equity in government insurance reserves increased $3.4 billion, almost half in social security funds.

One of the more significant developments in the composition of saving in 1948 was the decline in individuals' holdings of cash and bank deposits. This decline reflects to some extent the expansion of farm and other inventories. Individuals' checking accounts declined by $1.8 billion in contrast to an increase of $1.1 billion the preceding year. The rate of accumulation of time and saving deposits continued to slow down so that, in 1948, only $900 million was saved in this form compared with $2.2 billion the previous year.

Mortgage debt in 1948 showed an increase of $3.7 billion as compared with $3.8 billion in 1947. Other consumer debt increased in 1948, but at a smaller rate than in 1947, largely reflecting the credit restrictions imposed in September of 1948. The increase in consumer debt amounted to $2.3 billion as compared with an increase of $3.1 billion in the previous year.

During the fourth quarter of 1948 individuals' liquid saving amounted to about $1.8 billion, a lower rate than in the third quarter. During this last quarter, individuals added $800 million to their holdings of cash and bank deposits, $1.9 billion to their equity in insurance and pension reserves, $700 million to their investment in securities, and $400 million to their equity in savings and loan associations. Individuals' indebtedness arising from the purchase of consumer goods increased by $1.1 billion in the quarter, while mortgage debt rose by about $900 million. The $700 million increase in security investments was accounted for by net purchases of $300 million of state and local government bonds, and $400 million of corporate and other securities, counteracted in part by a decline of $300 million in U. S. Government securities other than savings bonds.

Curb Realty Associates Elect 1949 Officers

At the annual meeting of New York Curb Exchange Realty Associates, Inc., Charles M. Finn of Adriance & Finn, and Edward C. Werle of Johnson & Wood, were elected Directors for a three-year term. James R. Dyer of Dates & Dyer, and David U. Page, were named inspectors of election for 1950.

During the organization meeting of the corporation Mr. Page was elected President for the ensuing year. William B. Steinhardt was elected Vice-President and Christopher Hengeveld, Jr., Secretary-Treasurer. Frederick J. Roth was appointed Assistant Treasurer for the year.

New York Stock Exchange Weekly Firm Changes

Neil J. Sullivan retired from partnership in Coffin, Betz & Sullivan March 31.

Interest of the late William S. Conning in Conning & Co. and Ballard ceased March 26.

Interest of the late Oscar L. Richard in C. B. Richard & Co. ceased March 31.

North Atlantic Pact Is Step to Peace: Truman

President, in message to Senate, submitting text of treaty, hails it as expression of U. S. for peace. Says signatories are resolved not to be deprived of freedom by aggressor.


President Truman

President Harry S. Truman, on April 12, submitted to the Senate for ratification the text of the North Atlantic Treaty which had been signed the previous week by twelve nations as an instrument of collective and individual defense against aggression.

The text of the President's message accompanying the text of the treaty follows:

To the Senate of the United States:

I transmit herewith for the consideration of the Senate a copy of the North Atlantic Treaty signed at Washington on April 4, 1949, together with a report of the Secretary of State.

This treaty is an expression of the desire of the people of the United States for peace and security, for the continuing opportunity to live and work in freedom.

Events of this century have taught us that we cannot achieve peace independently. The world has grown too small. The oceans to our east and west no longer protect us from the reach of brutality and aggression.

We have also learned—learned in blood and conflict—that if we are to achieve peace we must work for peace.

This knowledge has made us determined to do everything we can to insure that peace is maintained. We have not arrived at this decision lightly, or without recognition of the effort it entails. But we cannot escape the great responsibility that goes with our great stature in the world. Every action of this nation in recent years has demonstrated the overwhelming will of our people that the strength and influence of the United States shall be used in the cause of peace, justice and freedom.

In this determination, our people wholeheartedly accepted the Charter of the United Nations in 1945. Since then, we have worked unceasingly to reach international agreement through the United Nations and to make the United Nations a more effective instrument for its mighty task.

In the last year we have embarked on a great cooperative enterprise with the free nations of Europe to restore the vitality of the European economy—so important to the prosperity and peace of our country and the world.

The North Atlantic Treaty is further evidence of our determination to work for a peaceful world. It is in accord with the action of the Senate last June when it signified its approval of our country's associating itself in peacetime with countries outside the Western Hemisphere in collective arrangements, within the framework of the United Nations Charter, designed to safeguard peace and security.

The twelve nations which have signed this treaty undertake to exercise their right of collective or individual self-defense against armed attack, in accordance with Article 51 of the United Nations Charter, and subject to such measures as the Security Council may take to maintain and restore international peace and security. The treaty makes clear the determination of the people of the United States and of our neighbors in the North Atlantic community to do their utmost to maintain peace with justice and to take such action as they may deem necessary if the peace is broken.

The people of the North Atlantic community have seen solemn agreements, designed to assure peace and the rights of small nations, broken one by one and the people of those nations deprived of freedom by terror and oppression. They are resolved that their nations shall not, one by one, suffer the same fate.

The nations signing this treaty share a common heritage of democracy, individual liberty and the rule of law. The American members of the North Atlantic community stem directly from the European members in tradition and in love of freedom. We have joined together in the progressive development of free institutions, and we have shared our moral and material strength in the present task of rebuilding from the devastation of war.

The security and welfare of each member of this community depend upon the security and welfare of all. None of us alone can achieve economic prosperity or military security. None of us alone can assure the continuance of freedom.

Together, our joint strength is of tremendous significance to the future of free men in every part of the world. For this treaty is clear evidence that differences in language and in economic and political systems are no real bar to the effective association of nations devoted to the great principles of human freedom and justice.

This treaty is only one step—although a long one—on the road to peace. No single action, no matter how significant, will achieve peace. We must continue to work patiently and carefully, advancing with practical, realistic steps in the light of circumstances and events as they occur, building the structure of peace soundly and solidly.

I believe that the North Atlantic Treaty is such a step, based on the realities of the situation we face today and framed within the terms of the United Nations Charter and the Constitution of the United States.

In the conviction that the North Atlantic Treaty is a great advance toward fulfillment of the unconquerable will of the people of the United States to achieve a just and enduring peace, I request the advice and consent of the Senate to its ratification.

HARRY S. TRUMAN.

First Boston Group Offers Commonwealth Edison Debentures

An underwriting group headed by the First Boston Corp. offer publicly, April 13, $50,000,000 Commonwealth Edison Co. 3% sinking fund debentures due April 1, 1949. The debentures are priced at 101.30 and accrued interest to yield approximately 2.95% to maturity. The issue was awarded to the group at competitive sale on Tuesday on its bid of 100.53.

Proceeds from the sale will be added to working capital for the ultimate financing of new construction, estimated to cost approximately $340,000,000 during the four-year period 1949-1952. Principal electric generating units now under construction are a 150,000 kw. unit and related steam generating equipment at Fisk Station in Chicago; a new steam electric generating station (Ridgeland Station) west of the city limits to contain two generating units, each of 150,000 kw. capacity, to cost over $60,000,000, a 107,000 kw. unit and related steam generating equipment at Public Service Company's Joliet Station; and a 110,000 kw. unit with related steam generating steam equipment at Public Service Company's Waukegan Station.

The debentures are redeemable through the operation of the sinking fund at prices ranging from 101.30% during the four months' period beginning Dec. 1, 1949 to 100% on and after April 1, 1998. The debentures are otherwise callable at prices ranging from 104.30% during the 12 months beginning April 1, 1949 to 100% on and after April 1, 1998.

The company does substantially all of the electric public utility business in Chicago which has an area of approximately 213 square miles and an estimated population of approximately 3,600,000. Electricity is supplied to the neighboring metropolitan area and the surrounding territory in the northern part of Illinois through three of the company's subsidiaries.

For the year ended Dec. 31, 1948 the company reported operating revenues of $238,112,280 with net income of $24,219,363.

Giving effect to this financing, the company has outstanding $380,000,000 of funded debt; and 13,732,000 shares of capital stock $25 par value.

THE NEW YORK CENTRAL RAILROAD COMPANY

EXCERPTS FROM ANNUAL REPORT — 1948

The Year in Review

The year 1948 produced a much higher degree of prosperity for the nation and for business in general than for the railroads.

Though the New York Central gained substantially over 1947 in total revenues and net income, there are disquieting factors which also must be noted in any realistic appraisal of the year's results:

1—Unit volume was down. Thus the improved financial showing was due largely to increases in rates and fares.

2—Heavy increases continued in basic wage, material and fuel costs—factors beyond any management's control.

3—Large sums of money have been and still are needed to continue our post-war plant and equipment modernization, which is vital to the long-range interests of the Central, its owners and employes, and the public.

4—Our profit was inadequate, in relation both to our gross revenues and to our invested capital.

Revenues Up, but Volume Down

Due to the freight rate and passenger fare increases during 1948, total operating revenues increased to $779,860,755, up 10.9 per cent from 1947.

Our improved revenues came largely from our freight traffic. Totaling $561,361,243, freight revenues improved 13 per cent from the previous high, of 1947, though unit volume as measured by revenue ton-miles fell 4 per cent below 1947, and 24 per cent below the record of wartime 1943.

While travel volume continued its post-war decline, passenger revenues increased to $136,168,197—up 2.2 per cent from 1947, but 25 per cent below record 1944. Revenue passenger-miles fell 9 per cent below 1947, with coach traffic falling more than Pullman traffic.

Expenses at All-Time High

Total operating expenses rose to $667,342,966, up 10 per cent from the previous year. This was despite the lower traffic volume of 1948, and was due to climbing wage rates and larger unit costs of materials and supplies.

As a result our profit, though substantially improved from 1947, still was disappointing for a year in which our total traffic volume was greater than in any other peacetime year except 1947. The rate of return on our depreciated railroad property investment was only 2.1 per cent.

Net Income Improves

Net income totaled $14,727,096, equal to $2.28 a share, compared with $2,306,082 or 36 cents a share in 1947. Except for the "profitless prosperity" period of 1946-47, when rate increases lagged far behind soaring costs, this was our lowest net income since 1940. It represented a profit of only 1.8 cents of every dollar we received both from railroad operations and in other income.

From this relatively small profit, the Central's directors declared a 50 cents a share dividend, the first in three years, payable January 15, 1949, to stockholders of record December 22, 1948. The necessity of financing the major improvement program which still is under way precluded the consideration of any larger payment.

Modernization Continues

Our improvement program has required us to draw heavily on cash reserves accumulated in the war years, as well as current earnings. It is expensive—especially in these years of high prices.

Yet we cannot stand still. Continuing modernization offers the principal hope for reducing the ratio of operating costs to revenue and thus of improving our earning power and the value of Central stock. Continuing modernization likewise is the only way we can maintain our service at the standards which are vital in this period of intense competition.

Debt Interest Increase Moderate

In carrying forward the improvement program, the Central issued last year $39,200,000 of new equipment trust certificates bearing low interest rates and maturing serially in one to ten years. As is well known, these represent short term obligations to temporarily finance in part the acquisition of new locomotives, freight cars and other equipment. Amounts due New York State in connection with grade crossing eliminations decreased by $502,227. Meanwhile $15,790,280 of older debt, including that of lessor companies, was retired, at maturity or by purchase.

As a result, while total debt held by the public increased $22,907,493, or 2.68 per cent, interest requirements, on an annual basis, increased by a relatively moderate $600,592, or only 1.84 per cent.

As against this increase, leased line rentals payable to others will be reduced $110,301 on an annual basis by means of 1948 expenditures totaling $1,828,059 for the acquisition of lessor companies' stock guaranteed by the Central.

The Rate and Cost Picture

Freight rate increases authorized by the Interstate Commerce Commission were made effective on various dates during 1948, and there also were increases in passenger fares and express rates. Even so, the situation confronting the eastern railroads, as compared with 1939, is as follows:

Passenger fare levels have increased an average of 24 per cent, and freight rate levels an average of 56 per cent, while the wage rates we must meet have gone up about 82 per cent and the prices we must pay for materials have increased an average of about 121 per cent.

Thus the increase in average wage rates and materials prices we must pay has far outdistanced the increase in the prices we are permitted to charge for our service. From these and other figures it is apparent that the railroads as a whole have not participated appreciably in the general prosperity.

Problems in the East

This is particularly true on the Central and other large eastern railroads. There are several contributing factors, including our large volume of passenger train service, carried at a substantial annual loss; higher freight terminal costs and heavier property taxes in the densely populated territory we serve; a relatively shorter average revenue haul than on many railroads in other areas; and further acceleration of industrial development in other sections, reducing somewhat the eastern carriers' share of total railroad transportation.

Faith in the Future

Under present-day conditions any comment as to what is ahead of us is largely conjectural. However, such forecasts as are available indicate that freight traffic volume will be somewhat below the level of 1948, and that a further decline in passenger traffic volume is indicated.

Whatever the future, we know that railroad transportation is a major factor affecting the nation's economy, and indispensable to national defense. For this and other important reasons, the major improvement program inaugurated in 1945 is imperative and must be carried forward.

To realize fully the benefits of this program, we will continue to need and appreciate the same close cooperation from our employes that they demonstrated again during 1948.

We face the future with faith that, in the national interest, enlightened public policy eventually will accord the railroad industry the equitable treatment essential to the preservation of its financial integrity and its standards of service.

G. Metzman
President

March 10, 1949

For Comparative Income Account, Balance Sheet, etc., See Statistical Issue of Chronicle dated April 18, 1949.

The Automotive Outlook

By L. E. BRIGGS*
Treasurer, Ford Motor Company

Prominent Ford Motor Co. official, on basis of recent research and study, expresses opinion no business recession is in offing, but holds unwise or untimely moves by government in way of increased taxes or deficit financing could be harmful to buying public. Stresses adverse effect of alarming consumers, and predicts, in absence of stringent fiscal and credit policies, downward trend of prices, production and employment in 1949 will be moderate. Sees no basis for wage increases in auto industry.

In choosing a subject for this talk today I thought you might be interested in our appraisal of the automotive situation for 1949 and what the outlook is for Ford and the industry in general. Let me say at this time that I am neither qualified nor authorized to speak for the automotive industry, but I have been doing some research and making some observations in the economic realm in general and in the automobile field in particular.

L. E. Briggs

It is not my intention to do any crystal ball gazing for you, but rather to report on some of my findings.

All of you, I feel sure, are familiar with the arguments pro and con relative to the national economic situation and have available abundant reports pertaining to the inflationary and deflationary picture as regards prices, employment levels and general business from which to draw your own conclusions.

Therefore, I will not burden you with a repetition of these general statistics but instead will endeavor to tell you how we at Ford interpret these trends in the light of their effect on our own business and that of the industry insofar as 1949 is concerned.

No Recession

As we see it, there are no reasons apparent which would cause a depression or major business recession. The statistics, as we interpret them, do not forecast one.

I refer to concrete facts and figures which are subject to analysis, but at the same time we try to keep a close watch on the psychological factors which are hard to define but which can exert a definite influence on business trends.

There is little doubt that unwise or untimely moves on the part of government in the way of increased taxes or deficit financing could be harmful in their effect on the buying public. Such moves could also tend to contract expansion programs of industry generally. The test of these factors will come later in the year.

The human factor is a major one in the economic picture for car production and sales, and is in some degree incalculable. If the consuming public gets alarmed and tightens up on spending to any considerable degree, the effects will be felt immediately.

Incidentally, I have just returned from Florida where I observed that although business was off a little from the 1948 season, by any normal standards it was still very good. This opinion was held by all of the bankers with whom I talked during my visit.

Of course, we don't feel that cars represent a luxury such as a Florida season might be considered, but the public generally do regard car prices as too high. This is so, even though the automobile still represents the best value for the money of any heavy goods.

Some Economic Facts

Before going further into the automobile picture, let me review very briefly some economic facts which influenced our conclusions.

The total economy is currently at its most crucial point of the postwar boom. Some easing of business activity and prices from peak levels of last fall has occurred.

Prices in many instances have declined to the level prevailing at the beginning of 1947, particularly farm products and food which are especially sensitive to supply and demand conditions. Heavy foreign and domestic needs kept these prices well above the general level after inflating them much faster than most other commodity prices. However, prices in this area could still decline and leave the farmer with a comfortable profit margin. This price decline has brought about a slight decrease in the cost of living index and it is reasonable to expect that a further reduction will occur in the spring and summer.

In looking backward, high farm prices brought about increases in other commodities because labor demanded and received higher wages to offset the rise in the cost of living. Prices of these commodities have not as yet declined proportionately with farm and food prices.

Speaking generally, it is the feeling of automotive executives that the downward trend of prices, production and employment will be of moderate proportions in 1949 and not in the nature of a serious and sudden recession.

The need for durable goods is still great while buying power remains high if only it will be put to work. In the absence of stringent government fiscal and credit policies, it can be expected that business and consumer spending will not decline enough to contribute to a sharp downward turn this year.

It is up to business management to maintain confidence and avoid any curtailment of planned capital expansion programs.

Labor Situation

It is certainly too early to do any predicting on the labor situation, but the trend of labor negotiations in the textile industry a short time ago is interesting.

You may recall that the matter of a wage increase was submitted to arbitration by an impartial umpire whose findings definitely opposed an increase. His position was that the economic conditions prevailing did not warrant an increase and would, in all likelihood, result in unemployment.

The entire Ford contract is open for negotiations this spring while Chrysler's is open a little later on economic matters only. The General Motors' contract, which is tied to the cost of living and has just brought about a decrease in wages, is not open for discussion until 1950.

The industry's material costs are closely tied in with labor costs and the results of negotiations this year will be of great importance. Increased costs can no longer be passed on to the consumer without seriously reducing the market, and the profit position of the industry definitely limits absorbing any increases.

Automotive management has taken the viewpoint that almost all makes of cars will enter the buyers' market before the year is over. In fact, at the present time, a good many high-priced makes are already in a buyers' market and management is making the discovery that, despite all the preparation and planning, sales forces are not yet geared to take up the slack. As a consequence, sales are experiencing a decided drop in volume as buyer selectivity is encountered.

In the light of my earlier prediction this may sound a little gloomy but there is a paradoxical situation here.

Higher Production Schedules

The top executives in the automobile business have sincerely expressed their belief in a good business year. To back that up the industry is stepping up production schedules and talking of a five and a half to six million car year. There is good reason to believe such production is not an unrealistic hope.

At Ford we are increasing our over-all production by approximately 200,000 units but we cut back Lincoln car production considerably. We see nothing alarming in the higher priced models going into a buyers' market and in fact have anticipated it. Let me cite you an instance.

Mr. J. R. Davis, our Vice-President of sales and advertising, speaking before the Sales Executive Club of New York earlier this month had this to say:

"I am convinced that the automobile industry could sell between five and half and six million cars and trucks this year, if they could be produced. That's about 10% more than were produced by the entire industry in 1948. Let me point out that I said **sell 10% more—and I stress this word SELL** because, in my opinion, at least 50% of these vehicles would have to be sold. I believe the genuine demand and actual need for car and truck transportation is large enough to absorb the largest production in the history of the industry, provided salesmen can rekindle the 'desire' to buy."

We have tried to keep our organization and our thinking flexible enough to deal promptly with the changing market conditions.

Only last month we completed a decentralization move that had been two years in the making and which was planned to strengthen assembly and marketing operations. This move was the formation of the Ford Division of the Ford Motor Company which concentrates all operations pertaining to the manufacturing and sales of Ford cars and trucks into one integrated group. The company is now organized into six operating divisions, each a profit and loss business unto itself and having the advantage of functional supervision from the staff Vice-Presidents of the company.

The question of car prices is another subject under close observation and constant review. One top automotive executive just the other day said, "Certainly there is nothing sacred about automobile prices. We will reflect the changes in commodity prices and labor costs just like any other manufacturer, but, in our case, it will probably take longer to apply such changes to the finished product."

There are some economic factors subject to change which could possibly affect car prices

(Continued on page 32)

*An address by Mr. Briggs before the National Instalment Credit Conference of the American Bankers Association, St. Louis, Mo., March 31, 1949.

The Case for Unemployment Compensation Benefits

By BERNARD E. TEETS*
Executive Director, Department of Employment Security, Denver, Colo.

Asserting unemployment compensation is here to stay, Mr. Teets, however, holds it should never be large enough to be an attractive substitute for wages, nor so small as to fail to assist materially unemployed worker in obtaining necessities of life. Advocates an experience rating system that will be incentive for employers to stabilize employment, and upholds Federal-State partnership in administering unemployment compensation.

Dear God, give us the strength to accept with serenity the things that cannot be changed; give us courage to change the things that should be changed and give us wisdom to distinguish one from the other. Most of us will agree that with the intensified industrialization which has taken place in this country, unemployment compensation, in some form, is here to stay. To many this development will be looked upon as a real step forward in the progress of our civilization. To the rest of you, may you accept the fact with serenity. For all of us—may we have the courage and wisdom necessary to make intelligent progress in this field.

Probably the most important step toward building upon what we have has already been taken by those who are responsible for arranging this Institute. Your presence here today is the most tangible evidence possible of the recognition of a need for a building program and may I, as a citizen interested in good government, express at this time my appreciation for this opportunity to discuss with you the matter of building upon what we have—strengthening, if you please, the security of our nation.

I suppose that all of us have some temerity about taking the time of busy people to have them listen to our poor words. This compunction on my part was greatly increased recently while on a trip to Texas. In this little Texas town they were about to hang a Negro. I inquired why they were hanging him, but no one seemed to have any reason for it. In any event, the party proceeded on out to where a nice new scaffold had been erected for the purpose and just as they were about to proceed with the business of the day, a big fellow on a horse rode up and said to the man who apparently was in charge: "Wait a minute there, John, I want to make a speech. I am about to run for Sheriff as you know, and this is a good time for me to make a speech." The man in charge objected somewhat, but finally said, "Well, this isn't my party—this is Mose's party—just a minute and I will find out from Mose. Mose, do you care if this fellow makes a speech?" Mose replied, "No, suh, I don't care—but for hev'uns sake, hang me first!"

Not since the inception of unemployment compensation have its architects submitted for your consideration so many various and sundry plans—some of them are the plans of men well-grounded by reason of their knowledge and experience in this field—plans drawn for the sole purpose of strenghtening that which we have. Strangely enough, however, from the collective pens of admittedly well-qualified individuals, has come the Advisory Council's plan, proving beyond doubt that "too many cooks spoil the soup." If left to their singular devices, I am certain that no one of them could have brought forth such a horrible monstrosity.

I appreciate, however, that I was asked not to judge the issues before us but rather to comment upon them; therefore, with your permission, let us return, at least for a few minutes, to the subject matter assigned to me.

What Do We Have?

It seems to me that before we can decide upon how we are to build upon what we have, we ought to give what we have at least a once-over-lightly. We have as our most priceless national heritage, the opportunity system—many times erroneously referred to as the free enterprise system. It is the system under which we have in the past and continue now, to prosper and achieve as do no other men.

Consider the fact that right now in your home town an office boy is on his way to become president of his company; a mechanic will continue to prosper until he owns an automobile agency; a grocery clerk will start a chain of super food markets and succeed; a soda fountain boy will own a drug store; a farm hand will become wealthy growing wheat, another raising cattle. You can't name a line of endeavor within which some American boy with nothing more to start with than a priceless heritage, brains and the will to do, will succeed in this land of opportunity. A government and an economic system permitting this is worth keeping and, as we have demonstrated, worth fighting for.

It is the system that affords the opportunity for the son of the most humble workman to rise to the most exalted position of our nation or to develop an idea into great fame and fortune. It was Napoleon who said "Ability is of little account without opportunity."

Any planning for building that is to long endure must find its proper place in this system. It must be a proper part of it. Certainly the sound planning and building of unemployment compensation in this country is no exception. If we, in our anxiety to provide more security, do so in a manner that takes from our opportunity, we injure not labor, or capital, or government, but all of these combined.

Speaking of capital and labor and government, I am reminded of the words of Stuart Chase who said:

"I have looked at this word Capitalism until I am all but demented, and am in favor of dropping it from the language. Socialism, its historic antagonist, is almost as battered. As a matter of fact, ownership of this and of that began to lose its importance with the rise of the inventor class when one person had the factory and another a piece of paper covering the factory. The crux of the matter is—who receives the factory income. As the case now stands, it is a six-cornered fight between the landlord demanding rent for the land on which the factory stands, the bondholder demanding dividends, the worker demanding wages, the management demand-

(Continued on page 26)

*An address by Mr. Teets at the National Institute of Unemployment Compensation, Chamber of Commerce of U. S., Washington, D. C., March 31, 1949.

Pitfalls of Unemployment Insurance

By EARL O. SHREVE*

President, Chamber of Commerce of the United States

Mr. Shreve, stressing objective should be not unemployment insurance, but insurance against unemployment, points out ever-present possibility of abusive use of unemployment benefits and their adverse effects in reducing mobility and flexibility of labor. Concludes any system of social insurance which encourages productive employees to remain off job hurts everybody.

Unemployment is an evil. It hurts people, and people constitute our most valued assets. People have budgets to meet. Whether a man works or not, he has certain overhead costs of operation, just as truly as has a business. The costs of housing, of public utility services, food, and that item "miscellaneous," which bulks so large in all our personal budgets—all these costs go on whether a man is working or not.

Earl O. Shreve

Under our traditions of friendliness and mutual aid, we do not like to see a neighbor in want. He is going to get help when he and his family are in need. He may get it through friends and neighbors, or through organized community effort, or through institutionalized insurance. Today we are concerned only with the last mentioned method — unemployment insurance, a phrase which I have never liked because we don't really want to insure unemployment. We would rather insure against it, and I hope we will get some fresh ideas today on this phase—insurance against unemployment.

The businessman's business is production. Social security benefits, however, are payments for which society receives no current product. The unemployed man is a consumer, but not a producer.

Purchasing power in the form of unemployment benefits does not constitute a net addition to purchasing power. Rather, it represents purchasing power previously withheld through a payroll tax upon the employer, and which is released when hazard hits. Work with good wages are better than unemployment with half-wages.

I would be less than frank, if I did not recognize that some persons have had, at times, certain reservations about some phases of unemployment insurance. This grows out of the ever-present possibility that some individuals will take undue advantage of the law, that it reduces the mobility and flexibility of labor.

Human beings like to be active: there is something which we label "the instinct of workmanship." It is the employer's responsibility to help foster this trait by offering good wages and good working conditions. But each of us would be less than frank, if we did not admit that at times we tire of our jobs, that we like to fish and rest, that we sometimes find very ingenious ways of "playing sick," or refusing a job.

Two Sides to Human Nature

We all know that there are these two sides to human nature—in some people one side is stronger than the other, or again the individual may shift from side to side.

The London "Economist" published what has become a world-famed article entitled, "The Carrot and the Stick," which stressed this same theme. For most people, it appears, that both incentives and a little prodding are needed.

Unemployment insurance should meet as completely as practical cases of genuine joblessness, without taint of charity. Abuses of the system must be guarded against. We need to strike the right balance. On the one hand, the employer must have an incentive to put and keep men on the payroll at productive employment; and on the other, the employee must have an incentive to use his best efforts to find and hold his job, or if he loses his job, to seek and take another.

Sound drafting of the unemployment insurance legislation and sound administration of that law, can strike that balance so that both objectives may be attained.

When real need exists, adequate benefits should be provided for a reasonable duration. But any system which encourages productive employees to remain off the job, when work is available, will hurt everybody including those drawing benefits, who may erroneously believe that they are getting something for nothing. With the pressure of our foreign commitments, the increased diversion of manpower and other resources to government activities, and our universal pressure for higher real income for everybody, we must never overlook the fact that any system which places a premium on payments for not working, no matter by what means, works in the direction of lower standards of living. In all of these programs we must place the emphasis on more goods, of better quality, and at lower prices if we are to continue to have better living for more people, than can be found in any other part of the world.

New Social Security Proposals

To review this problem of proper balance is another reason for this meeting today.

Recently some proposals have been made for altering rather basically our Federal-state systems. Under these proposals the responsibility of the states would decrease; the power and authority of the Federal Government, in Washington remote from the people, would be greatly increased.

The incentives of experience rating to encourage management policies for steadier jobs would be abolished or jeopardized. This I would personally view as a mistake—I can assure you that in my own company, the potential payroll tax savings from steady jobs has been a powerful stimulant to General Electric to mitigate seasonal and other short-run unemployment. This, then, suggests another reason why we are here today.

Many of these questions are complicated and some are controversial. We have allowed adequate time for discussion among the speakers and from the floor. The Chamber believes not only in competition in the goods market, but also in the opinion market. We want frank discussion from all who are here: the speakers, union representatives, employers and citizens generally.

Democracy is more than a form of government: it is more than majority rule. Minority and individual opinion is equally important. The spirit of democracy is self-rule by discussion and persuasion. The ideal society is one under which no one imposes his will or ideas on anyone. Democracy is not "pushing people around."

This is the spirit in which we conduct these Institutes. They are not instruments for establishing or publicizing Chamber policies. They are exploratory. They are designed to help build a free and better America.

*Opening remarks of Mr. Shreve at the National Institute of Unemployment Compensation, Chamber of Commerce of U. S., Washington, D. C., March 31, 1949.

Wheeler & Woolfolk Elects

NEW ORLEANS, LA.—At the annual meeting of Wheeler & Woolfolk, Inc., Whitney Building, the following officers and directors were elected: M. B. Wheeler, President; J. W. Woolfolk, Jr., and A. J. Maier, Vice-Presidents; and C. G. Rives III. Secretary-Treasurer.

German Manufacturers Exhibit Products in N. Y.

An industrial exhibit of German manufactured products was opened this week at the Museum of Science and Industry at Rockefeller Center, New York, and will continue for two weeks. The exposition of German made products of 511 manufacturers in the Western Zones of Germany and the Western Zones of Berlin, includes heavy machinery, toys, precision instruments, cameras and Munich beer.

W. John Logan, Director General of the Joint Export-Import Agency, the foreign trade unit of the military governments in Germany stated that the Occupation Powers were endeavoring to increase the sale of German goods in the United States "to take the load off the American taxpayer." A message received last Saturday from General Lucius D. Clay, expressed hope that the German industries exhibition will be the "beginning of a new era" in the development of German trade and the reestablishment of German contacts with the rest of the world.

Iverson & Doelz Elected Directors of Athey Prods.

CHICAGO, ILL.—Roy Iverson, Vice-President, Brailsford & Co., Chicago, and Paul R. Doelz, President Kalman & Co., Minneapolis, were elected directors of Athey Products Corp. at the annual meeting, to fill the vacancies created by the recent deaths of Walter R. Brailsford, President Brailsford & Co., and Walter R. Howell, President Bliss & Laughlin, Inc. W. L. Kubik, formerly Vice-President of Athey, was named Executive Vice-President, a newly-created position.

H. N. Whitney to Admit

Arthur D. Weekes, Jr., will be admitted to partnership in H. N. Whitney, Goadby & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, May 1.

Public Utility Securities

By OWEN ELY

West Penn Electric

West Penn Electric Company is the top holding company for the electric portion of the old American Water Works system, now segregated from the water companies, which still retain the old name. The present capital structure of the system is estimated to be as follows, giving effect to recent financing:

	12-31-48 Bal. Sheet Plus New Fin.		Eliminating Holding Cos. Write-Ups	
	Mill.	Pct.	Mill.	Pct.
Subsidiaries—Debt	$150	46%	$150	52%
Preferred	63	19	63	22
Holding Co.—Debt	5	1	5	1
Preferred and "A"	34	11	34	12
Common	74	23	37	13
Totals	$326	100%	$289	100%

The holding company write-up is an item of $37,016,053 "excess of carrying value of the investments of the Company and of its subsidiaries in securities of their respective subsidiaries over the underlying book equity of such subsidiaries at their respective dates of acquisition, as subsequently adjusted." Elimination of this item would reduce the common stock equity of the top company from 23% to about 13%.

Probably due in part to the rather thin equity ratio, West Penn Electric has enjoyed a remarkable increase in share earnings in recent years—from 1c a share in 1938 to the recently published $3.68. Following are some of the salient figures:

Cal. Year	Oper. Revs. (In millions)	Net Income (In millions)	Common Stock Earns.	Common Stock Divs.
1948	$83.1	$10.9	$3.68	$1.00
1947	73.2	9.5	3.07	----
1946	64.1	7.6	2.29	----
1945	61.9	4.2	0.17	----
1944	61.1	4.1	0.11	----
1943	58.1	4.0	0.08	----
1942	53.6	4.2	0.17	----
1941	48.3	4.7	0.36	----
1940	44.2	5.4	0.65	----
1939	40.3	4.8	0.39	----
1938	37.2	3.9	0.01	----

West Penn Electric is currently selling around 18 to yield 5.6%. There has been some curiosity in the Street as to why the dividend should be kept at the low figure of $1 when earnings are running so much larger. But the parent company "took down" only $1.65 of the $3.68 in 1948, and $1.21 out of $3.07 in 1947. The rest of the earnings were apparently "plowed back" in the construction program. Giving effect to construction work now in progress and budgeted, $150 million of plant property will have been added to the system in the five years of 1946 through 1950, an increase in plant of approximately 70% during that period. The greater part of the public financing required by the subsidiaries to provide the funds for this expansion program has been completed. In connection therewith, the company invested about $7.8 million in the purchase of additional common stocks of its subsidiaries during 1948 and the early part of 1949, including one transaction now being completed.

On Feb. 3 this year the company filed a new plan with the SEC to effect further progress in complying with the provisions of the Holding Company Act. At the present time there is a tangled relationship (as to intercorporate holdings) between several system companies. The plan is designed to lodge practically all the common stocks of the three principal electric subsidiaries in the treasury of the top company, and also to conform to the "grandfather clause" of the Act.

Under the plan West Penn Railways will transfer to West Penn Electric its interest in West Penn Power, together with a few shares of Electric Preferred and $2.2 million in cash. In return Electric will surrender to Railways all but 1,000 shares of that company's stock (presumably to permit cancellation of most of the common stock equity on the books as an offset to loss of the investment in Power stock). Electric will also assume the liability for $4,372,500 West Penn Traction non-callable 5s due 1960. Part two of the plan provides for repurchase by Electric of the 58% stock interest in Monongahela now owned by Power. Electric will pay Power $7 million, the original purchase price, plus simple interest at 5% and the amount of dividends declared up to the time of purchase.

At the end of 1948 Electric (parent company) had net quick assets of only about $2.7 million. The company might obtain another $2.2 million cash if its demand notes for that amount should be released. These notes represent an escrow fund to pay the premiums on the old American Water Works and Electric preferred stock, plus expenses; the Supreme Court's decision in the Engineers Public Service case, expected at any time, may furnish a precedent to settle this question. The company would also receive $2.2 million from Railways, and perhaps another $2 million from surplus earnings in 1949. Whether these amounts would suffice to pay the $7 million (plus interest, etc.) to Power remains uncertain.

Electric could effect substantial savings (estimated at about 42c a share on the common stock) if it were able to refund its Preferred and Class "A" stocks (with dividend rates of 6% and 7%) through an issue of debenture 4½s. If the $34 million preferred and "A" stocks were retired at call premiums this would require about $39 million; and the payment to Electric might also require several millions.

However, it appears likely that the SEC will want Electric to bolster its common stock ratio. Assuming that the company might be limited to a new issue of $20 million debentures and that $25 million cash might have to be raised by an issue of additional common stock at (say by rights at $15 a share) this would require issuance of about 1,667,000 new shares, bringing the total to 4,010,000. On this basis pro forma share earnings for the calendar year 1948 would work out at about $2.59.

Moving Ahead on All Fronts!

(Continued from page 4)

past several years in cooperation with the Federal Reserve, has restrained undue advances and undue declines in prices of Treasury bonds. It has given an important element of strength and stability to bond prices generally, and to our entire financial structure.

If we had not taken measures to maintain confidence in the stability of the bond market—if, for example, the market for government obligations had experienced the gyrations which followed the first World War—there would undoubtedly have been an impairment of confidence in our financial situation which would have had serious consequences, not only in this country, but throughout the world.

Our position of world leadership has brought with it serious new responsibilities.

We must follow a firm course in maintaining our strength, and in maintaining, unimpaired, the confidence now felt throughout the world in the credit of the United States Government.

All in all, our experience since the war has been evidence of a remarkable basic confidence throughout this nation. Now, when readjustments to a more normal peacetime economy are taking place, we have no reason to be apprehensive, in view of the factors in the present situation which give assurance of a continued prosperity.

Present Readjustments Helpful

The readjustments which are now taking place are both helpful and healthy. We must remember that for the last three years it has been our aim and goal to halt inflation and to adjust prices. We have had periodic first-of-the-year adjustments in 1946, in 1947, and again in 1948. Now, we are experiencing some additional ones. Each of these readjustments has tended to cause us to stop, look, and listen. Each one has reminded us of the necessity for caution, for taking stock of the situation, in order that we may make sure that we are pursuing the course best adapted to promote an orderly progress toward the stabilization of our economy on a high-production, high-employment level.

When we do pause and try to get a little perspective on our present position, it is reassuring to discover how greatly the opportunities of the future loom up. I mentioned earlier the great changes which have occurred in our economy during the past 50 years. It is enlightening, when we try to assess our present situation, to remind ourselves that a half century ago the most forward-looking citizens of this country would not have dreamed of the changes which have already taken place. 50 years ago, the illuminating gas companies, the carriage factories, the interurban lines, were thriving industries, seemingly here to stay. Who would have taken too seriously the flight of a plane heavier than air, the first experiments with moving pictures, the demonstrations of the earliest automobiles?

The development of electricity, alone, should give us pause. Fifty years ago, the gas mantle was a new invention. Electric lights were a rarity; experiments which later led to the tungsten lamp were still going on. No one could have foreseen, for example, our great aluminum industry, depending at every stage on electric power.

Fifty years ago, we may also recall, an American farmer produced only enough to supply eight persons. Now, one farmer supplies 15 people with a year-round array of farm products beyond the reach of a millionaire a half century ago. The reason is, in part, that as late as 1910 one-fourth of farm acreage was devoted to the production of feed for 28 million horses and mules. With the coming of the tractor, most of this acreage—and the labor that was applied to it—has been freed for the fulfillment of human requirements.

Undoubtedly, there will be even greater changes during the half century ahead of us. Atomic energy, alone, may transform our lives. And if we set our sights firmly on the opportunities opening up before us, I believe that we will not be deterred long, or often, by the difficulties of charting our economic course.

Unfortunately, there are some today who apparently have little faith in the nation's ability to maintain prosperous levels of employment and incomes. But, the United States has been built up through its long history by confidence and vision. There have always been a few who took a gloomy view of the future, and distrusted the nation's ability to surmount the obstacles that lay ahead. However, the main trend of our national progress has been fashioned by those who saw beyond the temporary obstacles.

Factors Maintaining Prosperity

The factors today supporting a continued high level of business remain unusually strong. The satisfying of accumulated consumer demands has not caused a drawing down of individuals' savings. On the contrary, liquid assets of individuals, as I have said, are at the highest levels on record, and the recent expansion of plant and equipment by corporations has not brought a reduction in working capital.

With the return to normal buyers' markets, I believe that we may look forward to one of the greatest periods of business development in our history. In the few years that have elapsed since the war, we have made only a limited start toward developing new products based on the wartime discoveries in new materials, new manufacturing techniques, and new types of equipment. Our factories have been so occupied in supplying the quickest available goods to fill accumulated demands that the introduction of many new products has had to be postponed.

Our new economy is beginning to get under way. Factories have gone through an extensive remodeling and expansion program in preparation for turning out new and improved products. We have made a start in television, but even there the mass production stage has not yet been reached, and the widespread application of television to industrial and commercial uses is still in the future.

In the field of metallurgy, the use of light metals and their alloys, with new techniques in handling, is growing in importance.

New developments in home construction, in methods of heating, and in major household appliances have opened new fields of consumer demand.

Farmers are offered new chemicals for control of weeds, insects, and plant diseases, and we are continually developing more efficient types of farm implements. These have reduced farm production costs, and have lightened the farmers' work load.

Atomic energy offers the prospect of revolutionary changes in our economic life within a relatively few years. Our national atomic energy program is being pushed with greatest vigor. Today, nearly 70,000 people are employed in the atomic energy program. Last year, when the full program of long-range development got under way, $525 million was spent by the government on this program, and by 1950 the expenditures are expected to reach $725 million. The advances in industry, in medicine and biology, and in chemical and physical research which will be made possible through this program, will justify our referring to this new era as the Atomic Age.

We might also call it the Plastics Age, or the Age of Synthetic Materials, so great has been the advance in new types of plastics, and of many types of synthetics which are just coming into use. They are made into laminated products and in sheets, rods, and molded products. They are used in home construction, and in the automobile, furniture, and household appliance industries, for adhesives and for food packaging. The development of new types of synthetic rubber for special purposes offers new possibilities to an older industry.

These new developments mark the beginning of a new era of research and discovery initiated by the concentrated effort of our scientists during the war years, particularly in electronics and chemistry. Each new scientific discovery opens a new field, and provides the basis for further discoveries.

A Start on Long-Term Projects

In speaking of the country as a whole, it is fair to say that we have made only a start on major long-term projects. We have just begun to extend and modernize the nation's highway system under a master program agreed upon by Federal, State and local governments. On the basis of a continuing traffic survey, plans have been made for express highway systems to channel congested traffic through large cities, and for rebuilding worn-out rural roads to meet modern traffic needs. About 1,500 miles of the new 40,000 mile National Interstate Highway System have so far been completed.

The long-deferred needs of towns and cities for new sewage and water systems, for public utility services, for schools and hospitals have just begun to be met. Other municipal facilities to take care of the great shifts of population to new areas during the war years must also be provided. In that connection, it is important to remember the 17 million people who have been added to our population in the decade since the war began.

To reap the greatest benefit from the opportunities that lie ahead, two precautions are necessary: First, we must continue on the alert to maintain our economic security—to guard against undue credit expansion, speculative buying, or other excesses that might precipitate a business recession. Secondly, we must provide complete opportunity for the nation's economy to develop. This means that we must make full use of our resources, and we must prevent bottlenecks at any stage in production or distribution.

Looking toward the future—and I include the nearby future—we have every reason to be confident. Our economy has the basic strength to meet the current readjustment to normal peacetime markets. The discoveries and industrial developments of recent years provide a springboard for a new era of progress.

With this outlook before us, we may well expect that the years ahead will offer fully as great opportunities as the years just past; and if we heed the lessons of the past, they should offer much greater economic security.

Bell, Gouinlock Elects

TORONTO, ONT., CANADA—Bell, Gouinlock Company, Ltd., 25 King Street, West, have elected Clifford D. McCreary and Irving H. Campbell to the board of directors of the firm.

Question of Currency Devaluation

By PAUL EINZIG

Commenting on past and present attitudes toward currency devaluation, Dr. Einzig notes pressure on Britain to devalue sterling and pressure of the British to force devaluation of European currencies as well as the dollar. Sees growing realization that thorough revision of European currencies is overdue and blames International Monetary Fund for not undertaking it. Holds general and not unilateral devaluation desirable, including U. S. dollar.

LONDON, ENGLAND—Change of attitude towards devaluation during the past quarter of a century provides an outstanding instance of the relativity of economic doctrines. During the 'twenties and early 'thirties devaluation was considered a mortal sin which must be avoided at all costs. Countries which were unable to avoid it were looked upon with contempt mingled with pity. Most governments were prepared to make almost any sacrifices to defend the parities of their national currency.

Dr. Paul Einzig

During 1925-31, Britain sacrificed her prosperity for the sake of keeping the pound at its old parity. During 1931-33 the United States jeopardized the stability of her banking system by a prolonged resistance to pressure to devalue the dollar. During the same period Germany sacrificed her democratic system and paved the way for Hitler through the economic depression arising from her refusal to devalue the reichsmark. During 1932-35 Mussolini preferred to forego expenditure on public works, on which his popularity largely depended, in an effort to "defend the lira with the last drop of his blood." Even later, during 1936, France abstained from resisting the German remilitarization of the Rhineland rather than risk a devaluation of the franc through increased military expenditures.

Toward the middle 'thirties, however, devaluation came gradually to be regarded as a matter of expediency. There was a tendency to resort to it too easily and to an unnecessarily large extent. From 1933 to 1939 governments tended to criticize each other sharply on the ground of "competitive currency depreciation." There was indeed a scramble for the diminished volume of foreign trade by underselling each other with the aid of a depreciated and undervalued currency. This practice aroused much bitterness, and systematic efforts were made by the government of the United States and other countries to outlaw it. This hostile attitude continued till about 1947.

During recent years, however, most countries showed a growing reluctance to devalue. The cycle has become completed; the popular attitude is now the same as it was twenty years ago. While, however, in 1929 currency parities were defended as a matter of prestige and commercial reputation, now the pressure to devalue is resisted for purely practical consideration — because devaluation tends to change the terms of trade against the devaluing countries, and makes it more difficult for them to cover their essential import requirements. There developed a strong desire in the minds of statesmen and experts to see devaluation, not of their own currencies but of those of other countries. Indeed, during the last year or two we have witnessed the strange spectacle of almost every country hoping, praying and agitating for the devaluation of the currency of almost every other country.

Britain in particular is pressed from all sides to devalue Sterling —from America, from the continent, from the gold-producing countries of the Sterling Area, even from Moscow. British experts, in turn, insist that most continental and Latin American countries are overvalued and are ripe for devaluation. Continental countries advise each other and Britain to devalue, while since quite recently they even take their courage in both hands and advise the United States to devalue the dollar.

A formidable array of arguments can be put forward in favor of the devaluation of almost any currency, including the dollar. There are, of course, weighty arguments also on the other side, and no government wants to act on unsolicited advice to devalue so long as there is a possibility of avoiding it. When they do devalue—as France and Italy did last year—it is usually "too late and too little."

There is a growing realization that a thorough revision of all gold parities is overdue. It ought to have been effected when the International Monetary Fund was created. The IMF would have been in a position to refuse to admit any government which is not prepared to accept a reasonable adjustment of its parities. But this would have meant delay and complications, and the IMF was naturally anxious to begin to operate and to admit the largest possible number of countries. So the matter was left open, and the situation regarding parities is as untidy as ever.

Some governments might feel compelled to devalue, but most of them are inclined to take the line that such piecemeal devaluations do not solve the problem. What they want is a general readjustment in the course of which they are willing to consider a reasonable devaluation of their currencies. There is a great deal to be said for this attitude. Take for instance the case of Britain. Had the British Government yielded to pressure to devalue Sterling unilaterally, Sterling would have become even more undervalued in relation to the continental currencies and to the Argentine peso than it is now. It would mean that food and raw material abroad would be too costly for Britain to import. It is true, her exports would increase in volume, but would decline in value. It is no wonder Sir Stafford Cripps rejects out of hand the idea of a unilateral devaluation. Even a general devaluation of Western European currencies is looked upon without enthusiasm in London. There is reason to believe that the British Government would only be prepared to consider a devaluation of Sterling if it were effected as part of a general devaluation scheme involving an increase of the American buying price of gold. In that case Sir Stafford Cripps might agree to a lowering of the Sterling-dollar parity, provided that the parities of a number of important currencies are lowered in terms of Sterling as well as the dollar. Such a solution would go some way toward adjusting the trade balance between the Eastern and Western Hemisphere. It would stimulate British exports to the United States, Canada and Latin America. At the same time the dollar proceeds of gold exports from the British Commonwealth to the United States would also increase.

The resentment caused in the United States by proposals of an increase of the American buying price of gold is understandable. In the past devaluation has always been regarded as the weapon of the financially and economically weak country, and never in history has a single country achieved such relative degree of financial and economic strength as the United States today. But on second thought the solution may not, perhaps, appear, after all, unreasonable. It certainly deserves serious consideration.

C.I.T. Financial Debs. Placed on Market

An investment banking group headed by Dillion, Read & Co., Inc., Kuhn, Loeb & Co. and Lehman Bros., offered to the public April 13, a new issue of $50,000,000 C.I.T. Financial Corp. 2⅝% debentures due 1959, at 99.35% and accrued interest to yield approximately 2.70% to maturity.

Proceeds from the sale of the debentures will be used by the corporation primarily for the purpose of furnishing additional working funds to its subsidiaries. Such additional funds in the hands of the subsidiaries will be available for the purchase of motor and other retail instalment receivables, wholesale motor receivables and factoring receivables and for other corporate purposes.

The debentures are subject to redemption at 101% on or prior to April 1, 1950 and thereafter at prices decreasing ¼% per year to 100% if redeemed after April 1, 1953.

The principal businesses of the subsidiaries of the corporation are instalment financing, including related insurance, and also factoring and writing of fidelity and surety bonds and casualty and certain other types of insurance. The corporation itself is not an operating company.

The principal group of the subsidiaries operates in the instalment credit field, financing at both wholesale and retail the sale of automobiles, trucks and other equipment and products. The subsidiaries together compromise one of the largest organizations in this country and Canada, engaged in the financing of instalment sales. The business is conducted through offices located in all states and the District of Columbia.

The volume of receivables purchased by financing and factoring subsidiaries for the calendar year 1948 amounted to more than $3,220,000,000. Premiums written by the insurance subsidiaries during 1948 amounted to more than $58,290,000. The corporation's consolidated net income for the year was $17,071,475.

Securities Salesman's Corner

By JOHN DUTTON

The other day I was sitting in an office talking with some friends when we were interrupted by a smiling intruder who had a clipping from the morning paper in his hand. Obviously he was very well acquainted with the members of the firm where I was visiting, because he just passed right through the reception office and entered our conversation in a most casual manner. In fact, he was an acquaintance of long standing and it turned out that he had the best intentions in the world in wanting to pass some information along regarding a situation in which my friends had an interest.

First he spoke with one of the three other people who were in the room and he showed his clipping—then he went to another—meanwhile we kept on talking. There was nothing offensive or brazen in his breaking in—in fact he was leaning backward to make certain that he wasn't interrupting an important discussion. The man was a perfect gentleman and he meant well. It is very unlikely that he would have been so casual as to enter in the way he did unless his long association permitted it. Yet there was something wrong about the whole thing—we all sensed it.

When he left one of the men in the room turned to the others and said, "You know, he's an awfully nice fellow, he really meant well, but dammit, I think he is trying too hard to tell us how good that thing is. He looks anxious about it. Everytime he sees something good in the paper in the way of pending legislation that may favorably effect that company he barges in and tells us all about it. Every month if they make a couple of dollars extra profit he tells us. I know he is sold on it and owns quite a bit of the stock himself, but he's too anxious for me. Frankly, I am beginning to doubt whether or not he is really as sold as he pretends to be."

Here was an extreme case of overselling. Firstly, no matter how well these men were acquainted he weakened his case and his story by the way he rushed in and pushed his clipping in their faces. It is difficult to believe that any experienced person (salesman or otherwise) would not appreciate the fundamental fallacy of saying the RIGHT THINGS but in the WRONG WAY and at the WRONG TIME. In his enthusiasm this well meaning man actually began to UNSELL his friends when all he meant to do was to convey information that would bolster their confidence in the project.

The right way to approach such matters is based on common sense and judgment. Get undivided attention before you say what you have to say. In this way you DIGNIFY your proposition. Never interrupt others and don't talk at all unless you can also do so without interruptions. Certainly every salesman understands these important facts of life. Yet, here was a man who had achieved success, he had many years of academic training and business experience behind him, and still he messed it up. That is why I thought this little item might serve as a reminder to some of us who might also grow careless once in a while and by overselling do what this fellow accomplished—HE DREW A BLANK.

Railroad Securities

Carriers in the northwestern section of the country had to contend with what was probably the most severe weather in their histories this winter. As a result, earnings, or deficits, have made very sorry comparisons with the like period of 1948. Mostly these roads normally make little, if any, money in the first quarter of the year, with the seasonal peak coming in the late summer and early fall. What has gone on so far, then, is of relatively minor significance. What is important is that the prospects for this territory over the balance of the year appear quite favorable. Once the adverse weather influences are eliminated earnings comparisons in this territory should improve sharply.

The iron ore outlook is particularly promising. Of the major carriers this is primarily of importance to Chicago & North Western and Great Northern. The former, as a matter of fact, has already been benefiting through participation in an unprecedent all-rail movement of iron ore from the Gogebic Range in upper Michigan to Birmingham. The Great Lakes have opened for transportation unusually early this year. Stocks of iron ore at lower Lake ports and at furnaces are quite low. As a prospects point to a continued high level of steel production it is generally expected that iron ore shipments to the Lakes will be heavy this year. There is a feeling in some quarters that the 1949 season may see a heavier tonnage than even the peacetime record set last year.

Grain yields in the territory last year were large and the carry-over at the beginning of this year was much higher than it had been a year earlier. This grain has been moving in heavy volume recently and should continue well above a year ago. So far as can be judged at this early date there is every prospect of another year of high grain yields in 1949. Prices will be lower but farmers will still be assured of continuing prosperity. This will in turn help to bolster the inbound rail movement of miscellaneous manufactures to the rural areas.

In the light of these general prospects, bolstered by the particularly wide increase in last year's corn crop, the management of Chicago & North Western has been quite optimistic as to the road's 1949 earnings outlook. In estimates filed in connection with the carriers' request for another freight rate increase the company forecast a rise of some 6.2% in gross revenues for the year. This was on the basis of present rates. Net operating income for the year was estimated at $14,356,000. This would compare with net operating income of $10,-011,000 realized last year. Earnings on the common stock were placed at $7.50, up from $2.75 in 1948.

Traditionally Chicago & North Western has long been a high cost producer. It gets a relatively short haul on a large proportion of its traffic. On the other hand, it is saddled with extensive and expensive terminal operations. As a result, it has one of the highest wage ratios in the industry and its transportation ratio consistently runs well above that of the industry as a whole. Also, its margin of profit is naturally considerably narrower than that of the average for Class I carriers. Last year it carried only 7.1% of gross revenue to net operating income before Federal income taxes. Only three major roads—Atlantic Coast Line, Central of Georgia, and New York Central—did worse.

In view of the fundamentally high operating costs and the narrow margin of profit the company is naturally quite vulnerable to any further possible cost increases or to any sharp decline in business. Its stocks, in particular, must be recognized as highly speculative. Moreover, the common is one of the most highly leveraged of the rail equities. Thus, per-share earnings tend to fluctuate widely. Whether the optimistic forecasts of the management as to 1949 will be realized is a moot question. There is little question, however, but that share earnings should be well ahead of a year ago. The management is traditionally liberal with respect to dividends—$2 was paid last year. For intermediate term speculative purposes the common at recent levels has considerable appeal in the opinion of many rail analysts.

The Case for Unemployment Compensation Benefits

(Continued from page 22)

ing salaries and bonuses, and the State demanding taxes.

"If the worker or the State wins out, it is Socialism; if the landlord, the bondholder or stockholder win out, it is Capitalism; if the management wins out—it is, so far, unnamed."

Human Mobility

It occurs to me that as long as we operate under the opportunity system there is too much discussion by too many people on what is wanted by labor and what is wanted by business by way of an adequate unemployment compensation program. The vicissitudes of fortune are too fickle to permit of men planning on any such false basis as this, for who knows whether my sons will be a part of labor or a part of business, and what will be the place for my grandchildren and yours? If we are to plan wisely, we must plan for the good of all—not on the basis of how much can business afford to pay by way of taxes or how much can labor demand by way of benefits, but rather how much should be paid by way of unemployment compensation benefits in order to assist workers generally in helping themselves to prosper more fully under our opportunity system.

Whatever this figure is, business can pay it, but to pay one dollar more is to take from the worker and not give to him. We prosper best in this country when the opportunity system is left free to work with fewest restrictions. It is elementary to say that what the workers of this country want is full employment; a job—not unemployment compensation. Anything that tends to interfere with the functioning of the opportunity system or with man's right to a job is indeed not security but insecurity.

It is a humble illustration, but I ask you to remember that the wild horse, in his primitive state, is a powerful, proud, brilliant, intelligent, self-reliant, capable creature. When taken into captivity and given complete social security, he remains powerful and proud but wholly dependent upon mankind for his wellbeing—not able to care for himself or his offspring without the aid of man; nor is it different in the case of other animals; nor do I think that you will feel that man is not largely animal.

The point I am trying to make is that if we are to build successfully upon what we have, it must be a structure of strength and beauty that will afford incentive, opportunity and protection; not a glistening bit of fabrication that will lure men to it only to have it crumble upon them.

Unemployment compensation benefits should never be large enough to make them an attractive substitute for wages, nor should they be so small that they fail to assist the worker materially in paying for the necessities of life when he has lost his job through no fault of his own and while he is seeking other employment.

Every effort should be made to broaden immediately the coverage to protect workers who are employed by employers who have one or more workers, for certainly these workers are subject to the same hazards of unemployment as are all other workers.

Employer Interest

Experience rating is a must. It may or may not be a real incentive for employers to stabilize employment, but it most certainly is the primary means by which employers' interest in the program is maintained and without this interest, fraud and chiseling would multiply beyond all reasonable bounds. Experience rating affords incentive and opportunity and moreover it provides a most unique and equitable method of collecting enough tax at all times to finance the program, while at the same time it provides automatic ways and means for granting tax reduction when benefit funds are sufficiently large to warrant such action. It is the heart of our system of unemployment compensation.

Not even the severest critic of unemployment compensation has dared to condemn it as being unsound in principle, but many have had much to say about isolated cases of workers who are receiving unemployment compensation benefits for reasons other than having lost their jobs through no fault of their own.

Disqualifications

The matter of disqualification of benefits, as you know, has received considerable attention. The one extreme is represented by laws containing the clause which provides, in effect, that a penalty shall be imposed against any workers who voluntarily leave their employment, unless the reason for their leaving is attributable to the employer. Obviously, a clause such as this forces the imposition of penalties in many cases which, in equity, should not be penalized. Such action gives rise to justifiable complaint on the part of workers so affected.

The other extreme is provided by laws that have no provision for any penalties regardless of the reason for the worker's separation from work other than a postponement of benefits.

In my opinion, the matter of deciding whether or not a worker had good cause for leaving his employment should be left to the discretion of the department administering the unemployment compensation law. Likewise, if it is determined that the worker left his work voluntarily without good cause, in such an event the department, depending upon the circumstances in each individual case, should impose a penalty commensurate with the facts surrounding such case.

It is my belief, based upon years of experience in observing cases of this kind, that when penalties are justified, they should be of the type that wipe out the benefit amount for each week a penalty is inflicted.

I appreciate fully that I have taken considerable of the time allotted me to discuss the matter of disqualification of benefits, but certainly it has been the basis for most of the criticism levelled against the program and I feel that more weakness has been experienced in this regard than any other single phase of unemployment compensation laws. Therefore, it would appear that any building for the future should provide for proper strengthening of this feature of UC laws.

Equitable Variations

The Federal-State partnership that is responsible for administering unemployment compensation is, I believe, worthy of brief comment. The problem of employment and unemployment is national in scope and as we well know from past experience, knows no State boundary line, so that it is a problem which is a proper concern of the Federal as well as State Governments.

On the other hand, our country is so large, our peoples and industry and agriculture so varied and complex that it is difficult indeed to think of a single UC law that could possibly give the same *equitable variance* as is presently provided by the provisions of the several laws. I need not remind you that the profit motive is lacking in the administration of unemployment compensation as with most government activities, but I would like to call your attention to the fact that under the Federal-State UC partnership, with the Federal partner jealously watching the every expenditure of State Administrators, we find the next best substitute for the profit motive. One only has to look at the record of the increased costs from the Federally operated system of the employment services during the war to realize fully just what the partnership means by way of savings in administrative costs. I think this points out more accurately than any words the obvious fact that Federal people watch State expenditures much more closely than they do their own.

Even so, there are many who continue to strive for a completely Federal system of unemployment compensation. I realize fully that you men and those you represent are the champions of our present Federal-State partnership arrangement and without your diligence and effort we would have lost it long ago.

Nevertheless, I plead now for even more of your support in this regard, for surely without it we are certain to lose in our fight against those who not only in this field of government but in others, seek to remove the administration of statutes from their rightful place close to the people they affect, to the far more distant bailiwick of Federal bureaus. It may be elementary to state that the best government possible is that government which is closest to the people; nevertheless, it bears repeating and warrants your support.

There is at present a crying need for improvement in the manner by which the program is financed. Through the years, the problems regarding adequate and proper financing have been too numerous to mention, but the most serious one of all is that which faces us today; namely, the fact that Congress does not see fit to pass on for administration, the money that it collects from employers for this purpose even though the workloads are ever demanding the use of these funds if employers and workers are to receive the service for which they are paying.

I will not comment upon the progress made by the several States through the orderly procedure of amending their unemployment compenasian laws to provide for a more adequate program, other than to say that with few exceptions this record is one of which the people of our country can be justly proud. I think it well for all of us to remember that building an unemployment compensation program is a long-time job. It also seems to me that we will do better to build slowly and surely than to build too hastily and be forced to tear down that which we have constructed.

Finally, I would like to say that unemployment compensation is now accepted as a vital component of a sound national economy. It is a sustaining supplement to our business, industrial and social welware. In its own right, unemployment compensation is a big business. It should be administered as such, with proper financing to insure efficient management, to render full value in service and to progress with the needs of the workers, employers and the communities it serves.

Employer's Responsibility

You, as representatives of successful business and as members of the nation's most influential body of citizens should be particularly interested in whether or not you and your fellow businessmen are receiving the full benefits of your tax investment in management of the unemployment compensation business.

Individually, I am convinced that you are interested. I am convinced that the United States Chamber of Commerce has expressed the thinking of its membership on this matter. But, I am equally convinced that in the tempo of today's life and legislation, your influence as a respected organization is probably not as effective as that of the combined efforts of your individual members.

It is not enough that businessmen express their ideas regarding legislation to the professional executives of their business organizations. With the amount of money that is being sent by government, businessmen can't afford not to take a more active interest in their government. In this connection I might also add that the interest we show in any desirable program involving legislation is much more effective if it is manifest at the time we select our public servants than it is after they assume office.

Kuhn, Loeb & Co. Offers Bell Tel. of Pa. Debs. Issue Oversubscribed

Kuhn, Loeb & Co. and Lazard Freres & Co. were the successful bidders April 12 for a new issue of $25,000,000 Bell Telephone Co. of Pennsylvania 25-year debentures on their bid of 101.419 for a 3% coupon. The debentures, due April 15, 1974, were reoffered to the public at a price of 101.77, to yield 2.90%, and the bankers announced that the issue had been oversubscribed and the books closed, the day of offering.

Proceeds from the sale of these debentures will be used by the company toward repayment of advances made to it by the American Telephone & Telegraph Co., parent, which are expected to approximate $28,000,000 by April 19, 1949, for extensions, improvements and enlargements of the company's plant.

Burnham Director

I. W. Burnham 2nd, Burnham & Co., New York City, and L. Welch Pogue have been elected directors of Western Air Lines, Inc.

Impact of Military Preparedness on Our Economy

(Continued from page 6)

may level out or give way to renewed forces of inflation. Moreover, the weakness that has been reflected in recent price movements has occurred primarily in the area of soft goods. In the field of hard goods, where additional defense expenditures would have their main impact, there has been, it is true, some tendency toward easing, but it is not sufficient in magnitude to create a situation of surplus in this area. It might therefore appear that the economist would feel relieved of the apprehensions of such a development as that by which he was beset last November. In fact some people assert or intimate that the implications of a military budget of not much over $15 billion are positively favorable in the present situation of the civilian economy. Is not the rising scale of disbursement under this program a useful and welcome prop to a commodity and labor market which shows what some people regard as an alarming tendency to sag? Is not this just the complementary factor that, added to the spending plans of business and the "propensity to spend" of farmers and city consumers, will give the economy confidence as well as funds to go ahead on a good level of prosperity at least to the middle of 1950?

This idea has some validity but requires important qualifications. There can be no argument but that the cash disbursements that will take place during the next year or so under a military budget of presently indicated size will be an important demand factor in the domestic economy. If that amount were quickly and drastically reduced, the result would undoubtedly be the injection of uncertainty into business plans and a call for adjustments so severe that they might, added to present soft spots, produce a more or less serious recession before suitable readjustments could be made.

But that is far from saying that the present scale of military expenditure is really good for the economy and that a few billions more would be better. President Truman, in scaling the several parts of his executive budget, carefully weighed the needs of military security and European reconstruction against the strong claims of "domestic improvements and welfare." He pointed out that we could not spend all that would seem absolutely desirable in any one of these directions because of the relative claims of each of the others.

In making our economic analysis of the military problem, we must not forget that many domestic programs had to be curtailed or deferred during the war years and the early postwar years when the reconversion of private business drew so heavily on manpower, materials and funds. Few people appear to realize how great was the accumulation of deferred maintenance in our total school system during the war and the further deterioration that both school plant and teaching personnel have suffered during postwar inflation. Much the same can be said as to streets and highways and other types of public facilities. This type of problem is further aggravated by the fact that the accelerated rate of family formation in the war and early postwar years has brought more than normally increased demand on community facilities and is just beginning to bring larger numbers of infants to the schoolhouse door. Delay in developing sources of electric power caused a brownout in important areas last year.

The President regretfully ordered the postponement of more than a billion dollars of such expenditures in 1947 and 1948 and made only moderate provision for them in the present budget. At the same time, he had to resist the clamors of individual and business taxpayers for relief, and even pointed to the need to increase taxes by at least as much as military spending rises above the level of last year. To provide even $15 billion for military spending, he had to hold down on recommendations for maintenance or expansion of the nation's natural resources and its public plant and limit the scale of social services for education, health, and social security — far below the level of his own inclination and strong demand by the people. All these deferred civilian needs are still there, ready to employ any manpower or block of materials made available by reduction of preparedness effort. Instead of military spending being needed to cure or prevent unemployment, as Hitler played it, we have the confidence of a free people that all the resources which can safely be spared from armament can be used under forward-looking private enterprise and public enterprise to raise the living standards of the whole population.

Guides For a Defense Program

Preparedness for "cold" war will accomplish its objective only if it clearly can be continued for as long a period as may prove necessary. Preparedness for possibly prolonged international tension should not borrow resources from the future but build up the economic potential and strengthen the social fabric. Such a long-run program must combine military preparedness with economic and financial preparedness and, last but not least, conditions of life that give the citizenry a deep conviction that theirs is a political, social, and economic system that is worth defending. This applies to the other free countries as well as ourselves. A defense program that is guided exclusively by the most perfect military considerations may impair economic and financial preparedness or give fuel to the development of a fifth column in our midst and thereby undermine its own effectiveness.

A few simple figures may illustrate how moderate our government expenditures for socially and economically protective purposes are as compared with spending for military defense purposes. Fifteen billion dollars a year means approximately $300 million each week. As compared with this, it is proposed to spend for the next fiscal year as a whole $300 million for Federal aid to education; about three-quarters as much for slum clearance, low-rent housing, and farm housing; a little less than $300 million for the promotion of public health; and a little more than that amount for rural electrification.

This economist approach to the analysis of the preparedness problem must now be applied to the newest development in the security picture, namely the North Atlantic Pact, and its effective implementation. Of course, we cannot measure the value of this Pact merely by the amount of dollars involved. These expenditures are small in relation to the historical significance of the undertaking and also in relation to the total budget or the total productivity of our national economy. But it would be wrong to conclude that we can, without concern, add these expenditures, whatever they are, to present budget items for national security. Any addition to the budget would contribute to the need for additional taxes or to the making of a budget deficit.

The basic issue here is: Does the North Atlantic Pact increase our national danger and therefore require us to make additional outlays to restore the proper measure of military security? Or do we propose, by joining in a plan of mutual assurance, to lessen the danger to each of the parties, and particularly to ourselves as the prime target of possible aggression? The latter seems the reasonable interpretation. In the somewhat technical terms of the economist and the business manager, we have turned to horizontal integration of the defense function to effect operative economies. Under this integration we expect to buy better security at the same cost or even, in due time, at lower cost than would otherwise be required. That is, we are now giving tangible expression to the belief that joint security is the truest and most economic pattern of security under our present development of air-borne atomic power and of political enlightenment.

In line with what I said earlier about the intermeshing of the military machine and the industrial plant and labor force, it is evident that ECA funds and administration must be regarded as an integral part of the plan of American security and sustained prosperity within the setting of the world economy—that is, the international economy of the free nations. The relative parts to be played by military and by industrial preparedness in each of the participating countries, and the relative roles to be played by each arm of the military service at the most effective points must be reexamined in the light of the new strategic concept and with no dangerous backward look at traditional positions of prestige, historic roles, or impressive trappings. We cannot afford to make the costs of its implementation a simple addition to other military plans as they stood before the new alignment. Rather must we rework the whole operational and financial plan so as to gain maximum security with minimum strain on our economy. The problem needs to be handled with unsentimental business efficiency.

Investment Research Corp.

BOSTON, MASS. — Investment Research Corporation is being formed with offices at 53 State Street. Officers are T. S. Keegan, president and treasurer; R. S. Battles and E. B. Smith, vice-presidents; A. R. Magee, assistant treasurer; and C. L. Ryan, clerk. Mr. Keegan and Mr. Magee were formerly with J. Arthur Warner & Co.

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—William R. Atherton has become associated with B. C. Christopher & Co., Board of Trade Building, members of the Chicago Stock Exchange. Mr. Atherton was previously with the Scoular-Bishop Grain Co.

With First Trust Company

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB. — William W. Radcliffe has become associated with The First Trust Company of Lincoln, 10th and O Street. Mr. Radcliffe was formerly with E. E. Henkel Investment Co.

With Wahler, White & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Cone Howard Johnson is now with Wahler, White & Co., Dwight Building.

With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, NEB. — Bruno W. Neben has joined the staff of Herrick, Waddell & Reed, Inc., 55 Liberty Street, New York City.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A firm-to-buoyant trend is looked for in the government market because funds available for investment should continue to expand. . . . Deposit institutions are expected to put away sizable amounts of the eligibles, with the shorts and longs both coming in for purchases, according to the institutions' needs. . . . Out-of-town commercial banks should be prominent in these operations, especially in the more distant maturities, because they must build up income. . . . Demand for short-term securities has been sizable and the bill rate has declined slightly because of the large amount of money seeking temporary investment. . . .

The list has been backing and filling within relatively narrow trading limits and no sharp break-aways are looked for immediately in either direction. . . . The government market is nonetheless in strong technical condition, which could be conducive to higher prices, especially in the longer eligibles unless the tap issues are reopened. . . . Savings banks along with the smaller deposit institutions are dominating the government market since most of the taps and the eligibles are being taken by these two groups. . . .

EASIER CREDIT AHEAD

The money markets have passed the income tax period without casualties and indications are that credit will be easier in the second quarter than was the case in the first three months of the year. . . . The Treasury will be spending funds that were collected in the first quarter and this will mean that many banks will be seeking outlets for funds that will be piling up because of government expenditures. . . . The demand for government securities under such conditions should continue to be sizable with all sections of the list from the shortest to the longest getting attention. . . .

The easier money market conditions that are anticipated during the second quarter of the year give no consideration to reserve requirements of member banks which may be changed during the period. . . . This could come about either through tangible action of the authorities or by automatic changes such as default because of the lapsing of legislation that made possible higher reserves of member banks for a temporary period. . . . If there should be further deterioration of the business picture, there will undoubtedly be changes in member banks' reserve requirements, probably by allowing the legislation that expires on June 30 to run out. . . . This would add about $2,000,000,000 of reserves to the banking system, which would be available for either loans or investments with the latter classification quite likely to get the bulk of these funds. . . .

NEW ISSUE POSSIBLE

When the demand is increased and the supply is curtailed (through refundings or redemptions) or remains constant, prices generally advance, unless something is done to augment the supply side of the equation. . . . This is bringing forth the idea that there may be some bonds offered in the June refunding (for at least the maturing 2s) with a seven-year 1¾% issue being considered a likely number by some of the well-informed followers of the money markets. . . . Such an obligation would not in itself be enough to meet an increased demand, because it would be used only for replacement purposes. . . .

An enlarged demand such as would result from changes in reserve requirements of member banks would have to be taken care of by other means, probably by making specific issues or the entire list of restricted bonds eligible for purchase by the member banks in limited amounts. . . . The coming quarter could witness important changes in the money markets. . . . The trend of economic conditions will be the force that will largely determine how far the authorities are likely to go in making credit available if there be need to bolster a faltering economy. . . .

SHORT-TERM RATES ON THEIR OWN

The action of the Federal Reserve Banks in remaining largely passive when offers to buy and sell bills and certificates were made to them recently has had the money markets somewhat on the uncertain side. . . . It seems as though the monetary authorities are telling the money markets that short-term government securities are on their own from now on and short-term rates will not be protected by the authorities as they have been in the past. . . . The future level of short rates will be determined by the normal forces of demand and supply, with the authorities interfering only when it is necessary, so as to insure an orderly market for short-term Treasury obligations. . . .

For some time it has been evident that the powers that be wanted to free the short end of the government list from official support and indications are they believe conditions to be right for the adoption of this program. . . . From now on the longer Treasury obligations will be the only ones that the authorities will have to be concerned about when, as and if support should be needed. . . .

The Federal Reserve Banks by allowing short-term rates to seek their own levels depending upon the demand and supply of funds, will give greater flexibility to the near-term money market. . . . Also they probably will be able to prevent quick and sharp changes in member banks' holdings of bills and certificates which have been used by these institutions to adjust their money positions. . . . The banks could borrow from the Central Banks instead of selling bills and certificates. . . . The discount rate would have more significance and the commercial banks would be less dependent upon the Reserve Banks for their supply of bills and certificates. . . .

Freeing of the short-term money market from complete Federal sponsorship is a favorable development and probably a sign that more normal conditions are returning to the government market.

How Placing Corporate Earnings Under Individual Income Tax Affects Risk Capital

(Continued from page 7)

simple arithmetic examples, such as shown in Table 1.

The division of each $100 of corporate earnings, in Table 1, between corporate taxes, retained earnings, and dividends paid out, is roughly the same as the estimate of that division for the 1948 national aggregate of all corporate profits.[1] But the conclusions drawn in this paper do not depend upon any particular combination of the sizes of those three factors. This table shows that the double taxation of corporate earnings, resulting from the use of the corporate income tax, does not impose any additional burden upon Taxpayer B, because his combined rate of levy under the double taxation is identical with the rate on his entire personal net income, under the Federal Individual Income Tax. Therefore, Taxpayer B, with his net taxable personal income of approximately $54,000, is in a neutral position with respect to this double taxation. It would be a matter of indifference to him whether he is taxed on his entire share of corporate earnings under the individual tax or taxed as shown in Table.[2] But Taxpayer A, who is in the $5,000 income class, loses heavily through this double taxation, since his share of corporate earnings is taxed at a combined rate which is more than double his rate under the individual income tax. But Taxpayer C, whose personal net income is about $352,000, makes a substantial net gain from the operation of this double taxation, since his share of corporate earnings is taxed at a combined rate which is 20.50 percentage points below his rate under the individual income tax.

Table 1 shows, therefore, that use of corporate income taxation has a tendency to shift a substantial fraction of the Federal tax load off the incomes of the higher-income shareholders and to transfer that part of the tax load to the incomes of the lower-income shareholder, as compared with the way in which that tax load would be distributed under an impartial application of the rate scheduled in U. S. Individual Income Tax to incomes from all sources. That downward-shifting of the Federal tax load obviously makes a big difference in the disposable personal incomes left to the 46,000 individual income taxpayers in the $50,000 and over brackets, whose reported taxable net incomes in 1948 totaled approximately $4.5 billion, or 3.2% of total reported taxable net personal incomes.[3]

2. How Can the Individual Income Tax Alone Be Applied to Corporate Earnings, Without Reducing the Federal Revenue?

Suppose that we repeal the corporate income taxes and bring those earnings under the U. S. Individual Income Tax. How could this be done, without reducing the total Federal revenue? There are actually several ways to do this; but they all amount to the same thing in their effect on the sources of risk capital.[4]

One way would be to apply the individual income tax to **dividends** paid out. In order to test this method, we shall assume that the corporation (in Table 1) pays out as additional dividends the 38% of its earnings formerly paid to the Federal Treasury. That would increase each of our taxpayers' dividend receipts, as well as each of their individual income tax bases, by $38, or from $22 to $60 in each case. Then A's tax bill would be $11.40; B's would be $29.23; and C's would be $45. But the total of these tax payments would be only $85.63, as compared with the original total of $145.40 derived from the double taxation of these corporate earnings. Hence the Treasury would lose $59.77 in revenue from these sources alone.

Even if Taxpayer C owned every share of corporate stock represented by those earnings, this solution would not produce as much revenue as was produced by the double taxation. For three times $45 is only $135, which is still substantially below the original $145.40 produced by the double taxation. Therefore, if the same Federal revenue is to be produced, the **effective** rates of individual taxation applied to corporate dividends would have to be raised, unless the corporation increased its dividends above the $60 per $100 of earnings used in this analysis. That possibility will be referred to presently.

One solution to this maintenance of revenue would be to raise the individual income tax rates, keeping the same ratios between rates of levy on the different net income brackets as in the present U. S. Individual Income Tax. But that would be "robbing Peter to pay Paul," for it would be reducing disposable income derived from other sources in order to keep down the tax load on income derived from corporate earnings, with no advantage for potential supply of risk capital gained either in the total amount of disposable income or in its distribution among the income classes.

The simplest solution for this maintenance of revenue problem would be to bring the entire shares of corporate earnings—instead of dividends received—directly into the tax bases of individual income taxpayers. This is not only the simplest solution; but it also shows most clearly why this alternative to corporate income taxes would probably be damaging to the supply of risk capital.

Suppose, then, that our three taxpayers were each obliged to add their shares of corporate earnings to their net taxable incomes. In order to simplify the description of the consequences of this solution, suppose that the inclusion of shares of corporate earnings in the individual tax bases did **not** push any shareholder up the steps of the rate schedule of the Individual Income Tax.[5]

Under these conditions, Taxpayer A would pay $19, Taxpayer B would pay $48.72, and Taxpayer C would pay $75 per $100 of their respective shares of corporate earnings. This would give a total of $142.72 in Federal revenue from these three sources. And if the ownership of corporate shares was (and remained) slightly concentrated in the hands of shareholders, subject to an individual income tax rate of 38% and over, the revenue would be as large (or even larger) than the revenue formerly obtained under the double taxation of corporate earnings.

What Would Happen to the Sources of Risk Capital?

Suppose that the immediate **revenue** problem were solved by bringing shares of corporate earnings under the U. S. Individual Income Tax. What would that solution do to the two sources of risk capital, retained corporate earnings and disposable personal income? First, suppose that our corporation continued to retain 40% of its earnings. Now see what would happen to disposable personal income.

Each of our three shareholders would receive $38 in additional dividends, under our present assumptions. Then A's out-of-pocket individual income tax payment would rise from $4.18 to $19, an increase of $14.82. Therefore, A would find his disposable income increased from $17.82 to $41.00, or by $23.18, on this one block of corporate holdings.

Our Taxpayer B would neither gain nor lose in disposable income, since his out-of-pocket individual income tax payment would increase by $38.

But with the examination of what happens to the disposable income of Taxpayer C, we come practically to the end of the investigation of this alternative to corporate taxes. For, although he also receives an additional $38 per $100 share of corporate earnings, his out-of-pocket individual income tax payment rises from $16.50 to $75, an increase of $58.50. Therefore C's disposable personal income would be reduced by $20.50 (per $100 of his share of corporate earnings), through this change in the tax system. It would also do the same to all shareholders in income tax brackets above that neutral position occupied by Taxpayer B. The best that Taxpayer C (and all in a similar position) could do would be to try, by selling most of his holdings of corporate stock to Taxpayer A (and others in those lower-income classes), and investing the proceeds in other types of securities, to restore his disposable income to its former level.

The amount of the total net loss in disposable personal income which would come as the short-run result of this change in taxation would depend upon the distribution of ownership of corporate stock among the different income brackets.[6] The certain result, however, is a shift in the location of disposable personal income in favor of Taxpayer A and other shareholders in income tax brackets below that neutral position represented by Taxpayer B. And if, as generally believed, the "propensity to consume" of those lower-income shareholders is higher than that of Taxpayer C (and those in the brackets above that represented by B), and/or if their tendency to invest in "safe" securities (life insurance, bonds, etc.) is greater than that of C, then those lower-income shareholders would furnish a smaller amount of new risk capital than would be furnished out of the same amount of disposable personal income in the hands of the upper-income shareholders. If that happened, the total supply of new risk capital would be reduced by this change in the tax structure.

There is one final note on this alternative to corporate income taxes. It is possible to imagine that our corporation, perhaps under the influence of large shareholders like our Taxpayer C, would come to the rescue of its upper-income shareholders by paying out a larger fraction of its earnings as dividends. If, for example, it paid $80.50 in dividends out of each $100 of its earnings, then our Taxpayer C would suffer no loss in disposable income, as compared with his original position under the double taxation, since this rate of dividends would increase his dividend receipts by $58.50, the amount by which his out-of-pocket individual income tax bill was raised. But even if this (and all other) corporations could bail out their large shareholders in this way, the economy would still be far worse off in the matter of risk capital supply than it would be if the corporation continued to retain the $40 per $100 of corporate earnings, as assumed above. For the additional dividends given to C would be snapped up by the tax collector as just described, leaving C no better off in terms of disposable personal income. Meanwhile, however, the corporation would have $20.50 less retained earnings at its disposal per $100 of profits. And shareholders in income brackets higher than that of C would not even have their disposable incomes restored to the level which resulted from the original double taxation of corporate earnings. Therefore, for Taxpayer C, and all shareholders above C's position on the individual income tax schedule, there would result a greater net loss in sources of risk capital represented by retained earnings plus disposable personal income than would result from the corporation maintaining its $40 of retained earnings per $100 of earnings. Shareholders below C's position on the individual income tax schedule would, of course, enjoy a net increase in disposable personal income under this plan for rescuing the upper-income shareholders from the consequences of bringing shares of corporate earnings under the individual income tax. But this plan would result in transferring large sums of corporate profits away from the disposal of the corporation itself, where it is already available for use as risk capital, and putting those sums in the hands of shareholders right down to the lower-income levels. It is difficult to imagine that all of those increases of disposable personal income thus given to lower-income shareholders would promptly find their way back into the supply of risk capital offered in the equities market. Therefore, it appears reasonably certain that this possible method of rescuing the upper-income shareholders from the consequences of the single taxation of corporate earnings would inevitably produce a sharp net reduction in the aggregate supply of risk capital in the economy.

4. What About Increased Corporate vs. Individual Income Taxation?

All of the above analysis holds as well for increased Federal taxation as for a mere maintenance of the same Federal revenue. If the increased taxation took the form of an increase in the corporate income tax, then—assuming no change in dividend payments—the supply of risk capital in the hands of the corporations would fall dollar-for-dollar with the increase in Federal revenue.

But if the additional Federal revenue were obtained by means of an increase in individual income taxation, and if no change was made in the steepness of the rate schedule of that tax (that is, in the **ratios** between the rates of levy on the different income brackets), then a chain of consequences would result similar to those described under Question 3. Either the addition to the tax liability of our Taxpayer C (and also B, in this case) would drastically reduce his disposable income received from our corporation in Table 1, or the corporation would have to increase its dividend payments in order to leave C's disposable personal income unimpaired. In either case, the actual and potential sources of risk capital would be reduced by more than the addition to the Federal revenue.

For example, suppose that the total tax burden on our three taxpayers was raised by $12, or a little over 8%. If that extra revenue was raised by a corporate income tax, the corporation's retained earnings would fall by $12, or by an amount exactly equal to the additional Federal revenue. But if the additional revenue were raised by the individual income tax, with no change in the progressivity of its rate schedule, then A's additional **effective** rate of levy on his $100 share of corporate earnings would be 1.6%; B's would be 4.1%; while C's would be 6.3%. The additional income tax liability of Taxpayer C would more than wipe out his disposable personal income (from this source) which was only $5.50 in Table 1. Such a development would put Taxpayer C in the same sort of financial dilemma as shown above under Question 3. Similarly, if the corporation increased its dividend payments by enough to bail Taxpayer C out of this new dilemma, and to restore his disposable personal income to the level shown in Table 1, then three times $6.30, or $18.90, would be taken directly from the supply of risk in the hands of the corporation in order to increase the Federal revenue by $12. How much **net** loss in the supply of risk capital would result from these expedients would depend upon what the lower-income shareholders did with their increased disposable incomes. But as argued above, the net loss to the risk capital supply would almost certainly be greater than if the same addition to Federal revenue were secured by increased corporate income taxation.

Conclusion on This Alternative to Corporate Taxes

The conclusion drawn by the writer from the above analysis is

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1 I. B. M. Industrial Securities Committee Report. Quoted in "The Commercial & Financial Chronicle," Thursday, Dec. 23, 1948, p. 22.

2 This neutral rate under the individual income tax varies directly, though not proportionately, with the rate of corporate income taxation and also with the ratio of dividends paid out to earnings retained by the corporation. In the extreme case where the corporation pays out its entire earnings (after corporate taxation) that neutral rate would be 100%. It can be calculated, for any shareholder, by dividing the corporate tax on his share of the corporation's earnings by his share of the corporation's earnings *minus* his dividend receipts.

3 The Tax Foundation, Facts and Figures on Government Finance, 1948-1949, Table 79.

4 Any scheme for eliminating the double taxation of corporate income by giving *tax credits* to individual income taxpayers for corporate taxes collected from their shares of corporate earnings would necessarily have the same kind of effect on the sources of risk capital as that of the U. S. Individual Income Tax described below, *unless* it either (1) reduced the total Federal revenue, or (2) maintained the downward shifting of the Federal tax load which is produced by our present system of double taxation of corporate income.

5 This simplification would correspond to the facts only if a small fraction of these taxpayers' personal incomes were derived from corporate profits. But this simplification does not affect the nature of the conclusions; in fact, it reinforces the conclusions by making the plight of Taxpayer C look better than it would be in reality.

6 The more the ownership of corporate stock is concentrated in the upper income brackets, the greater the total loss in disposable personal income.

TABLE 1.

Effects of Corporate Taxation on Tax Burdens of Shareholders in Different Income Brackets

(1) Taxpayers	A	B	C
(2) Shares of corporate earnings	$100	$100	$100
(3) Corporate income tax, at 38%	38	38	38
(4) Retained earnings	40	40	40
(5) Dividends paid out	22	22	22
(6) Individual income tax rates on taxpayers' personal net incomes (after exemption allowances)	19%	48.72%	75%
(7) Individual income taxes paid on shares of corporate earnings	$4.18	$10.72	$16.50
(8) Total taxation on shares of corporate earnings	$42.18	$48.72	$54.50
(9) Effective combined rates of taxation on shares of corporate earnings	42.18%	48.72%	54.50%
(10) Item (6) **minus** Item (9)	—23.18%	0.00%	+20.50%

the following: The elimination of the present double taxation of corporate income through the repeal of the Federal corporate income taxes and the raising of the same amount of Federal revenue through the single taxation of all corporate earnings under the highly progressive U. S. Individual Income Tax would reduce the supply of risk capital in the economy.

This conclusion would be definitely wrong, if it could be proved that (1) the fraction of disposable personal income invested in corporate stock is larger for the smaller than for the larger disposable personal incomes, and (2) that the individuals in the income brackets above, say, $50,000, hold such an insignificant fraction of corporate stock that a forced liquidation of their holdings would not reduce the total present or future supply or risk capital in the economy.

If, however, this conclusion and the analysis upon which it is based are correct, then both the interest of the whole economy in the supply of risk capital and the interest of the upper-income shareholders in maintaining their disposable personal incomes are best served by the continuance of the double taxation of corporate income, while the interest of lower-income shareholders in an increase in their disposable personal incomes would be best served (at least in the short run) by the elimination of corporate income taxes and the raising of the required Federal revenue by means of the U. S. Individual Income Tax.

The Challenge to Democratic Capitalism

(Continued from page 8)

and local governments are asked to provide a vastly wider array of public services as an ordinary day-to-day matter of satisfying community wants.

We now have a Federal debt of $250 billion. It was only about $1 billion before World War I. Before that war, the Federal Government's tax revenues amounted to about $7 per capita. Today, per capita tax receipts average more than $300. Up until World War II the Federal debt occupied a relatively subordinate place in the economy. The Federal debt was equal to about one-fourth of the entire debt of the country in 1940. By the end of 1945 it represented nearly two-thirds of the entire debt of the country. Fiscal and debt management policies have accordingly assumed a new and strategic importance in relation to the problem of economic stability.

Our more complex economy has fundamentally changed our ideas of personal security and our methods of achieving it. In the interdependent society that we have developed, personal security is attainable by too few people through individual effort and savings alone. Today, the average person's security is no greater than the stability of the economy in which he participates. When unemployment and depression develop, the average person, willing to work, inevitably look to government to do something in order to give him an opportunity to make a living.

Responsibility for Leadership

To recognize frankly the circumstances in which democratic capitalism finds itself today need not be an endorsement of New Dealism, Fair Dealism, or Socialism; nor is it in any sense a commitment to the idea of what is called the Welfare State. I do assert that in the kind of an economy we have today there must be some planning and action by the government if democratic capitalism is to achieve and maintain a reasonable degree of stability and provide a reasonable degree of individual security. This was recognized for the first time by the government when the Congress passed the Employment Act of 1946.

Such a need for government intervention to maintain stability is increasingly acknowledged in all capitalistic democracies, and practically all of them have gone much further than we have. The problem is how to keep such intervention at a minimum. This can be done, I think, only if there is information and undertsanding as to what the enlightened self-interest of the people is. This implies that individuals having great economic power or occupying other positions of leadership must show a high level of statesmanship and do all in their power to guide the government wisely in the development of policies that would maintain maximum employment and production. In the type of economy we have today, the issue of national economic stability will not, and cannot be resolved alone by business, farm, and labor leaders in their own areas of self-interest and independent responsibility.

During the past 50 years our problem of maintaining employment has too often been hidden by chance developments. In the early part of this period, our undeveloped resources and technologies provided great opportunities under our system of government for individual initiative and enterprise. When the momentum of this period slowed down, the necessities of World War I provided a new stimulant The devastation of the war and the backlog of demand accumulated during this period gave us a postwar inflation boom and also provided a carryover of support for the uneven prosperity of the '20s. But we only succeeded in maintaining high levels of employment during the '20s by relying upon excessive expansion of domestic and foreign credits, culminating in the debacle of the '30s.

That period was one of major crisis for democratic capitalism. Expenditures failed to absorb output and to provide adequate employment opportunity. Intervention by government was too long delayed and when finally undertaken it was entirely inadequate. Recovery was slow and uneven. Democratic capitalism the world over was unable to organize as effectively for the distribution of wealth as it was technically organized to produce wealth. No satisfactory answer to the problem had been found by the time involvement in another World War again postponed the need for solution.

Our immediate short-run problem is to get some healthy readjustments so as to secure a better balance in our economy. But assuming that this is accomplished, the question remains: How do we maintain satisfactory levels of employment over the long-run period, given conditions of peace in the world?

Various measures have been suggested in the past which might well be a part of a positive program looking toward economic stability, such as public works, including housing, adequate social security and minimum wages, farm support prices, etc., coupled with appropriate fiscal, monetary and credit policies. We have much to learn as to the amounts and timing of such actions and their effect on economic stability.

At present, democratic capitalism is drifting. Our economy is being stimulated by fortuitous developments and temporary stopgaps. We are depending on a heavier investment in certain capital goods sectors than can be sustained in steady volume. We are increasing dependence on public subsidy through high price supports and stock piling. Most important of all, we are bracing up our levels of activity by a huge military preparedness program and a large world-aid program, both without foreseeable terminal points as to time or amount.

The Overshadowing Problem of Peace

But the problems of today and of tomorrow, to which I have alluded, are all overshadowed and made infinitely more complex because nearly four years after the war there is, as yet, no peace. You may have noticed a recent address by Bernard M. Baruch in which he said:

"The overhanging threat of another war penetrates everywhere. Until we make up our minds what to do about this threat of war it is impossible for anybody to know what to do.

"How much of our resources are to go to the 'cold war' and for how long? Are we to be called upon continually to make new commitments?"

And, he added:

"Today the crux of our problem is that there is no peace. We must deal with this first. It is futile to talk of free enterprise with a threat of war overhanging for free enterprise needs peace to function. It is equally futile to talk of planning until we have determined how to achieve a decision in the peacemaking."

I am quoting his words because they so well express what I have deeply believed since the war ended and it became unmistakably clear that the Communists mean to have another war, if need be, to exterminate capitalism.

Not long after the war, Major-Gen. John R. Deane, who headed our military mission in Moscow throughout the period of what he calls "the strange alliance" with the Soviet, wrote:

"Never before in our history have we had so much advance warning of the peril which confronts us. . . . We must adopt a program which is designed not to defend our American way of life passively but offensively to counteract constructively those forces which threaten it."

And he added:

"We have the moral and physical power to stop the Soviet leaders cold and we should not hesitate to use it."

It was his conviction from intimate daily contact with Soviet leaders that the effective way to deal with them was to present them with a decision, not with a negotiation. Every action and move of the Soviet leaders since the war confirms General Deane's conclusion.

Let me cite another informed witness, namely, Winston Churchill. In addressing the Parliament on Feb. 23, 1948, he said:

"The best chance of preventing war is to bring matters to a head and come to a settlement with the Soviet Government before it is too late. This would imply that the western Democracies . . . would take the initiative in asking the Soviet for a settlement. It is idle to reason or argue with the Communists. It is, however, possible to deal with them on a fair, realistic basis, and, in my experience, they will keep their bargains as long as it is in their interest to do so, which might, in this grave matter, be a long time, once things were settled."

He added:

"I said that the possession of the atomic bomb would give three or four years' breathing space. Perhaps it may be more than that. But more than two of those years have already gone. I cannot think that any serious discussion which it may be necessary to have with the Soviet Government would be more likely to reach a favorable conclusion if we wait until they have got it, too. We may be absolutely sure that the present situation cannot last."

Again, last October, he said:

"The western nations will be far more likely to reach a lasting settlement without bloodshed if they formulate their just demands while they have the atomic power and before the Russian Communists have got it too."

In the first volume of his story of World War II, Churchill has eloquently recounted how the victorious Allies, after World War I, permitted the vanquished Germans to regain their military power and to plunge the world into another global war. That is why Churchill termed it the "unnecessary war." He pointed out that until 1934 the victors of World War I possessed unchallenged power not only in Europe but throughout the world.

"There was no moment," he wrote, "in these sixteen years when the three former allies, or even Britain and France with their associates in Europe, could not in the name of the League of Nations and under its moral and international shield have controlled by a mere effort of the will the armed strength of Germany."

It is his contention, and I certainly think he is right, that the tragedy of the second World War could have been prevented if the Democracies had not yielded to counsels of appeasement, if, in fact, they had through united action enforced the disarmament clauses of the peace treaty. That would have avoided violence and bloodshed. As I understand him now, it is his informed judgment—and again I think he is right—that the best chance of avoiding a third world war is to compel a settlement promptly. That, likewise, represents General Deane's conclusion. As he put it:

"The chances of attaining our objective by peaceful means will be enhanced immeasurably if we are prepared to defend our position by force at any point where it is threatened. Nothing induces greater restraint on the part of Soviet leaders than a display of strength by their adversaries."

He added:

"Until the Soviet Union has atomic bombs of her own, she will be restrained from crossing swords with those who have."

In any realistic appraisal of the outlook today we are bound to ask ourselves whether we are embarking on the road to peace or to war, and whether we are not relatively better prepared now—or could soon become better prepared—to enforce a settlement than we will be in five years, or ten years from now. Certainly the Soviets have not been idle since the war ended in strengthening their position—nor will they be idle in the future. There is every indication that they are consolidating their position and mustering their strength as rapidly as they can. You can find little hope in reading history that a competitive armament race is the way to avoid war.

But beyond all this the question is how long, to what end, and at what consequences to our economy do we follow this path? We do not have inexhaustible supplies of manpower and resources to support indefinitely, with no end point in sight, programs of the magnitude which we are now shouldering or contemplating for armament, both at home and abroad, and for other foreign aid. On the sea and in the air we are unquestionably in the same relatively dominant position today to enforce a peace that the Allies were at the end of World War I. The Democracies then could have stopped Nazi rearmament and kept the Japanese from invading the Continent of Asia. There need have been no Munich and no Pearl Harbor.

If we look back over the chaotic interval since the end of World War II such comfort as we may derive from our success during this past year in Western Europe is more than offset by the extent to which we have been losing the cold war in the Orient. Desirable as the Atlantic Pact and the rearmament of Western Europe may be, we must not be lulled into the belief that they are final answers to the problem of lasting world peace.

You may have seen a recent article by that prophetic exponent of air power, Major Seversky, who states that "The indispensable condition for West European rearmament is the existence of a force capable of shielding the undertaking." "Invincible strategic air power," he writes, "operating in part from the British Isles and in the main from the American Continent must therefore have number one priority in planning the economic revival and military defense of Europe." It is his belief that such a strategic air force, whether it delivers atom bombs or any other kind of destruction, is the only deterrent that will be effective against the Soviets. "Under present-day conditions," he contends, "huge armies and navies can hardly deter a nation whose great might is on the surface."

It has seemed with increasing clarity to me that the best way to avoid ultimate war, the best hope of peace in our time, is to confront the Soviets with the decisions which will lay the foundations and the conditions of a lasting peace while we have the strength to do so. If the Kremlin is not willing to accept such a settlement, backed up by the moral force of free peoples all over the world and by countless others now enslaved, then is it not better to know it as soon as possible? Will this menacing cloud that hangs over the world grow less threatening if we procrastinate and postpone a settlement?

All this admittedly is outside my field of monetary, banking and credit matters. Yet it is impossible to consider realistically either our short-run or long-run economic outlook without recognizing that the shadow of the Soviets looms behind every major issue. At the moment huge expenditures for military purposes and foreign aid also serve as economic props for which we have not yet developed substitutes. They waste rather than add to our national wealth and there is always the danger that we will cling to them indefinitely, not only in the hope that this is the way to peace, but also because they sustain economic activity at home.

The challenge to democratic capitalism today comes — first, from its sworn enemy; and, second, from the failure to face up to the problems of how to achieve and maintain stable economic progress. We must meet these challenges, in my opinion, boldly and soon. We would do well to heed Churchill's warning when he wrote in his current memoirs:

". . . We shall see how the counsels of prudence and restraint may become the prime agents of mortal danger; how the middle course adopted from desires for safety and a quiet life may be found to lead direct to the bull's-eye of disaster."

Bear, Stearns Admit

Leonard Dickson will be admitted to partnership in Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on May 1. Mr. Dickson has been with the firm for many years.

Advertising in Securities Merchandising

(Continued from page 4)

one sentence: 'What bait will they bite on?'

"Thousands of articles have been written about the way to use letters to bring you what you want, but the meat of them all can be compressed into two sentences: 'What is the bait that will tempt your reader? How can you tie up the thing you have to offer with that bait?' For the ultimate purpose of every business letter simmers down to this:

"The reader of this letter wants certain things. The desire for them is, consciously or unconsciously, the dominant idea in his mind all the time.

"You want him to do a certain definite thing for you. How can you tie this up to the things he wants in such a way that the doing of it will bring him a step nearer his goal?"

The *bait, line, hook, with a penalty* and *close* rules are used by many of the most successful direct mail experts of our day.

The *bait* is the opening which gets the reader's attention by fitting in with his train of thought and establishes a point of contact with his interests, thus exciting his curiosity and prompting him to read further.

The *line* is the description or specific explanation which pictures your proposition, and its advantages, to the reader by first outlining its important features, then filling in the necessary details—the motive (or reason why) which creates a longing in the reader's mind for what you are selling, or impels him to do as you want him to do, by describing—not your proposition, but *what it will do for him*—the comfort, the pleasure, *the* profit he will derive from it.

The *hook with a penalty* gets immediate action by holding over your reader's head the loss in money or prestige or opportunity that will be his if he does not act at once.

The *close* tells him exactly what to do.

These rules, of course, are for the man or women who is studying the art of writing resultful letters or mailing pieces. After a time, they come to be a sort of second nature so that you weigh each of these features without being conscious that you are doing so. You may even mix them up into one grand goulash, so that, to the beginner, they will seem to be not there at all, but they—or their close relatives—are in every successful letter or mailing piece.

The bait (the opening or stopper) which gets the reader's attention, is perhaps the most important of the four—because if you don't get the reader's attention you don't have a chance to use the other three.

Let's consider a few openers or stoppers:

A road sign reads—"20 miles an hour"—and very few autoists give it a second thought—it doesn't "stop" them.

In California, however, there's another sign. This one reads: "20 miles an hour or $19.00 fine." This one really stops them.

A blind man on State Street has this sign—"Blind." He gets a few coins in his cup. Another blind man at Post Office Square has this sign: "It's spring and I am blind." His cup is filled to the top in short order.

I walk down the street. If you approach me and say: "You dropped your wallet," I stop. Or if you reach for the ground as I approach and say: "Is this your $10?" I stop.

But if you should approach me on the street and say, "Could I sell you a copy of Standard & Poor's Investment Advisory Survey," I don't stop—I keep going.

Likewise, if I should use this sentence as an opener, or bait line, in my promotional piece, it wouldn't stop the reader. But when I use this bait, line, hook with a penalty and close approach, it does stop them and it brings the subscription orders in to the tune of 2,000 on the first mailing and 1,200 on the second mailing. (See Chart No. 4.)

John Blair, President of the New Process Company, Warren, Pa., understands this technique. He has 2,000,000 customers all over the United States. Sells by mail. I recently received a letter from him. Let me read it to you—just the bait, line, hook with a penalty and close paragraphs:

"Dear Sir:

"If I send you within a few days a box of five genuine Broadcloth Shirts—the best fitting, best looking, best wearing Shirts you've had in perhaps several years—

"Will you try them on, wear them, make up your own mind about them—and let me know your decision?

"Men who have seen these handsome new 'LongWear' Broadcloth Shirts wouldn't think of parting with them for love or money. For they have proved to their own satisfaction that it is next to impossible today, to duplicate 'LongWear' quality at anything like my price.

"*Remember human nature!* When the good news of this bargain flashes over a nation full of men starved for GOOD Broadcloth Shirts at a LOW price, there'll be action a-plenty. Because 'LongWear' output is still only half of normal, 'early birds' are going to get the Shirts and late comers are due for disappointment.

"All you need to do is fill in the handy postcard enclosed and hurry it into the nearest mailbox. No money to send. No obligation to buy a thing. But a real Shirt thrill is awaiting you the day your box of 5 sparkling new 'LongWear' arrives at your door for your week's FREE trial.

"Better get that card off to me TODAY!"

Here's one of your own letters that pulled 45% return in 1946; 43% in 1947; 42% in 1948. Just the bait, line, hook paragraphs and sentences.

"Dear Mr. ——:

"I have arranged to send you, with my compliments, individual analyses reports covering the stocks in your portfolio:

"They will give near-term prospects, long-term outlook, characteristics of stock, income statistics, pertinent balance sheet statistics and an analysis of earnings and balance sheet data. Sample sheet is enclosed. These individual analyses reports will go forward to you in a substantial little looseleaf folder to show my appreciation of your continuing subscription to Poor's Investment Advisory Survey.

"We have recently made many revisions in Stock Ratings—some up to 'BUY,' others down to 'SWITCH.' In the present situation you should know of these changes."

Study the art of plain talk—use plain talk in your mailings and letters—be simple, sincere to the point. Don't get too involved. Write so the reader will get it straight.

An Example of Straight Talk

Example of what I mean—GETTING IT STRAIGHT!

A small businessman wired the Department of Commerce asking whether hydrochloric acid could be used to clean a certain type of boiler tube. The answer came as follows:

"John Simpson,
"Watertown, New York.
"Uncertainties of reactive processes make the use of hydrochloric acid undesirable where alkalinity is involved.
"U. S. DEPARTMENT OF COMMERCE."

John wrote back: "Thanks for the advice. I'll start using the acid tomorrow." Back from Washington came a night message:

"John Simpson,
"Watertown, New York.
"Regrettable decision involves uncertainties. Hydrochloric acid will produce submuriate invalidating reactions.
"U. S. DEPARTMENT OF COMMERCE."

"Thanks again," wrote John, "glad to know it is O. K." This time came an urgent straight wire from Washington:

"John Simpson,
"Watertown, New York.
"Hydrochloric acid will eat the devil out of your tube.
"U. S. DEPARTMENT OF COMMERCE."

Then John got it straight.

Assume you have developed what you think is a good piece of copy. You must test its pulling power before you "spread." For profitable promotions you must test, test and re-test.

Test copy, media, mailing lists, sizes, styles, and shapes of ads and mailing pieces. Test postage classes, timing, and other important elements that I'll talk about later.

You must select the proper newspapers and secure *good* mailing lists—*Security Advertising is highly selective.*

Direct Mail and local newspaper advertising in my opinion, offer you the best opportunity to reach your share of the 15-some-odd million investors with the least lost circulation.

Direct Mail advertising messages are the paratroopers of advertising. Can be directed to a specific objective in order to accomplish a specific purpose. Pinpoint bombing compared to saturation bombing, rifle shot compared to shotgun shot.

The Individuality of Direct Mail

This, according to Direct Mail Advertising Association, covers 10 points:

(1) Direct advertising can be directed to specific individuals or markets with greater control than any other medium.

(2) Direct advertising can be made personal to the point of being absolutely confidential.

(3) Direct advertising is a single advertiser's individual message and is not in competition with other advertising. I would qualify this to add—"In the same envelope."

(4) Direct advertising does not have the limitations on space and format as do other mediums of advertising.

(5) Direct advertising permits greater flexibility in materials and processes of production than any other medium of advertising.

(6) Direct advertising provides a means for introducing novelty and realism into the interpretation of the advertiser's story.

(7) Direct advertising can be produced according to the needs of the advertiser's own immediate schedule.

(8) Direct advertising can be controlled for specific jobs of research, reaching small groups, testings ideas, appeals, reactions.

(9) Direct advertising can be dispatched for accurate, and in some cases, exact timing, both as to departure of the pieces as well as their receipt.

(10) Direct advertising provides more thorough means for the reader to act or buy through action devices not possible of employment by other media.

As you progress your campaign, you must key your ads and mailing pieces—watch your returns like a hawk.

You will rent lists, buy them outright, build them through newspaper advertising. As you develop your mailings and rent lists from list brokers, you'll get all sorts of list offerings. Experience will show you types of lists that should pull for you. You will have very little trouble digging up lists—you'll be swamped with offerings. They'll accumulate faster than you think.

The Master File

Now the Master File—

To put advertising on a highly efficient basis you should avoid duplication of names on your lists—sift all your new lead names through a master file to make sure the name is not already on your prospect list.

Remember, investment advertising is like pin-point bombing—compared to saturation bombing; rifle shot compared to shotgun fire.

Let me tell you about a successful operation.

"Baldy" Smith arrived in Lancaster, Pa., 11 years ago to take over the Reynolds Company office. The first week a prospective customer wrote to the home office in Philadelphia to complain. He said, "A man who wears spats will never be a success in Lancaster." So Baldy took off his spats and went to work.

Now, in a town of 61,345, he has 4,000 active accounts.

Here's how the Reynolds "Lancaster" plan operates:

Window Displays

In 1940, about the time of the Libby, McNeill & Libby recapitalization (when Swift & Co. became the beneficial owner of 3,018,639 shares of common stock), with all the attendant publicity, "Baldy" asked the Libby, McNeil & Libby advertising department for a window display of their products—cutouts, dummy cans,

CHART I

ADVERTISING SCHEDULE

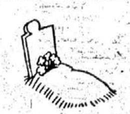
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Advertising In Action	●	●	●	●	●	●	●	●	●	●	●	●
Annual Dividend										●		
Bond Guide				●			●					
Bond Outlook	●			●					●		●	
Bond Reports			●		●							
Called Bond					●							
Corporation Records			●			●			●		●	
Daily-Weekly Dividend			●								●	
Facts & Forecasts		●●	●●			●●					●●	
I. A. S.	●●	●	●	●	●	●	●	●	●	●	●	●
Industry Surveys				●								
Listed Stock Reports		●			●					●		
New Issues		●										
Outlook	●	●	●	●	●	●	●	●	●	●	●	●
Railroad Service	●										●	
Register of Directors	●●	●	●	●	●	●	●	●	●	●	●	●
Status of Bonds		●										
Stock Guide		●●	●		●●	●					●●	●
Stock Ser. for Trustee					●							
Unlisted Stock Reports			●					●				

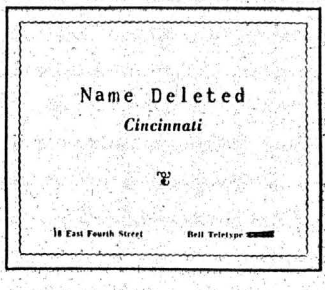
APPROPRIATION CONTROL

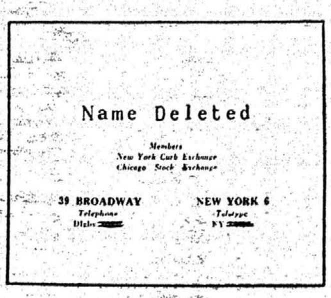
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
REGISTER OF DIRECTORS	Carry-over		1,000	1,000	2.000	1,000						1,000	1,000	1,000
	Appropriation	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
	Spent	3,000	2,000	3,000	1,000	1,000	2,000	2,000	2,000	2,000	1,000	2,000	2,000	23,000
	Carry-over													
	Appropriation													

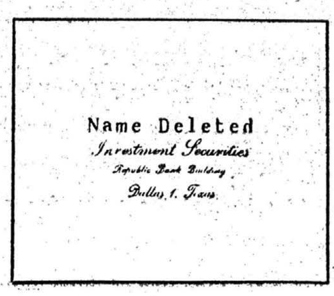
CHART II

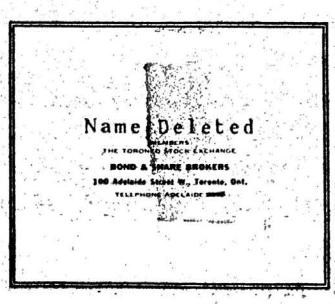
TOMBSTONE ADVERTISING











crepe paper and everything that goes with a Libby, McNeill & Libby display.

The following day, the local display man stopped in at the office of Reynolds & Co. in Lancaster. He couldn't understand why a brokerage office would want a display of canned goods.

But he put the display in and "Baldy" sold 15,000 shares of Libby, McNeill & Libby common stock. And "Baldy" has been using the display windows to good advantage ever since.

Daily Market Letter

Among other things, Reynolds & Co. issues a daily market letter that is placed on display in the local banks at 9:00 o'clock every morning.

One of his salesmen stops in at each of the local banks every day to ask: "Is there anything I can do for you today?"

A Cordial Welcome Is Given New Arrivals

When a newcomer arrives in town, "Baldy" has a tie-in with the Welcome Wagon outfit. The new neighbor is immediately offered the Reynolds & Company facilities.

Reynolds & Company has an active mailing list. The leads are followed up by letter and by personal call.

The mailings are supplemented by local newspaper ads offering specific lists of stocks. For instance, "Baldy" used Standard & Poor's Listed Stock Reports' TEN ATTRACTIVE LOW-PRICED STOCKS, from the May 13, 1948 issue, as the basis for one such campaign.

Here's another angle, Reynolds and Company cashes rights for local residents. The cashier records the number cashed, the name and address of the holders. "Thus," says Baldy, "by the number of rights cashed, I can tell how many shares of stock the individual holds. When Standard & Poor's reduces the rating on a particular issue, I follow-up by recommending the purchase of some other security."

Special Forms

On one of the previous pages, I mentioned that "Baldy" is a stickler for detail. The board boy keeps a security record card up-to-date every day—a card for each issue. For instance, on the General Motors card, he records the number of shares sold that day, to whom, date and price. When the customer sells, date of sale and price are recorded.

From the Key Card, each salesman makes an entry in his Customer Holding Book. This form is kept by each salesman in a loose-leaf binder—carefully indexed. When the salesman talks to a customer, he knows just what the customer holds in his portfolio. This is very helpful to the salesman in making switch or buy recommendations when necessary.

"Baldy" also has a complete assortment of legal forms, waivers, etc., as a matter of convenience for local lawyers.

Another successful operation comes from Prescott & Company, Cleveland, Ohio. Back in the war days the senior partners of Prescott & Company joined the armed forces. At that time they were undecided as to whether to close up the business or leave it in the hands of the office manager, Lloyd Birchard, and Harvey Gotschall, a customers' broker. They finally decided to let Lloyd and Harvey take a fling at running the business. The boys took off their coats, spit on their hands and went to work. Now this is one of the most successful operations in Ohio.

Here's what they did—

(1) A cost time study.
(2) Set up a Master File.
(3) Set up a watching service for clients.

The Cost Time Study

This study developed some startling information about the time consumed and the exorbitant costs effected through the constant use of the telephone in calling certain customers to keep abreast of the action of the market. Checking their work on the basis of cost-plus-time-plus business received through this method, they came up with a most discouraging return.

It was time to change their methods—to look about for a new form business-getting that was less expensive and more resultful.

Right at this point, they came upon Standard & Poor's Business Building Kit. It was 1942. They tried it. Cautiously at first. And then, because of what they saw, they went into it full speed ahead! It worked . . . worked beautifully!

The 'phones are busy today, but there's a difference. The weight of daily usage stems from the outside—now, the customers call Prescott & Company!

The Master File

This was something the Standard & Poor's Business-Building Kit proposed . . . the setting up of a master file of their customers and the securities they held. This undertaking formed the basic structure of their personalized system of watching customers' securities. It took them more than six months to complete this file, but when it was finished, it was worth all the time and effort spent.

On girl is assigned to its maintenance. She can tell at a glance the holdings of any of the firm's clients. This file is composed of two sections. The first is devoted to the customer's holding record; these cards are yellow.

Watching Service

When a change in rating is made by Standard & Poor's in one of its Listed Stock Reports, Prescott & Company sends a note to its clients who are holders of the security mentioned.

It is really something out of the ordinary to step into their customers' room after the close of the market and see their customers' brokers signing and enclosing their own "Watching Service" cards in envelopes for mailing that evening to their clients.

A Few Nudges From the Experts

(a) The copy appeal of the sales letter is the most important single factor in any mail campaign. Tests have established, time after time, that the sales letter is the most important element in the mailing "package."

(b) The ideal mail "package" is —a sales letter, circular, order form, order card or request form and a return envelope combination.

(c) Next to the sales letter appeal test the most frequently required test is the test of lists. It is rare indeed that the productiveness of a mailing list may be predicted.

(d) It is not always the elaborate mailing piece that pays off the best. In fact, it more often works the other way. The simple piece with a good sales message very often outpulls the elaborate and more expensive mailing.

(e) The last Research Report of the Direct Mail Advertising Association, in which a series of ten questions was asked of two panels of experts (representing more than 200 large users of the mails) brought out a surprisingly broad field of agreement on the value of letters in promotional plans:

Letters were:

(1) Placed first by the Selling Panel and second by the Support Panel as being the best form for creating prestige or for creating good will.

(2) Placed first by both groups as the form from which they secure the greatest number of replies.

(3) Placed first by both groups as the form from which they receive replies most promptly.

(4) Placed first by both groups as the form which produces the greatest number of replies per dollar invested.

(5) Placed first by both groups as the most valuable form.

Why not, for a welcome change, try writing your Ad or mailing piece as if it were a letter—a sincere, interesting letter. It's all too easy to lapse into stilted, boring prose—prosaic prose that not only discourages reading, but discourages confidence as well.

In this game of ours we have to adjust ourselves to varying conditions. Just like a football team which dons longer cleats and changes its selection of plays on a muddy gridiron, so must we adjust ourselves to a "wet field."

Maybe some new ideas can be developed from an item which appeared in a popular magazine recently. It reads as follows:

"Don't sell me clothes. Sell me neat appearance — style — attractiveness.

"Don't sell me shoes. Sell me foot comfort and the pleasure of walking in the open air.

"Don't sell me furniture. Sell me a home that has comfort, contentment and cleanliness.

"Don't sell me books. Sell me pleasant hours and the profits of knowledge.

"Don't sell me tools. Sell me the pleasure and profit of making fine things.

"Don't sell me *things.* Sell me ideals — feelings — self-respect — home life and happiness.

"Please don't sell me *things.*"

To which might be added: "Don't sell me financial service, or investment counsel. Sell me profit, or securities sell me conservation of my capital; sell me preservation of my purchasing power; sell me investment assurance; sell me peace of mind."

Now in conclusion—a few suggestions on how to present your sales story—

(1) Change style of your copy.

(2) Change the form of your mailings.

(3) Clean your maling lists regularly.

(4) Try various methods of stamping envelopes.

(5) Use your good pullers over and over again.

(6) Change size of your envelope.

(7) Change color of printing ink.

(8) Experiment a bit with the timing of your mailings.

(9) Make your copy specific, factual and interesting.

(10) Combine the greed and fear appeal (possibility of profits —avoidance of possible losses).

(11) Talk directly to the prospect in a human, enthusiastic manner. Do not preach to him. Talk his langauge.

(12) Stress one sales point in each promotional piece or newspaper ad—but tell enough about that point to put your reader in a receptive frame of mind.

(13) Help your reader solve his problem by giving him useful information—helpful ideas.

(14) Determine the length of your copy by your sales story, not by any arbitrary ideas of the relative merits of long and short copy.

(15) Ask your reader to act—write for literature—request a specific study—submit a list for review by your Research Department—or send in an order. And make it easy for him to take action.

About three weeks ago I was interviewed by Arthur Karl, President of Names Unlimited. (A list broker.) Here's the report of that brief interview—taken from the Names Unlimited House Organ. It's headed:

An Interview With A Successful Mailer in the Investment Advisory and Statistical Field

"In 1948 Standard & Poor's Corporation, the largest investment advisory and statistical organization in the world, prepared 19,000,000 promotional pieces on 21 services of interest to individual investors, brokers, dealers, and business organizations.

"Based on his unusual experience in selling and developing leads on factual and advisory services, by mail, I asked John McKenzie for his ideas on some thorny mail order problems:

"(Q.) How often do you make mailings on your advisory services?

"(A.) Every month.

"(Q.) When you secure the name of a prospect how many advisory service mailings do you make before you decide that he's too 'tough' to sell?

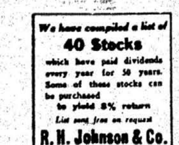
"(A.) Sixty mailings. Through experience we have found that we can profitably mail to our own new prospect lists for five years. All leads of course are sifted through a Master File to avoid duplication of names that may be on lists of previous years.

"(Q.) How do you build you own prospect lists?

(Continued on page 32)

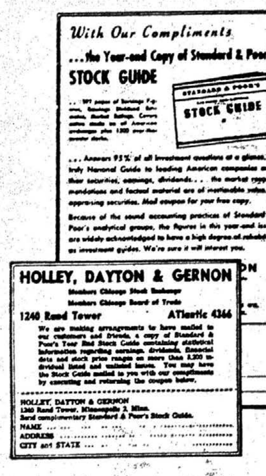
CHART III

This single-column, 35-line ad pulls about 250 leads per insertion.

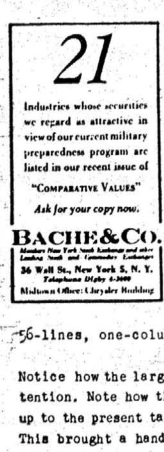


This one, single-column, 28-lines, is also a good puller.

Here's a variation on the 40 STOCKS offer. Pulled 275 leads from two insertions.

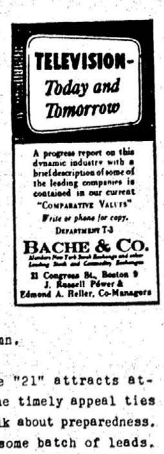


From these two double-column ads, Holly, Dayton & Gernon received a total of 560 requests for Standard & Poor's Stock Guide.



56-lines, one-column.

Notice how the large "21" attracts attention. Note how the timely appeal ties up to the present talk about preparedness. This brought a handsome batch of leads. Outpulled tombstone advertising 200%.



Here's another small space ad by Bache & Company, Boston, that I noticed recently. Note how it ties in with the current interest in television.

CHART IV

WARNING

BAIT

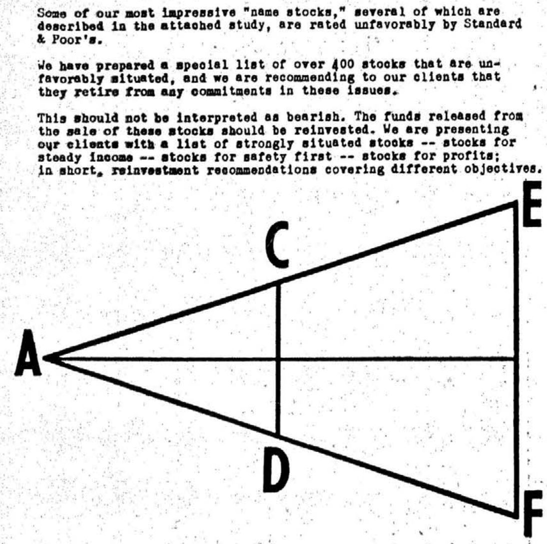
It is our considered opinion that many stocks should be sold now!

Some of our most impressive "name stocks," several of which are described in the attached study, are rated unfavorably by Standard & Poor's.

We have prepared a special list of over 400 stocks that are unfavorably situated, and we are recommending to our clients that they retire from any commitments in these issues.

This should not be interpreted as bearish. The funds released from the sale of these stocks should be reinvested. We are presenting our clients with a list of strongly situated stocks -- stocks for steady income -- stocks for safety first -- stocks for profits; in short, reinvestment recommendations covering different objectives.

LINE



We are today at Point A. If you switch into stronger stocks now, you pay no price penalty. For many attractive issues are in the same price range as issues with poorer prospects.

BUT . . . if you decide to switch later -- say, six months or a year from now -- your stocks may be at Point D or Point F. The stocks you <u>might</u> have bought may then be at Point C or E.

The gap between C and D -- the gap between E and F -- represents the <u>loss</u> you may take <u>later</u> by failing to switch into better stocks <u>now</u>. The difference in profits could be substantial.

HOOK WITH A PENALTY CLOSE

Remember, doing nothing in today's market may be dangerous and costly. The very least you should do is to check your holdings against our Switch List now. Mail the enclosed card and this helpful list, plus our Supervised List, will reach you in a few days.

Advertising in Securities Merchandising

(Continued from page 31)

"(A.) Through special $1 trial offers in newspapers, outright purchase of stockholder lists, advance galley proofs of management names in our own Register of Directors and Executives and exchange of so-called 'private' or 'retired' lists.

"(Q.) Do you rent outside lists for one-time use?

"(A.) Yes.

"(Q.) What types of such lists do you consider best for your particular purpose?

"(A.) Investor interest lists—i.e., buyers of books on the stock market, inflation, or the economy, ex-trial subscribers to competitive services, ex-full term subscribers to competitive services, subscription lists of stock advisory services that have gone out of business and ex-clients of brokerage houses that no longer operate.

"(Q.) What types of such lists do you consider second best for your purpose?

"(A.) Certain mail order buyer lists where the type of merchandise purchased gives some indication that the individual might be mature, preferably male, and able to buy luxury or self-improvement items, a few professional lists and certain specially compiled above-average income lists of individuals in the States of New York, Illinois, Ohio, Pennsylvania, Michigan and California.

"(Q.) What percentage return do you get on lead mailings when you make a $1 trial offer?

"(A.) Range between 2% and 10% with a few 'flops' that pull under 2%.

"(Q.) How does this compare with your $1 trial offer on newspapers?

"(A.) On newspaper advertising we must get back 50% of the cost, on average, before conversion to full term subscription, or the newspaper is knocked off our list. We key ads, keep a close check on all newspapers (A, AA or AA*) according to pulling power on various types of markets. The "A" list—1,900 newspapers for use in brisk bull markets only. "AA" list—150 good pullers on average markets and "AA*" list—50 newspapers that will pull on any kind of a market if the offer is attractive.

"(Q.) Do you have newspapers on your list that will return better than 100% of the cost before conversion?

"(A.) Yes—particularly on Annual Forecast and Semi-annual Forecast offers.

"(Q.) Do you time your newspaper advertising to dovetail with and supplement your mailings?

"(A.) Yes . . . we plan co-ordinated mailing and newspaper campaigns.

"(Q.) Do you ever get better than a 10% return on your mailings?

"(A.) Yes, here's the record on one letter than we have used for three consecutive years. In 1946, it brought a 46% return, in 1947, 45% and in 1948, 42%. We wouldn't change a period in this letter. Can you blame us?

"(Q.) In your opinion which is more important, good copy or a good mailing list?

"(A.) Good mailing list. In my opinion, poor copy has a better chance of pulling on a good list than good copy on a poor list but, as good copy and good lists are available, why not let them work together?"

Now in closing I'd like to tell you about old Moses Biel from Natchez, Mississippi. He had reached the ripe old age of 102—reporters gathered round from all over country to ask Moses about his philosophy of life.

One interview went something like this:

"(Q.) How many children have you, Mr. Biel?

"(A.) Oh about 75 as nearly as I can recollect.

"(Q.) How old is the oldest?

"(A.) Oh, about 85.

"(Q.) And how old is the youngest?

"(A.) Oh, about 20.

"(Q.) How many times have you been married?

"(A.) Oh, about 15 times.

"(Q.) Tell me—how did you do it?

"(A.) I had a bicycle."

Yes, Moses had the vehicle but it took more than the vehicle to get the results he got.

I've given you the Security Advertising "vehicle"—the rules, tonight. But it'll take more than the vehicle to get the results. The application of the rules—the testing—is up to you. I'm throwing it in your lap.

The Automotive Outlook

(Continued from page 22)

which it might be well to consider.

A slowing of general business activity would increase the availability of steel to make cars but would at the same time reduce the potential market for them. The prospects for increased quantities of steel for the third and fourth quarters of 1949 are fairly good. This increased supply will become available to the automobile industry because other manufacturers using sheet steel are reducing production. Where any percentage of their supply is conversion steel, that source will be the first to feel the cut. However, any reduction in prices of mill steel does not seem a possibility for 1949 and it is extremely unlikely that major car producers can avoid purchasing conversion steel during the balance of the year. There will probably be a return to normal operations for facilities producing conversion steel, such as foundries and electric furnaces.

The major factors then which will affect production and prices in the automotive industry are material costs, wages, pensions and increased tax burdens. An upward trend in any of these factors would inevitably affect the car market through curtailment of expansion programs, smaller profit margins and very possibly price increases which would narrow a market already feeling the effects of buyer resistance in certain areas.

As early as 1945, Ford embarked on an expansion and improvement program calculated to run at $100 million a year for five years. That program is still very much under way.

To date we have built four new assembly plants, four new parts depots, acquired two large manufacturing plants, expanded our steel producing facilities and made countless improvements in existing plants. At the same time we were engaged in designing, engineering and tooling for a complete changeover in all of our cars and trucks.

Ford Expansion Goes On

Obviously we cannot continue to make capital investments at that rate indefinitely, but we are still engaged in expansion and improvement on a nation-wide basis that affects a good segment of our economy. Only circumstances beyond our control could force Ford to start contracting this program.

During 1948 we spent more than $90 million in tooling alone to bring out new model cars. And please bear in mind that new model automobiles become obsolete about the time they are introduced to the public.

By this I mean that while there may be so-called "face-lifting" changes made during the life of a particular model, actual design and tooling for a complete new line of cars must be started virtually as soon as the new models go into production. In other words, it requires approximately two years to design and tool up for a new model and the expense is very great.

We undertook to bring out new cars in the middle of the greatest seller's market we have ever known, which cost us approximately six weeks of production. But we wanted to have a product newly designed and engineered and fully proved by use before entering the competitive market.

We have been preparing for some time for this kind of market. We have been accumulating and studying market surveys and grooming a sales force to take up any slack in volume as it occurs.

Ford, along with several other major producers, has been conducting merchandising schools for dealer personnel for the past two years with the idea always of improving service to the customer. Much has been done in the way of equipping this force, but in some measure it is like an army in fine fettle but without combat experience. They have been so long from the field of aggressive action that they have forgotten what the experience of competitive selling is like. Even after this sales force gets going there will be an interval before it begins to function once more as a seasoned combat team. It is pretty hard to keep a salesman sharp when he has nothing to sell.

Therefore, it is only reasonable to expect that during the period of transition into the buyers' market, and for a brief time thereafter, car sales may take a marked drop. It will be a period during which seasoned management will be set for the shock, take it in stride, and then start moving forward again.

Ford Selling Organization

I have spoken of meeting selective buying in some makes of cars. There is some question as to whether this is due to customer resistance or lack of sales aggressiveness.

Let's take a look at Ford's selling organization as we enter the buyers' market and perhaps you will get some idea of the problems that face the industry generally.

Approximately 40% of all Ford dealers might be termed "rookies." That is, they are dealers who have joined the Ford organization during the war years or immediately thereafter and have never experienced a competitive market with us. Many of them, of course, have made good in other fields of selling but a good many of them have never actually had to sell either goods or services. And it is reasonably safe to assume that a majority of the older dealers are out of training.

The job of forging an efficient and effectiv Ford dealer organization is a continuous one. During the past few years even mediocre management could return a satisfactory profit to the dealership.

We have been conducting a campaign for some time now aimed specifically at the Ford dealer organization. The program stresses the four essentials of sound dealer operation: Sound finances, efficient management, competitive spirit and completely modern facilities. Under these subject headings much material has been prepared and a great deal of work has been done in the field. But again, it will probably take actual competitive conditions to drive this program home.

Consumer spending in total continues to hold up well in spite of the selective buying I have referred to. There no longer exists the urgent excess demand for goods which bid up prices and resulted in backlogs of orders, but current spending has not declined in spite of the popular impression that nobody has any money to spend. Current income of consumers as a whole will buy a larger quantity of goods and services than ever before. Consumer credit is still well below the supportable level—in fact, it could continue to rise as credit restrictions are lifted.

The present ratio of consumer debt in this country is but 32% of our savings compared to 63% in 1940. This would seem to indicate a national economy that is basically sound. At the same time savings are three times what they were in 1940 and the number of families in the country has increased by almost 6 million in eight years. Certainly these statistics indicate a great pent-up need.

We have had substantial production since the end of the war which has done much to fill in the vacuum of demand. Yet there were still only 3% more cars per adult person in this country in 1948 than in 1941, in spite of the fact that per capita incomes would buy 16% more goods than in 1941.

In 1948 the industry produced 5,285,425 cars and trucks with a wholesale value of six and a half billion dollars. This represents an increase in number of units of 10.2% over 1947 and 16.1% in terms of dollars.

Total car and truck sales for the years 1942 through 1948 amounted to approximately 14 million units, but to get a more accurate picture of the actual increase let's take a look at registrations for that period—the number of cars operating. At the end of 1941 the total of cars and trucks on U. S. highways was 34,854,000. In 1948 the total was 41,038,000. So, although more than 14 million units were produced over the period the net gain was slightly over 6 million. The difference can be accounted for in large measure by scrappage. Obviously the mortality during the war years was held to a minimum and even during the past three years the rate of scrappage has been abnormally low. Less than half a million units were dropped in 1947 and the estimate for 1948 is approximately 856,000. This compares with a prewar annual average in excess of 1,900,000. There were 12.4 million cars 10 years of age and over in 1948 compared with 4.8 million in 1941.

I am aware of the fact that I've been throwing out a lot of statistics, but I think they make a point. It is this: The demand for cars both for new ownership and to offset scrappage should remain high as long as general business activity holds up. Because of the larger than normal number of over-age cars now on the road, it is reasonable to assume that 1949 scrappage should at least approach the prewar average and may go as high as two and a half million units.

It is apparent from the figures that there is a backlog of unsatisfied replacement demand. It is doubtful that this unsatisfied demand will be reflected in orders on dealers' books in the coming market, but it does exist. It is the job of automotive sales forces to translate this demand into sales. If dealers put on a heavy, well developed drive during 1949 much of this invisible backlog might be converted into actual orders.

The used car market has taken a definite downswing which in part can be attributed to seasonal characteristics. We can better judge this after Easter when the spring buying normally turns the market upward. There has been a tendency on the part of used car dealers to blame all their troubles on Regulation W but this seems an easy way out. New used cars, with rare exceptions, are no longer selling at a premium and it is logical to think that the used car business generally is rapidly returning to a more normal competitive market.

The industry as a whole regards this as a healthy condition. It means that the consumer will get a good deal more value for his money in purchasing a new car because of increased trade-in allowances.

Peak Year of Unit Sales

With these prospects for the remainder of 1949, the automotive industry can logically look forward to another peak year of unit sales even though the sellers' market of the postwar years is likely to disappear generally by the middle of the year or soon thereafter.

The question of importation of European cars has been mentioned as a factor in the domestic market, but the general feeling in the industry is that it is of no real consequence.

Ford imported approximately 12,000 English units for sale through Ford dealers during 1948, but this measure was taken partly in an effort to meet the overwhelming demand for low-price cars and as a measure of cooperation with our British organization in their efforts to obtain dollar exchange. But in a normal domestic market the average American car buyer in the lower-price field would rather have a good used car for $1,000 than a new European import at slightly prices.

Most European low priced cars are smaller than American cars with considerably lower horsepower ratings. They cannot offer competitively what American car makers have established as traditional in size, horsepower and appointments. There will perhaps always be a limited market in this country for the racy European sports car, but such imports will never be a factor in the general market.

On the export side of the picture, the major consideration is the availability of American dollars in foreign countries for the purchase of Detroit's products. This market underwent a definite contraction during 1948 and will very probably remain at the current level for the rest of the year.

The last item which I want to introduce into the picture is the effort that has been made to get costs down by improved manufacturing methods and efficient organization. This is a never-ending battle in the automobile business and the historical record shows that the companies that fail in this venture don't last long. Only in constantly fighting the cost battle can the industry hope to reduce the price of cars.

It seems to me that I have covered a lot of ground in the last few minutes and registered a lot of opinions—some of them rather conflicting in nature. Perhaps it would be a good idea to try and summarize them briefly and see if we can't get a picture that will stay in focus.

The economic factors prevailing at the present time, such as backlog of unsatisfied demand, accumulated savings which could be made available for the purchase of goods and services, consumer credit and continued high employment, have made our executives optimistic about the outlook for 1949.

They are confident that the ability of business and financial men to adjust to a gradual leveling of trade without dumping the economy into one of the deep chasms of the early '30s will more than measure up to the job to be done.

It is their hope that labor will take a realistic view of our economic climate and guide its demands accordingly.

They have faith that the government will recognize the changing trends and direct its efforts toward the support of business so as to inspire confidence rather than raise actual and psychological blocks which will tend to reduce expansion, production and employment.

Automobile men are aware of their importance in the national economy and the accompanying responsibility. It is their conviction that cars made right and priced right have a large unsatisfied market to supply. They intend to see that the customer gets what he wants.

It has long been a Ford principle to make more and better cars at lower and lower prices. It is still our major goal.

The period we are now entering is exactly what we have been anticipating for three years. We should be able to deal with it with confidence and calm judgment. We are returning to what we like to call a normal economy. There do not appear to be at this time too many unstable elements in the picture which could suddenly upset the applecart. It is a time for clear-headed thinking, careful, periodic review of the economic picture, and decisive, aggressive action.

Socialism in Europe Today

(Continued from first page)

them. Everybody takes all this for granted in the case of totalitarian Socialism, be it of the national socialist or the communist variety. It would, of course, be indefensible to overlook the immense difference between totalitarian and democratic Socialism, as far as the motives, the aims and the practical execution of Socialism are concerned.

Nobody wants to insult the representatives of "democratic" or "moderate" Socialism by lumping them together with Nazis or Communists. The only question is whether, in spite of their good intentions, they will not arrive finally at rather much the same result if they do not stop in time. By referring to the repellent experience of totalitarian Socialism, we are well aware of a difference which corresponds to that between murder and manslaughter, though this difference must be rather immaterial to the victims. But it is exactly for this difference that we are not without hope in warning the democratic Socialists. There is no point in arguing with a homicidal maniac, but it is not useless to put a reckless driver on his guard.

We are well accustomed to most of the *Paradoxes of Socialism.* We know that it is a Road to Serfdom, but also that it is a Road to Supermonopoly, to economic disorder and to economic paralysis. But there are still many, I am afraid, who will be surprised when they are told that Socialism is equally a Road to Supernationalism and International Discord. Let us make an effort to prove this convincingly.

Socialism as National Socialism

In order to see the impact of Socialism on international relations we must first ask what are its economic principles. We must not shun a bit of mildly abstract reasoning because without this we shall end, like most people today, in loose and muddled thinking on these matters. Now, in contrast to the Free Economy based on free markets and free enterprise, Socialism means essentially what some economists term the "politicalization"—or "statization"—of economic life. That is to say: Socialism turns the economic life into a process which becomes a governmental task like the army or the law courts. It is being steered, in every detail, by the administration which gives its orders and enforces them by its instruments of coercion. That means, furthermore, that there will be as many compulsorily steered economies as there are sovereign political units able to enforce their plans. These political units are generally the national States. Inside these planning and commanding units there is the utmost concentration of power in the hands of the national government. But all the deeper must be the gulf separating each of these lumps of power from the others. *Socialism means the highest possible concentration of control and power within, but disintegration and disunion without.* The *national* concentration of the economic process must be bought by *international* disintegration. Small wonder that, all internationalist phrases notwithstanding, the grim reality of Socialism is invariably severe exchange control, frozen exchange rates, monetary nationalism, bilateralism and the destruction of free multilateral international trade, "Schachtism," arbitrariness, State monopoly of foreign trade, bullying of the smaller States, rigid control of everything which crosses the national border, be it goods, money, capital, men or finally even ideas.

In other words: Socialism means 100% Statism. But the Statism of what State? Since there is no world State—and none in prospect—Socialism is possible only on the national scale. That means: it enhances the national sovereignty to the n-th power. Socialism is in practice invariably National Socialism and it is bound to adopt, in international affairs, alarmingly many of the features of the defeated German regime which has given such a sinister ring to that term. The melancholy consequence is that the difficulties of establishing a real community of nations (which, God knows, are already great enough anyway) are being made positively unsurmountable by Socialism.

Since this is a point of the utmost importance, let us consider it more closely. As we saw, we can establish the truth, equally supported by reasoning and experience, that the collectivist concentration of economic control *within* a political unit must be bought at the price of the disintegration of the higher units. Generally, this political unit organized as a Socialist economy will be the nation. It may happen, however, that even *within* the national State the Socialist economy is no longer under the control of the central government, but becomes an affair of regional government. Then, under Socialism, the national economy will crumble into as many regional economies as there are commanding and controlling authorities.

This has been proved, by the conclusive force of an experiment, in *Germany* when, after the defeat in 1945, the administration of the Socialist system of the Third Reich was taken over by the conquerors but now divided among the four different zones. At once the German national economy fell asunder into as many regional economies as there were commanding authorities so that there sprung up not only an economy of the British, Russian, American, and French zone, but even an economy of Bavaria, of Hesse, or of Lower Saxony. These regional economies were—and to some extent still are—small collectivist and autarkic units which communicated with each other only across the barbed wire fences of collectivist foreign trade.

Socialism and Federalism

The German experience teaches us that regional Socialism is incompatible with the unity of the nation. Inversely, it follows that, if the unity of the nation is to be preserved under Socialism, the central government cannot leave to the regions that minimum of autonomy without which self-government and federalism become a farce. Now we see quite clearly that *Socialism and Federalism are mutually exclusive.* For either there is regional Socialism (as in postwar Germany), then Socialism destroys the *national* community—or Socialism is national, then it destroys the political life of the *lower* communities (States in U. S. A., cantons in Switzerland, municipalities everywhere).

In the first case federalism ends in separatism, whereas in the second it ends in centralism. Under Socialism, either the parts eat up the center or the center the parts. In the latter case, what there might still be called federalism would be at best only folkloristic federalism. That is the reason why the much-advertised "Federalism" of Soviet Russia or Jugoslavia is nothing but a propagandist fiction which can deceive only the ignorant. That is also the reason why the Allies in Germany now discover that they cannot organize Western Germany as a Federal State—as indeed we have every reason to wish—and at the same time retain the Socialist economic system which they inherited from the Nazis. The monetary and economic reforms which have been carried through there recently mean that the Allies, together with the responsible Germans, prefer the combination of federalism and free economy, whereas the Socialists—German and British—prefer the combination of centralism and Socialism. We must give credit to the German Socialists for having understood that, in Germany as elsewhere, we can have only Federalism or Socialism but not both.

Unfortunately, most Socialists in *Switzerland* are still behind the German Socialists in this respect. While preaching Socialism and national planning they reassure us that they want to respect the federal structure of Switzerland. Here, however, two capital points are obvious, and both have an immediate bearing on the wider problem of European union.

The *first* point is that Switzerland is possible only as a Federal State because no centralized government like that of France would allow this peaceful combination of different nationalities, languages, temperaments, and cultures. The secret of the wonder of Swiss multinational democracy is federalism, and everything which endangers the federal structure of the Swiss State strikes at the very roots of the existence of Switzerland.

Now, the *second* point is precisely that Socialism would be the end of Swiss federalism and therefore of Switzerland. For, either it will be the more unlikely case of cantonal Socialism, which would break up the Swiss union or it will be a Socialist system comprising the whole country, in which case federalism and self-government would become a sham. It seems that the wise authors of the Swiss Constitution have been aware of the fact that the existence of this Federal State is bound up with the free economy, for they put in a special article which makes just this economic system the only constitutional one. It is possible to interpret the 5th and 14th Amendments of the American Constitution in the same way.

Socialism and International Federalism

The Swiss example teaches a lesson which all advocates of European Union must take to heart. Switzerland is often mentioned as a model for the unification of Europe, and it is quite true that, if there will ever be a political union of all these different races, nations, and cultures of Europe, it can be only one which is federal like the Swiss Union. But, as we saw, this is only the first part of the Swiss lesson. The second is that such a federal union is not viable if it adopts Socialism for its economic structure. The first part of the Swiss lesson has been understood fairly well now. But I am afraid that most advocates of European federal union still have to learn its second part. What is true for Switzerland is indeed equally true for Europe as a whole. Either there will be a European union which is federal or there will be no union at all. But exactly as in the case of Switzerland a federation of Europe is impossible if its economic system is Socialist.

International no more than national federalism is indeed compatible with Socialism. On this point theory has again been tested by *experience.* I refer to the noble endeavors of the Netherlands, Belgium and Luxemburg to do on a smaller scale what is needed for the whole of Europe. They want to bring about that merger of their national economies which, in the 19th Century, would have been called a customs union. The first stages of this *"Benelux"* consisted in unifying the customs regimes of the three countries. They revealed themselves as surprisingly easy. It was quickly discovered, however, that such customs unions proper are today no longer very difficult precisely because they are no longer important.

The real battles of economic nationalism are now being fought on another terrain where it is not import duties which matter but quotas, exchange regulations, and trade monopolies. Between more or less Socialist countries the barriers of import duties have become relatively unimportant. Even after they have been abolished there remains the whole formidable system of Socialist planning and control and especially the separation of the national money systems by exchange control. All this must be unified too if the customs unions of today are to have a more than merely optical effect.

But such unification, what does it mean? It means no less than a *complete political union of the States* in question into a unified super-State. This super-State however, cannot be federal because, as we saw, that would be incompatible with the Socialist regime. It must be *highly centralized* and make short work of national life and national self-government. The planning, commanding and coercing center would push around the former national States in a manner which, in Switzerland, Geneva would certainly not stand from Bern. That is only another way of saying that such a political union is not feasible except by force in the fashion of Hitler or Stalin; and that is impossible in Western Europe. A Socialist union would be nothing else than a sort of "Grossraum" or "Co-Prosperity Sphere." This however, is not only the very opposite of what we want but also no union at all.

We arrive at the conclusion that Socialism—because it means the "politicalization" of economic life—makes the political union of Europe the prime condition of her economic union. But at the same time it makes this political union impossible because it destroys the only form of union which is acceptable in Europe, i.e., the federal form of union. As long as the Socialist economic system is prevailing in Europe—as, in some sort or other, it actually is—political union will be counteracted by the very fact which makes it indispensable if we want economic union in a Socialist Europe, and this fact is the prevailing Socialism. Is there any serious-minded Socialist who has the slightest doubt that a genuine federalism is the only form of European union which is both conceivable and desirable? Very well, it is just this form which is rigorously and unequivocally excluded by Socialism as an economic system. Nationally as well as internationally, Socialism and Federalism are incompatible with each other.

It is one of the most tragic ironies of history that Socialism, which so many desire for the sake of peace, is bound to make unsurmountable the difficulties which stand in the way of international community and which, God knows, are already formidable enough without that. But this international community is a goal of such paramount importance that more and more Socialists, once they understand the rigor of the choice, may be expected to sacrifice their Socialist ideal, which is an extremely doubtful one anyway, to the ideal of international community which is the most genuine and supreme. In this they could be inspired by the example of the Socialist leaders of the Belgian Government who are imploring their Dutch colleagues to drop their policies of Socialist planning in order to make the Benelux really possible.

The lesson taught by the unhappy Benelux experiment is so convincing that today, in Holland as well as in Belgium, no informed man seems to be under any illusion that a real economic union of the three countries is possible unless Holland dismantles completely its collectivist system.

It is obvious that all this has a bearing on the well-meant endeavors to bring about what is called an "international cooperation" of the ERP countries. There seems to be a widespread idea that the success of the ERP depends on the realization of some scheme of European Economic Union. This idea, however, misses the real point. There is no short cut to the noble and indispensable end of closest economic cooperation of the European countries. There is no possibility of bringing this about as long as the different national systems of Socialism with their exchange controls subsist. Once these have been dismantled, however, the desirable international economic integration of Europe will ensue automatically. The economic disruption of Europe is the inevitable consequence of Socialism (which, as we have seen, is bound to be National Socialism). The effect cannot be removed unless the cause has been suppressed. Any efforts in establishing a European Economic Union (or even a mere cooperation) are either futile or superfluous. They are futile as long as National Socialism prevails. Once his has been dismantled, however, they are superfluous. The real calamity of Europe is Socialism and nothing else.

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(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF. — Frederick J. Wilson has become associated with Herrick, Waddell & Reed, Inc., 8943 Wilshire Boulevard. Mr. Wilson was formerly with Conrad, Bruce & Co. and First California Co.

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(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Leighton McMurtrie has been added to the staff of C. E. Abbett & Company, 3277 Wilshire Boulevard.

As We See It

(Continued from first page)

profound or important effect as Dr. Evatt appears to believe. Some good may have been done. No one can tell with any degree of certainty what would have happened had there been no such machinery in existence. But the weaknesses to which the President of the Assembly points his finger are fatal to any hope that through it, or through any other mechanism, this may be converted into "One World" in any really significant meaning of the term.

Not "One World"

This "great power disagreement" trouble is but a simple and immediate manifestation of what most informed and thoughtful persons were sure would block any and all efforts to reach that idealistic state of affairs envisioned by the "One World" dreamers of dreams. The fact is, very simply stated, that this is not "One World." It does not matter greatly whether these great power disagreements occur within or without the United Nations or whether they are or are not "completely independent" of it. The important thing is that they exist—and that the United Nations has not been able and is not likely to be able to do anything at all about it.

Neither should we be wise to jump to the conclusion which now is growing popular that it is "two worlds" — the "East" and the "West." There is, of course, no denying that Russia and her satellites (or should we say, her victims) on the one hand, and the United States with a number of allies and, in a sense, dependents on the other, are "lining up" in ominous fashion. Certainly the appearance is thus given that the whole world is dividing itself into two camps. The attitude and behavior of what is left of the world seems at the moment to have but secondary significance or importance—except, of course, as these peoples may align themselves with the one or the other of the two groups. Viewed in this way, or viewed in any way, such a situation can scarcely be regarded as reassuring.

Fear of War

But the thoughtful person who is able to detach himself from the immediate scene for dispassionate contemplation is very likely to find himself led into an inquiry as to whether this two-world concept is not even at the present moment rather misleading. So long as there is war or threat of war on a vast and cruel scale, may countries which are afraid that they may become embroiled without being a party to any quarrel producing it, are inclined to exchange at least a part of their "sovereignty," political, economic and philosophical (or should we say ideological?) for some measure of security. Thus there is what appears on the surface to be developing a United States, not of Europe, but of a much larger and more varied segment, or set of segments, of the earth's surface. For somewhat the same reason, possibly, but also because of impotence in the face of overwhelming Russian power, a number of heretofore independent and usually self-willed smaller powers are being absorbed into the Russian orbit—and others, for possibly somewhat different reasons, are being threatened in other parts of the globe.

All this gives, or is likely to give, the easy reasoner a false impression. One would be rash indeed to assume that the signers of the Atlantic Pact, for example, or the so-called ECA nations of Europe, or the other groupings of smaller dimensions are now on their way to some sort of permanent federation which will stand through peace or war in perpetuity. Just how long they will be able to work together in a semi-federationist sort of basis it would be difficult to say. Much will depend upon the threat from outside and much will depend upon the extent of the aid they can obtain from us—that is upon the price they may exact for full cooperation in the future. But it may be taken for granted that centripetal forces, merely counteracted not destroyed by opposing forces at present, will soon or late reassert themselves.

Problems of the Kremlin

It would be similarly foolish to suppose that any bond of common "ideology"—that is, devotion to the communistic philosophy—is very likely to overcome and destroy the urges of nationalism in the other half of this two-world planet. It may or may not be possible for the Kremlin by such inhuman methods as it is accustomed to employ to bring much, if not all of Eastern Europe more or less permanently into its orbit—that is to conquer the spirit of these peoples, or kill them off and replace them, and in this way make these areas an integral part of the Soviet empire. Some parts of them were part and parcel for a long time of the Czarist empire. But there are limits to such things—the more so as the regime in Moscow is itself always under the necessity of keeping its own subjects undividedly in support of their ways and their policies.

Certainly the hundreds of millions of the inhabitants of the Far East can not be dealt with successfully in this fashion. They may in a sense be enslaved. They have had masters of one sort or another for many centuries in the past. They probably are not as much interested as we suppose in who these masters are—and many of the masses not too much interested in whether there are any such masters. But this state of affairs is without doubt in part due to the fact that the mastery has not in the past directly touched the masses in these vast lands. It remains to be seen what communist "conquest" of such areas really means in terms of practical everyday affairs.

Thus we may conclude that we are not living in any definitely and permanently fixed two-world system—and of course no such system offers a millennium. Another question is, of course, whether in light of what has been said any one-world system would either.

The Outlook for Interest Rates

(Continued from page 11)

them have increased their dividend rate.

On an over-all basis, the annual personal savings of the American people, which reached a peak of $34.2 billions in 1944 and dropped to a post-war low of $8.8 billion in 1947, are continuing on the upgrade from the annual rate of $13 billions attained last year. Consumer price resistance and uncertain business outlook makes further increase in savings inevitable.

Demand for Capital Will Be Smaller

The demand for capital in 1949 promises to be smaller than in 1948. Inventory expansion, plant and facilities expansion, and accounts receivable expansion are bound to be smaller than in 1948 or 1947, which will reduce the amounts needed for such purposes. It must be remembered also that any drop in prices will reduce, all along the line, the amounts corporations need to carry on their business. In addition, declining prices and uncertain business outlook will cause corporations to postpone new construction and other betterments so far as it is humanly possible for them to do so.

In real estate, particularly, price weakness especially on new housing, has created the problem of rows of unsold houses in many of our cities throughout the country. This reduces the demand for housing money and also makes mortgage lenders more cautious.

From this quick survey of supply and demand factors, it seems clear that the total of capital will be more than adequate for any normal needs that may develop in the economy in the next few months. There is, however, one qualification which must be made regarding this conclusion—a revival of the upward trend of prices might upset it. While I do not expect the forces of inflation, at least, in the immediate future, again to dominate the economy, the possibility of such a development is inherent in our present economic situation. We are so delicately balanced between inflation and deflation that during this transition period a sharp increase in foreign assistance, a substantial acceleration in military or veterans' spending, or a sizable expansion of social security benefits could revive inflationary pressures which might carry the economy along with them. The President and his economic advisers insist that they still fear the possibility of further inflation. If this seems farfetched in view of the spreading deflation, you should call to mind that the present Administration is definitely committed to a "high level" economy, which means high wages, high taxes, and high prices.

I personally believe that the excess production capacity which is now becoming evident in nearly all lines will keep prices from any further upward climb. But there is always the possibility that the government may institute measures to counter deflation which will overshoot the mark!

Government Influences on Interest Rates

Let us now turn to the forces which the government can bring to bear on interest rates.

Because of the enormous sums which may be required if the present policies of unrestricted planting and active market support at high percentages of parity are continued, I would place agricultural price maintenance high on the list of government influences on interest rates. To the effect which price has on the total of the demand for credit, we must add the effects of the government spending and, in addition, the powerful effects of the deficit financing which seems inevitable if current policies are not modified.

From an economic standpoint, the support of agricultural prices at high levels under present conditions and outlook is indeed alarming, to put it mildly! In addition to heavy purchases for shipment abroad, non-recourse loans and repurchase agreements in 1948 wheat and cotton alone involve nearly $2 billion. These loans and repurchase agreements on wheat cover 364,300,000 bushels; on cotton, some 5,000,000 bales. With heavy plantings either already made, or in prospect, on all the major farm crops, with prices falling despite government support, and with demand, particularly foreign demand, weakening sharply, what the final outcome will be, no man can say. But of one thing you may be certain: it will involve heavy expenditures by the government for the farmers.

Any broadening of social security legislation will have both direct and indirect effects on spending and saving patterns. On the one hand, taxation will be increased; and, on the other, people will spend more freely when they feel that the government will take care of them in the future.

Increased government expenditures for public housing, and the basis on which the support is extended, will affect interest rates. Also, the North Atlantic Pact, which will increase the tension with Russia and thus probably lead to increased expenditures for defense at home. In addition, the Pact will undoubtedly be implemented with legislation providing for substantial military lend-lease to aid the European signatories to re-arm.

On an over-all basis, the Treasury by its spending and taxing policies can have a powerful effect on the economy. While it has been critically said that the "compensated economy" has worked in reverse since 1945, the fact remains that in 1946, 1947 and 1948, Treasury receipts from taxes and other sources exceeded cash outlays by some $14 billion. By means of this surplus, the Treasury was able to inaugurate its policy of selective redemption of government debt and otherwise render powerful support to the market price of government bonds.

Debt Management and Interest Rates

The controlling effect of Treasury debt management on interest rates is well known. Despite the "experts" who said it couldn't be done, the 2½% rate on long-term government obligations has been the cornerstone of the entire interest structure for several years, and will continue to be in the foreseeable future. This can be safely said, as a more severe test than the government bond market successfully met last year can hardly be imagined. Faced with the dual and mutually contradictory responsibilities of combating inflation *and* supporting the existing long-term rate structure, the monetary and debt authorities maintained government obligations at par, or better, despite widespread public criticism and active opposition from some of the life insurance companies. Viewed as a group, they not only did not invest a substantial portion of their premium income in government obligations—as might have been expected, particularly in view of the uncertain international situation—but actually dumped on the market some $3 billion of government obligations that the Federal Reserve Banks were forced to buy. Since last November, however, few question the ability or the inclination of the government to maintain the rates it desires in the money and capital markets. Considering past performance and future probabilities, I think we can take it for granted that the money and capital markets will continue to be managed and dominated by the government, which means that government bonds will remain protected and pegged (whether at par or slightly under is beside the point) in the foreseeable future, and unquestionably throughout 1949.

What influence will the Federal Reserve System bring to bear on interest rates in 1949?

On Feb. 14, in a statement before the Joint Committee on the Economic Report, Chairman McCabe reiterated the intention of the Board of Governors to "lower reserve requirements and similarly adjust regulations on installment and stock market credit in accordance with the needs of business and finance." Since then, his statement has been implemented by the relaxation of Regulation W and the lowering of the margin requirements on stocks to 50%. Reduction of reserve requirements of member banks, also, is imminent; it seems to be merely a question of the best time, from the standpoint of public psychology, to make the announcement.

The Federal Reserve System is thus definitely committed to an easy money, low interest rate policy, and what is more important, they have the power to effectuate such a policy. As only half of their $23 billion of gold certificate reserves is now being used, they have sufficient "free gold" to double their deposit and note liabilities if necessary to carry out their policy. I hasten to say that I do not think any further Federal Reserve credit expansion will be required to keep rates low.

Now let us be practical and apply this pattern of natural and artificial forces to the special factors which exist in some of the fields of lending.

In mortgage lending, increasing risk has substantially stiffened rates throughout the country. This trend may be expected to continue unless the government intervenes in some more effective way than is now anticipated.

Increasing risks will likewise cause over-the-counter rates to continue to firm, but a more marked effect will be the widening of the spreads between the various categories on the basis of the risk involved.

As stated earlier, government bonds will remain pegged; in fact, I see no likelihood that the policy which was followed so rigidly in 1948 will be abandoned, or even materially modified in the next few months. Municipals, however, should be subjected to increasing scrutiny. They should no longer be bought, or held, blindly. Once again, quality will tell!

As for the trend on corporate issues, I anticipate a widening of the spreads between the different ratings as risk increases. In particular, I expect a widening of the present artificially low spread between the triple A corporates and the government issues. Whereas last year the insurance companies sold governments and bought corporate issues and thus exerted double pressure on the spread, this year they may be expected to do the opposite. By now, the insurance companies must realize that the monetary and debt authorities are determined to maintain the 2½% rate regardless of economic developments, which means that they can view the long-term government issues as highly liquid and utterly riskless. This being the case, they will undoubtedly insist on a higher return on corporate obligations, as even the triple A issues lack the liquidity and the stability of the longest-term government bonds under such conditions.

In conclusion, the money and capital markets during 1949—as during the past few years—will be controlled by:

1. The supply of capital and the demand for it.

2. The position of the Treasury, which will determine whether the government will borrow or will redeem outstanding debt and what method of refunding maturing obligations will be used.

3. The policies of the monetary authorities, which will depend on business conditions and outlook.

While all these factors are not entirely clear, particularly whether we shall have a budget surplus or deficit financing, our analysis has shown they all point to little change, if any, in the rates on "money" obligations. As I see it, government debt management has weathered an extremely severe test with flying colors. For the next few months, the Open Market Committee of the Federal Reserve Banks should be able to sit back and feed out a large part of the bonds they had to buy in the heavy going in 1948. In passing it should be carefully noted that they have already disposed of most of their bank-eligible bonds!

Risk obligations are another matter. While I do not expect the business readjustment to develop into a depression, old-fashioned competition has returned and the resulting weeding out of the inefficient makes risk once more an important factor in financial affairs. The credit analysts and investment analysts will again, as in the past, have to work overtime to differentiate the sheep from the goats. This is a challenge which the good banker will welcome — the examiners will take care of the others!

Less Spending, Threat to Stability

(Continued from first page)

time in the last three years that retail sales in any month have been less than in the corresponding month of the previous year.

The drop in willingness to spend extends to business enterprises as well as to individuals. The declining willingness of business concerns to spend is indicated by the fact that they are less and less willing 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, 66.9 cents out of every dollar of investment expenditures by corporations was provided by internal funds and only 33.1 cents by outside money.

Particularly significant is the drop in new contract awards and new housing starts. Expenditures on plant and equipment are still running above the corresponding period of last year, but new commitments to make such expenditures are considerably less than last year. Total contract awards in the first two months of 1949 were 19% below the corresponding period of 1948 and private contract awards were 29.9% below 1948. In February, 1949, private contract awards were 39% below February, 1948. New housing starts in January, 1949 were 5% below January, 1948 and in February, 1949 they were 7.3% below February, 1948. The joint survey of the Department of Commerce and the Securities and Exchange Commission indicates that corporations expect to spend about 14% less on plant and equipment during the second half of 1949 than during the second half of 1948.

II

The drop in the willingness to spend means that, for the first time since the period of conversion from wartime to peacetime production over three years ago, business is confronted with the problem of preventing a rise in unemployment. In order to prevent a rise in unemployment in 1949, business will need to produce and sell about $265 billion in goods at present prices, or about $10 billion more than it produced and sold in 1948. Why must production and sales increase by about $10 billion in order to prevent a rise in unemployment and what are the chances that business will succeed in increasing output and sales sufficiently to prevent a rise in unemployment in 1949?

There are two principal reasons why production and sales must increase by about $10 billion in order to prevent a rise in unemployment. The first is that the labor force may be expected to increase by about 600,000—the normal amount. An increase in employment of about 600,000 would raise the total gross production about 1% or $2.6 billion at present prices. The second is that there will be some increase in efficiency in 1949 over 1948. The normal increase has been about 2% a year. I believe that a more-than-normal rise in efficiency is to be expected. During the last several years efficiency has been held down by material shortages, by the fact that a large number of workers were holding jobs at which they had no experience or at least no recent experience, and by the fact that many concerns were compelled to use inexperienced supervisors. Furthermore, during the last 2½ years, industry has spent large amounts upon plant and equipment, which are bound to make possible increases in efficiency. Certainly a gain in efficiency of about 3% over 1948 is a reasonable estimate. That would mean an increase in gross national product at present prices of about $7.7 billion a year. Hence the total rise in output needed to prevent an increase in unemployment is about $10.3 billion a year.

III

How might an increase of approximately $10 billion in sales at present prices be accomplished? The present outlook is that there will be no net purchase of American goods and services by foreign countries beyond the goods supplied by the Government of the United States through the Marshall Plan. In 1948, for example, net foreign investment by the United States was only $1.5 billion, and during the latter half of the year there was no net foreign investment by the United States. The consumption of goods by business is also likely to be less in 1949 than in 1948. Certainly the accumulation of inventories may be expected to cease. The increase in inventories absorbed $3.8 billion of the output of industry in 1948. Furthermore, a small drop of nearly 10%, or approximately $3 billion, in expenditures on plant, equipment, and housing seems likely.

If net foreign investment disappears and gross private investment drops by $6.8 billion, an increase of approximately $18.6 billion in sales of goods to government and consumers will be necessary to prevent a rise in unemployment. Purchases of goods by the local, state, and national governments are rising. The Federal Government alone is likely to take $6 billion or $7 billion more of goods in 1949 than in 1948, and local and state governments are likely to take about $1 billion or $2 billion more. This means that consumers will need to buy about $9.6 billion to $11.6 billion more of goods in 1949 (at present prices) than in 1948. In other words, individuals who had personal incomes last year of about $213.6 billion, paid $21 billion in taxes, and spent about $177.7 billion on consumer goods, will need in 1949 to spend $187 billion to $189 billion on consumer goods at present prices in order to prevent a rise in unemployment.

IV

Can business persuade consumers to increase their takings of goods by $9.6 billion to $11.6 billion at present prices? There are a number of important favoring circumstances.

(1) Personal incomes after taxes have a higher purchasing power than a year ago. As I have pointed out, these incomes had about 4% greater purchasing power in January 1949 than in January 1948.

(2) The rate of personal spending is still low in relation to personal holdings of cash and demand deposits. In 1939, annual expenditures on consumer goods ran about six times personal holdings of cash and demand deposits; in 1948, they were only 3.3 times holdings of cash and demand deposits.

(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 the annual rate of personal income after taxes in comparison with 12.0% in 1940.

(4) The backlog of consumer demand for some products is still large. Automobiles are an example. 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 eight 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 also still high. Unfortunately, the figures on the increase in dwelling units in recent years leave much to be desired. There is no doubt, however, that a large number of American families are living in houses which are quite unsatisfactory to them. It is also clear that the incomes of a large number of families are sufficiently high so that the families would be willing to buy new and better housing at prices only slightly below present levels. Finally, since the number of families will increase by about 800,000 to 900,000 during 1949, considerable construction of houses will be necessary to prevent the housing shortage from becoming acute.

V

How can business persuade consumers to increase their takings of goods by $9.6 billion to $11.6 billion? It is obvious that this is a problem of marketing—that is, a problem of bringing out new and more attractive goods and quoting prices which consumers find more acceptable.

I wish to say a few words in particular about the problem of prices. A good way of measuring the willingness of individuals to spend money is to compare the increase in their outlay on consumer goods with the increase in their incomes after taxes. Between the fourth quarter of 1946 and the fourth quarter of 1947, the annual rate of personal incomes after taxes rose by $13.3 billion, but the annual rate of expenditures for consumer goods increased by $14.1 billion. This meant that there was a rise of $1.06 in expenditures on consumer goods for every dollar rise in incomes after taxes. Between the fourth quarter of 1947 and the fourth quarter of 1948, however, an increase in the annual rate of income after taxes of $18.5 billion produced a rise of only $9.9 billion in the annual rate of expenditures for consumer goods—an increase of 54 cents in expenditures for consumer goods for every dollar rise in income after taxes. This drop in the willingness to spend money is reflected also in the fact that the increase in total consumer credit in the four months, October, 1948 to January, 1949, was substantially less than half the increase in the corresponding period of a year ago.

It is plain that price policies which were appropriate when the rate of consumer spending was rising faster than consumer incomes is not appropriate when consumer spending is rising far less rapidly than consumer incomes. The problem is obviously to persuade consumers to raise their rate of spending. As I indicated a moment ago, business has two ways of doing this—bringing out new and better goods and making reductions in its prices.

Many managements will not like the idea of reducing prices to stimulate consumer demand. Some managements will argue that they cannot afford to reduce prices—that their margins are too small. It is true that margins are small and that in many industries costs per unit of goods sold have advanced as rapidly as selling prices during the last several years so that profits per dollar of sales have not changed. It is also true that some industries, especially those which sell at publicly regulated prices, have not been able to raise their prices during the last three years in proportion to the advance in the general price level. Some of these industries may need to increase prices to offset the rise in costs during the last three years. In addition, many concerns are not charging enough to cover the high replacement costs of their plant and equipment. Sooner or later these enterprises must either raise their prices or achieve substantial economies in operating costs.

Although further price increases in some industries are necessary, the immediate business situation calls as a general rule for improvements in quality and cuts in prices. Enterprises will be assisted in giving consumers more for their money by the increases in efficiency which have been occurring and which can be achieved. Improvements in efficiency are being facilitated by the better flow of raw materials and, as I have indicated, by the growth in the experience of supervisors and of the work force. Furthermore, before managements decide that the cannot afford to adjust prices to the drop in the willingness 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 a smaller 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 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.

During the last three years the support of the boom has varied from year to year. In 1947 consumer demand and foreign demand were particularly important. In 1948 these two dropped in relative importance and private investment and government purchases of goods and services increased. The following table shows the changing pattern of demand during the last three years and the approximate pattern which will be needed in 1949 to prevent a rise in unemployment.

(Billions)

	1946		1947		1948		1949 (1948 Prices)	
	$	%	$	%	$	%	$	%
Total gross national product	209.3	100.0	231.6	100.0	254.9	100.0	265.2	100.0
Consumption expenditures	147.4	70.4	164.8	71.1	177.7	69.7	188.3	71.0
Gross private investment	26.5	12.7	30.0	13.0	39.7	15.6	32.9	12.4
Purchases of goods by govt.	30.8	14.7	28.0	12.1	36.0	14.1	44.0	16.6
Net foreign investment	4.7	2.2	8.9	3.8	1.5	0.6	0.0	0.0

VI

What long-term trends can be distinguished in the American economy? No one, of course, can pretend to see very completely the economic picture of the future, and yet if the country enjoys peace for the next several decades, several long-term trends seem highly probable. The following six appear to me to be the most probable:

(1) Government expenditures will rise about as fast as produc-

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Less Spending, Threat to Stability

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tion, and possibly faster. Hence the cost of government chargeable against each unit of output will not decline and may rise. As every one knows, for several generations government expenditures have increased faster than the national product. Back in 1910 expenditures of he Federal Government were less than 2% of the gross national product; in 1929, they were 3.5%; in 1939, 10.6%; in 1948, 14.5%; in 1949, they will be over 17%. The expenditures of the local and state governments have also been rising faster than the national product.

The time may eventually come when the expenditures of government will not rise as fast as production. There have been great changes during the last few centuries in the relationship between government expenditures and production. The 19th century stands out as a time when government expenditures in countries of European civilization were low by historical standards in relation to production. I see no early prospect, however, that the ratio of government expenditures to production will drop. New demands are constantly being made on the government. Military outlay will rise, lend lease will be provided for Europe, a support program for crops will be maintained, expenditures for roads and many forms of public works will greatly increase, there will be large subsidies for housing, and aid to veterans, the aged, the sick, and others will be increased. The philosophy of the times requires that help be given people who are in need and unable to produce. In 1929, payments to persons in need represented about 1.5% of personal incomes; today they represent over 5% of all personal incomes. The policy of giving to people in need is subject to great abuses, but it is inevitable in a humanitarian community. Fortunately, some of the government expenditures, such as those on roads and on research, are highly productive and thus help to increase the national product. It is likely that the expenditures of the Federal Government alone will regularly run well over one-sixth of the gross national product. This means that by the time that the gross national product has reached $300 billion, the cash expenditures of the Federal Government will be regularly running well over $50 billion a year.

(2) The rate of taxation will not drop and may slowly rise. This is an almost inevitable result of the huge demands being made on the government. If increases in taxes are necessary, they will fall in the main upon corporations and upon persons in the middle income groups. These are the two large sources of additional revenue which are politically weak. Consequently they are the part of the community from which the government will obtain most of any additional revenues which may be necessary.

(3) Output per manhour will rise more rapidly in the future than in the past. In the past, output per manhour has increased about 2% a year. This has been made possible partly by industrial research and partly by the increase in industrial plant and equipment per worker. For some time expenditures on industrial research have been growing by leaps and bounds. They were about nine times as high in 1940 as in 1920 and they are now double prewar. The growth of industrial research is reflected in the fact that engineers, physicists, and chemists for several generations have been increasing from 10 to 14 times as fast as the gainfully employed. In the last several years the Federal Government has greatly increased its support of research. Much of the work done with government support has applications for industry.

During the last 60 years industrial plant and equipment per worker has been increasing at about 2% a year — though there were serious interruptions to this increase during the great depression of the '30s and during part of the war period. In 1929 industrial plant and equipment per worker was a little more than twice as large as in 1879. This rise in plant and equipment per worker was made possible by devoting around 12% of the net national product between 1879 and 1929 to the increase of capital. Over half of the increase in capital during this period, however, had to be devoted to provide plant and equipment for the new members of the labor force. In the future the labor force will grow more slowly than in the past. Hence a given rate of saving will make possible a higher rate of increase in plant and equipment per worker.

No one can estimate accurately the rate at which output per manhour is likely to rise. The Council of Economic Advisers has recently suggested that the increase may be about 2.5% a year. This is a conservative estimate. With research expanding more rapidly than in the past and with capital per worker rising faster than in the past, the increase in output per manhour may easily run 3% a year, and possibly 3.5% or even more.

(4) The hourly earnings of employees will rise faster in the future than in the past, and probably faster than output per manhour. Hence labor cost per unit of product in the economy as a whole will probably rise over the long run. During the last hundred years hourly earnings have risen at about the same rate as output per manhour. At any rate the advance of wages during this period has not been so fast as to bring about much of a rise in the general price level — though it has been fast enough to prevent a fall in the general price level. In other words, the gains of technological progress have gone in the main to employees, not to consumers.

During most of the last hundred years strong unions have been limited to a few industries. In the future there will be strong unions in most industries. Many people believe that unions will not be able or willing to push up wages faster than the rise in output per manhour. Between 1946 and 1947, however, hourly earnings in manufacturing increased 11.9% and between 1947 and 1948, 8.7%. This is around three to four times as fast as output per manhour is likely to grow. Undoubtedly the last several years have been unusually favorable to increasing both money wages and prices and undoubtedly also the rise of money wages in the long run will be much slower than during the last several years. Nevertheless have difficulty in believing that the strong unions which are likely to exist in American industry will be content with pushing up wages no faster than output per manhour. Consequently I reach the conclusion that labor costs per unit of product are likely in the long run to rise.

(5) The long-run movement of prices is likely to be upward. This is almost inevitable if hourly earnings rise faster than output per manhour. The prospect that the long-run rise in prices will be upward is of great importance. Although the economy has frequently operated during short periods under conditions which led most people to expect a short-run rise in prices, it has not operated under conditions which led the community to expect a long-run rise in prices. In fact, the community seems to have taken it more or less for granted that in the long run the price level would not change very much. This expectation of no long-run change in the price level will eventually be replaced, I believe, by the expectation of a slow rise in prices. Even if prices increase at only 2% a year, the price level would roughly double in a period of 40 years—the working life of most people.

(6) The share of employees in the national income will continue to rise and the share of property will continue to drop. This will be the result of the rise in capital per worker. Back in 1880 about 25% of the national income went to property owners in the form of rent, interest, and corporate profits. Today that proportion is around one-sixth or one-seventh, depending upon how one measures the national income.

It may seem strange that a rise in capital per worker should be accompanied by a decline in the proportion of the national product going to property. The explanation is simple. It is that capital is not easily substituted for labor. There is, of course, a possibility that the growth of industrial research will cause capital to become more easily substituted for labor. If it becomes sufficiently easy to substitute capital for labor, an increase in capital per worker will raise rather than reduce the share of property in the national income. At present, however, there is no evidence that capital will be more easily substituted for labor. Consequently, one must conclude that trends of the past are likely to continue, and that as capital per worker increases, the share of property in the national income will slowly decline.

VII

Many of you, I am sure, will question whether these observations of mine concerning probable long-run trends make sense. You will have difficulty in seeing how capital per worker can be expected to increase if taxes per unit of product do not drop and if labor costs per unit of product continue to rise. My conclusions assume that the price level will be permitted to adjust itself to increases in costs. If it is not allowed to do this, then these views of long-term trends must be drastically revised.

I concede that the sources of investment funds in the future are likely to be quite different from the sources in the past. In fact, during the last 15 years there have been important changes in the sources of investment funds. The willingness of individuals to invest in American corporations has been very low and is likely to continue to be low unless new groups of individuals can be persuaded to become owners of corporations. The estimates of the Securities and Exchange Commission indicate that for the period 1933 to the end of 1948 there was a net drop of nearly $700 million in the investments of individuals in the stocks and bonds of corporations. Indeed, in 10 out of the last 16 years, the investment of individuals in corporate stocks and bonds diminished. During this same period, however, the investments of iindividuals in private life insurance were booming. Between 1933 and the end of 1948, investments of individuals in life insurance and annuities accounted for $36.7 billion of personal savings. Life insurance and annuities will likely continue to be an important source of investment-seeking funds.

Corporations have always financed a considerable part of their capital needs by plowing back earnings. Indeed, during the period 1910 to 1929, retained earnings were about 52.3% of total profits. Retained earnings will undoubtedly continue to be a major source of corporate funds. With the labor force growing more slowly in the future than in the past, funds from life insurance companies, retained earnings, and term loans from banks plus some funds obtained directly from the general public will make it possible for capital per worker to grow as rapidly as in the past. There is always the possibility, of course, that companies will succeed in tapping important new sources of funds by bringing out new types of securities, such as preferred stocks which are attractive to investors of moderate means. And if investment-seeking funds should become chronically scarce, there is the possibility that industry will be able to meet the problem by developing capital-saving inventions. The great growth of technology gives industry a far greater capacity to adapt itself to new conditions than it has ever possessed in the past.

Let me summarize these observations on long-term trends:

(1) Government expenditures are likely to rise as fast as the output of the economy and possibly faster.

(2) Tax rates are likely to be at least as high as they are now.

(3) Output per manhour is likely to rise faster than in the past.

(4) Hourly earnings are likely to increase faster than output per manhour.

(5) Prices are likely to advance slowly.

(6) The share of employees in the national product is likely to grow.

By far the most important item in this list is the prospect that output per manhour will grow more rapidly in the future than in the past. This is important because the rate at which output per manhour changes determines what happens to the average standard of living in the community. Regardless of the trend of taxes or prices, the standard of living will rise provided output per manhour increases and provided reasonably full employment is maintained. This last proviso is important because a rapid rise in output per manhour may be accompanied by a high level of unemployment, as the experience of the thirties shows. If output per manhour rises rapidly, and full employment is maintained, the standard of living will also rise rapidly.

It is easy to be too pessimistic about the long-run prospects of the economy. Most people are unaware of American industry's tremendous capacity for growth, and have difficulty in visualizing the results of growth. The typical behavior of the economy is expansion. In 44 out of the 60 years between 1889 and 1948 inclusive, the national product, expressed in dollars of constant purchasing power, was greater than in the preceding year.

Even if output per capita were to grow no faster than it did during the 40 years between 1889 and 1929, it would be about $3,100 (in terms of present dollars) by 1980. This would mean an annual income of about $9,300 for a family of three. If the growth in the future were to be around 3% a year, per capita income by 1980 (in terms of present dollars) would be about $4,250, or about $12,750 for a family of three. This amount might well be regarded, I think, as a reasonable target for the economy. It is well within the range of practical achievement provided the country is fortunate enough to enjoy peace and provided the people of the country understand that their well-being depends fundamentally upon the productivity of industry and are willing to make the encouragement of productivity a principal objective of public policy.

A Depression—Neither Inevitable Nor Probable

(Continued from page 13)

duction methods, and increased the supply of goods placed on the market for eager buyers. Farm output has also increased sharply, in part because of good weather but also because of increased use of machinery and better farming methods.

We have made good many of the urgent backlogs of demand left by the war. Many consumers have at last managed to get the new clothes, new car or the new house for which they have been waiting. Businesses managed to increase their inventories until they have established more normal relationships with sales. Nearly all the backlogs of demand for soft goods have now disappeared. Even in the case of most durable goods the backed-up orders of recent years have disappeared. The day may come soon when one can even buy one of the "big three" automobiles and drive it off the showroom floor.

Another factor in reducing the pressure of demand lies in the fact that we have been growing up to our enlarged money supply. The huge bond issues of the war period were the basis for a great increase in bank deposits. The war thus left us with a supply of money which was abnormally large in relation to the volume of business we were doing. Consumers and businesses were unusually liquid. Since the war the increase in the money supply has been relatively small; in fact, our supply of money has declined slightly in the last year. At the same time the dollar volume of business has been greatly expanded, partly through price increases and partly through increased production. As a result the present relation of the supply of money to the value of output and income is not very different from what it was before the war.

(2) Consumer and business spending have declined slightly. Consumers' expenditures have fallen off slightly in recent months. Total retail sales in January, 1949, were about 2% below sales in January, 1948. Probably more significant is the fact that consumers are now spending a smaller share of their incomes than in earlier postwar years. In 1947, for example, consumers spend 95% of their incomes after taxes, and saved only 5%. In the fourth quarter of 1948, on the other hand, they spent about 91% and saved 9%, and the share of income spent apparently has not increased so far in 1949.

There has also been a reduction in the rate at which businesses are spending for inventories. In January, 1948, inventories increased in value by more than $1 billion. In January, 1949, however, the increase was only $165 million. It seems clear that part of this reduction is a decline in the rate of building up the physical volume of inventories. Business expenditures for plant and equipment seem to be holding up well thus far, running at about the level of the latter part of 1948.

(3) Prices of many products are softening. As everyone knows, farm prices have declined sharply, mainly as a result of larger crop yields. Farm prices at wholesale are about 15% below those of last June. Non-farm prices, on the average, have levelled out and are possibly declining very slightly; it is probable that the next few months will see further declines, particularly among the soft goods.

(4) **Shortages have been largely eliminated.** In most lines gray markets have disappeared. The few that are left are mere shadows of their former selves. The long waiting list, the backlog, the charges for extras, are already largely things of the past; instead of these we now have businesses building up their sales forces, going after business and being nice to buyers. Another aspect of the reduction of shortages has been the reappearance of the seasonal business patterns which had been wiped out in many lines during and just after the war.

(5) **Production has declined, but only slightly.** Along with the general easing of the pressure of demand has come some decline in industrial production. According to the Federal Reserve index, production is down from its peak of 195 in October, 1948, to 189 in February, 1949. This is a decline of only 3%. Most lines of activity have shared in this decline; the drop has been largest in the non-durable goods, especially textiles and leather goods.

(6) **Construction volume has remained high.** Total construction volume for January and February this year was slightly larger than in the corresponding months a year ago. Housing starts so far this year are running about 5% below a year ago. Recent estimates predict over $18 billion of construction in 1949, almost the same as a year ago. The year may see some decline in residential and some other types of construction, with increases in public construction.

(7) **Unemployment has increased.** Probably the most dramatic evidence of some softening in the current business situation has been the increase in unemployment. From just under 2 million in December, unemployment rose to 2.7 million in January and to 3.2 million in March. The upward movement was arrested in March, however; figures just released show that March unemployment remained at 3.2 million. So far this year unemployment has been running about 600,000 to 700,000 above the figures for the same month a year ago. If this same relation to 1948 should be maintained throughout the present year, average unemployment in 1949 would be about 3 million, or about 5% of the labor force. In other words, up to now we have had a rise from what could be considered an abnormally low unemployment figure to a figure which is at or close to a normal high employment level.

What Are We Now?

What has been happening so far this year repeats on a somewhat larger scale what happened on a smaller scale in 1947. What has happened so far and I repeat so far, has not been serious in itself. It has given us higher productivity and has ended at least temporarily the evils of continuing inflation. It has not so far been a depression. I think this is a realistic and not a Pollyanna-ish view. What we are really concerned about is what may happen during the rest of the year. The real importance of the development of the last six months is what it may hold for the future. This development raises the question whether

(a) we will continue the decline from our previous inflated position through the present position of approximate balance in a real depression, or

(b) we stabilize at high employment, in which case the gains in productivity which we should and can achieve would permit us not only to meet the greater demands of government, but also to provide higher real living standards.

It is impossible to tell at the moment on a day by day basis whether the decline is still going on or whether we have stabilized. For the rest of the year, either alternative is possible. Which actually occurs depends in large part upon what we as government, business, labor and consumers do.

What Are the Mistakes Which Could Get Us into a Depression?

It is certainly possible for us to have a depression. There are many ways to get into a depression and we have used most of them in the past 100 years or so. On the average, we have had a depression every four years since right before the Civil War. This period of rising or high business activity has been going on now for almost 10 years. Certainly any odds maker would say on that record we are overdue.

I will give you one prescription for getting into a depression this year, if anyone wants to do it. It is not the only way but I believe it is a pretty sure way. Just mix well the following ingredients:

(1) Encourage the already great feeling of uncertainty about the business situation which is in many minds enormously exaggerated by the perspective of the past 20 years. We all have in the back of our minds the experience of the tremendous depression of the 30's and the great abnormal boom prosperity of the 40's. If we regard any relaxation from the postwar boom as the beginning of the prewar type depression conditions, we shall be making a great and terribly expensive mistake.

(2) Increase this great uncertainty with government policies apparently based on failure to understand and appreciate the crucial role of business decisions, especially investment decisions, in maintaining prosperity. So long as we have a private enterprise, private profit economy—and ours is predominently such an economy—the outlook for profit and the supply of venture funds will be essential factors in determining the level of business investment expenditures. And so long as we have a high saving economy, which we do, a high level of investment expenditures will be necessary for maintaining prosperity. Government policies which regard the main function of profits as a hunting ground for the tax collector would be an important ingredient in a prescription for depression at this juncture. So also would a system of government controls over prices and investment which expose every business investment expenditure to the risk of arbitrary decisions by a government agency.

In saying this I certainly do not want to imply that all that we now need is for the government to behave itself and keep its hands off business. Business has a responsibility to understand what the government is doing and not to see "red" at every new step taken by the government. What I do mean is that both business and government must discriminate between the kinds of government action which will make our economic system, basically a private business sytem, work better and those that will not.

(3) The third mistake we can make which will help bring on a 1949 depression is that business, on the basis of economic and political uncertainties, should radically cut its present plans for plant and equipment expenditures. These plans, as most recently reported by the McGraw-Hill survey, seem to contemplate a sustained high rate of investment outlay. This could be a most important element in our continued prosperity and progress. To revise them downward sharply would help greatly to produce a depression.

(4) A fourth contributor to a real business decline would be a general policy on the part of business to increase or even, in some cases, to sustain profit margins. As productivity rises, and particularly if business investment expenditures are not rising or are declining, continued prosperity requires that consumers' real incomes should rise so that they may purchase the increased flow of consumer goods that will be available. One important way in which that rise of consumers' real incomes can be brought about is by some decline of prices as improved productivity reduces costs.

(5) A fifth mistake which would help to promote a depression would be for labor to insist vigorously on wage increases beyond the capacity of the economy to provide them out of increased productivity. It seems unlikely that the market situation will permit excessive wage increases to be passed on in the form of higher prices as they have been in part during the last three years. A determined drive for wage increase as large as those of other postwar years would greatly reduce the chance for profitable business operations and insure a curtailment of employment and investment.

(6) Another mistake would be to down our selling effort—advertising and sales promotion — just at a time when greater volume is needed.

(7) The final mistake we can make is for consumers to take fright at real and fancied economic difficulties and begin to hoard their money.

By making these mistakes I am sure that we could bring on some sort of depression. Even if we do all of these wrong things, I do not believe that we would have a depression as bad as that of the 30's Given certain basic features of our present situation, I am quite sure that would not happen. We are not going to have a collapse of our banking system and money supply. We will continue to support farm prices. We will cushion unemployment with unemployment compensation. Whether we like it or not, we have a very large piece of the total market assured by the high level of government expenditures. For these and other reasons economic catastrophe seems to me out of the question. But, if, as Mr. Boulware says, we study hard enough to be half-wits, I am sure we could get a visible depression.

How Can We Maintain Prosperity?

So far I have been showing how, if we do all the wrong things, we could get depression. I do not think it is inevitable or even possible that we shall go down that road. I think that collectively we have enough good sense among us to avoid it. And remember that there are many elements of strength in our present picture. As I have already said, plans for business investment expenditures are very high. Moreover, government expenditures are rising, and, whatever else may be said about that, and there is a good deal to say about it, increases in government expenditures do tend to sustain economic activity. The inventory position of business is good, as is the financial position of consumers, agriculture and business. And the latest figures show that we are holding our own with regard to unemployment.

What we need to maintain prosperity in these favorable conditions is roughly the following.

First: We should appreciate that our economic system has much greater capacity for maintaining stability than it ever did before. I have already mentioned a number of the cushions or built-in stabilizers, such as unemployment compensation and farm price supports, which would tend to restrain any run-away movement. Perhaps more important is the clear determination of the American people not to have another serious depression, and the growing evidence of agreement on the monetary and fiscal policies to be used to prevent another serious depression. There is no reason to believe, and we should not think, that the bottom is likely to fall out of our economy at any moment, because it would be wrong. And if we do not think that, we will not act as if we thought it. This in itself would be a major contribution to avoiding a serious depression.

Second: We need to get an understanding between business and government. We need to work out and clarify an agreed policy which serves the common interest of all of us in maintaining stability in a free enterprise system. Confidence in the existence of such a policy and in the existence of common goals and assumptions with respect to the kind of economy we want in this country is a necessary condition for stability and progress.

Third: Business and labor must recognize on the one hand that there is need for a continuous increase of consumers' real incomes as productivity grows and on the other hand that an attempt to force the increase of real incomes much beyond the growth of productivity cannot succeed but can only lead to inflation or unemployment.

Fourth: Many businesses still need to learn that the war is over, that their particular sellers' market is gone, and that they must resume the normal practice of pricing and marketing their products aggressively to promote sales. The number of persons employed in trade today is considerably lower in relation to manufacturing employment than it was before the war. We should expect as we move toward a sustained peacetime prosperity that a larger proportion of our national effort will be devoted to selling.

Fifth: We should try to use the large Federal budget in a way that will help to stabilize the economy. The Committee for Economic Development has spelled out in a policy statement the essential steps for doing this. I would only mention this morning the most relevant point that if we get some decline in national income and in consequence some decline in tax revenue, we should not try to restore tax revenues by raising tax rates. That would only result in a further decline in the national income.

Finally, we must be prepared to use to the full the instruments which the government has in its monetary and debt policy for preventing depression. The Federal Reserve has already taken two steps in this direction—relaxation of installment credit controls and the relaxation of margin requirements. There are still a number of arrows in this quiver which could be used if needed. Among these are a reduction of reserve requirements and an increase of bond purchases by the Federal Reserve.

It needs to be re-emphasized that the American people are determined not to have another serious depression. The stakes are higher now than they used to be. Today depression would mean not only unemployment, reduction in living standards and loss of progress. It might well mean also the loss of our freedoms, of our independence as a people.

As we all know, Russia has been predicting a depression in this country ever since the war. She has been counting on it. Our economic collapse would be her opportunity, not only an opportunity to improve her position in a highly benefical way to her, but an opportunity to justify the Marxist ideology which has always predicted capitalistic collapse.

Today more than ever what the Committee for Economic Development has been saying since its origin is true.

We cannot leave stability to chance.

The CED was organized under the basic principle that major depressions were not God-made. It was set up to do what it could do implement business thinking and action toward the goal of a dynamic and reasonable stability. It recognizes that we have always had business cycles—with an average duration since 1854 of four years. But it believes that business fluctuations can be kept within moderate limits—that the booms and busts of the past are not inevitable.

The CED was and is dedicated to the faith that there is sufficient intelligence in the American people to work together for the public good so that the free enterprise system can be preserved and improved. It will not be preserved if the elements within the economy—government, business, labor, the general public—attempt to impose policies upon one another. Or if there is hostility among them.

Now more than any time since the war, now more than any time since the rude shock of the early 1930's, we have the opportunity to do what no other nation on earth has been able to do, namely, demonstrate that we can develop enough wisdom and statesmanship on the economic level to preserve the economy as a free economy. It will require new attitudes, and an unprecedented willingness to cooperate. But I am convinced that we can and will do it.

NYSE Gets Slate For 1949 Election

The following nominations for the positions to be filled at the annual election of the New York Stock Exchange to be held on Monday, May 9, were reported today by the Nominating Committee for 1949:

For Chairman of the Board of Governors; Robert P. Boylan, of

Robert P. Boylan

E. F. Hutton & Co., for the term of one year.

For Seven Members of the Board of Governors (for term of three years): Richard M. Crooks, Thomson & McKinnon, Harold W. Scott, Dean Witter & Co., Homer A. Vilas, Cyrus J. Lawrence & Sons, Amyas Ames, Kidder, Peabody & Co., Winthrop H. Smith, Merrill Lynch, Pierce, Fenner & Beane, Latham W. Murfey, Curtiss, House & Co., Cleveland, Nathan K. Parker, Kay, Richards & Co., Pittsburgh.

For Two Trustees of the Gratuity Fund (three-year term): Clinton S. Lutkins, R. W. Pressprich & Co., William D. Scholle, Scholle Brothers.

For Five Members of the Nominating Committee (one-year term): Page Chapman, Jr., Tucker, Anthony & Co., William M. Meehan, M. J. Meehan & Co., Mark C. Meltzer, Jr., Asiel & Co., Joseph W. Dixon, Graham, Parson & Co., W. Fenton Johnston, Smith, Barney & Co.

Members are also voting on a proposed change to provide for a Nominating Committee, serving one year, to be composed of six members and three allied members of the Exchange, instead of three members and two allied members as at present.

Are Stocks Undervalued?

(Continued from page 2)

at all times and that changes in certain variables, such as earnings, dividends and assets, may be related to the corresponding changes in prices. If we can find that a certain relationship between prices on the one hand and the variables of earnings and dividends and assets on the other has been maintained for a long period of time, we might then rightly say that at such moments, or even in such years, as the market deviates from this long-held relationship, the distortion is a measure of disparity between price and value. We can say that at such times as a given level of earnings, assets and dividends fails to command the price that has been placed on such a rate of earnings, assets and dividends most of the time in the past, that is a time of overvaluation or undervaluation. And we can logically use this measure not as a definition of value, but as a description of it, and as a method for determining the direction in which the market price will probably move by way or readjustment. It is the virtue of a normal relationship that it can be expected to prevail most of the time. What we wish to know is what will be the opinion, expressed in price, of all the buyers and sellers participating in a free market, most of the time.

We cannot be perfectly sure that the variables of earnings and dividends and assets and habit of mind, or even the interest rate, will actually determine the opinion of buyers and sellers. But we can make certain assumptions and then test them mathematically to sell whether or not a correlation exists between changes in the variables of earnings, dividends and assets and habit of mind on the one hand and prices on the other and, if such correlation is found to exist, whether that correlation is so high as to be beyond the possibility of explanation by pure chance.

If we were to correlate earnings and dividends and assets and last year's average price of a given stock last year's average price is the specific way of expressing "habit of mind"—if we were to express this correlation mathematically, we should do so through a computation known as a multiple variable correlation analysis. The Value Line Rating, about which some of you may have heard, is a single line which expresses that correlation. In that line we have the price that the market over a 20-year span has placed upon earnings, assets and dividends at the various levels of experience.

I think that the meaning of such a rating of value, or the meaning of such a concept of normal value as distinct from price, could best be illustrated by a series of charts.

Here, for example, is a plotting going back to 1929 by months, of a stock listed on the N. Y. Stock Exchange. Each vertical bar represents the price range for one month. This is a chart of prices only. From the standpoint of the investor who wants to know whether to buy or sell, this chart is meaningless. The price in 1929 was 100, but apparently the value of the stock in 1929 was not 100 because only two or three years later the price had fallen all the way from 100 to 10, and an investor who bought the stock at 100 in 1929 on the theory that because the market was paying that price the stock was worth that price suffered a disastrous loss. His subsequent experience proved that price at a given moment was far from value, even in the opinion of the market. The market changes its mind.

Let us suppose now that having experienced the tremendous fluctuation in price between 1929 and 1932, the investor then assumes that the value of the stock should be an average of the high price of 100 and the low price of 8. Let us assume then that he draws a horizontal line through the chart at this average price of 54 based upon the 1929-1932 range.

You see now that that too would have been of no value to him because in subsequent years prices simply did not fluctuate around the average of the 1929 high and 1932 low.

We reason then that neither the current price nor the average price experienced over a given period of time can be taken as a reliable measure of value, or future price expectancy.

Now here is a chart of the same stock. But on this chart I have drawn a line which represents 20 times the earnings reported in each year. You will see that this line more nearly fits the actual price history than the horizontal average line that was drawn. It would conceivably be regarded as a standard of value. And as you all know, many analysts for a long time past have determined the value of a stock, in differentiating value from price, by the simple method of multiplying expected earnings by 10 or 15 or 20.

Now here is my last chart, which shows the same price record as the other two, but superimposed upon the price chart you now see a line which is the sum of the weights that the market itself has assigned to earnings and dividends and assets over a period of 20 years as defined by a multiple variable correlation analysis. You will see that this line fits the price record more closely than the other two. When you compare prices on this chart with the line of value, which we call the Value Line Rating, you will see at once that it has some meaning. You gather that when prices stand above or below this line by a significant distance, there is reason to believe that the market is temporarily out of line with its own sense of value as determined over a long period of time.

You will notice that prices do deviate from the line which is the market's long-term sense of value. The fact that prices deviate from the Value Line is not an invalidation of the theory that the Value Line truly expresses the market's normal evaluation of the stock. The deviations are the reason for having a Value Line. If the deviations from value did not occur, there would be no sense in your talking about undervaluation or overvaluation or in my discussing such things. It is fortunate indeed, that deviations from normal do occur, else we should not have an opportunity to practice our absorbing profession.

This past winter we have had a number of very warm days. Yet it is still valid to say that winter is a cold season. We may have some cold days next summer. Yet it would still be valid to say that summer is a warm time of the year.

Statistical Tests

As I said before, we cannot be perfectly sure that the variables that we have related to prices in an effort to determine why they fluctuate are the best or the only variables that could be employed. But there are statistical tests which can be applied to prove that the correlation in changes between earnings and assets on the one hand and prices on the other, is highly significant — significant far beyond the possibility of explanation on the grounds of chance.

For example, in the chart which is before you, (Chart IV), the stock in question fluctuated with changes in dividends and assets to a marked degree. The coefficient of determination of this equation was .76 and the coefficient of correlation .87. In plain English this means that the fluctuations in price above and below an average price during the whole 20-year experience, are explained to the extent of 76% by fluctuations in the related variables of value.

In establishing this correlation, we have used four independent variables, namely earnings, dividends, book values and the average price of the year preceding, and we have correlated these independent variables to the dependent variable of price. There were 20 years of observation and 4 independent variables leaving 15 degrees of freedom. The conventional statistical test of significance would hold that if the coefficient of determination were as high as .4, the relationship would be beyond the possibility of pure chance. Here though our coefficient of determination is actually .76, and the coefficient of correlation .87, which is so significant that it cannot possibly be dismissed as a product of chance. Such high coefficients are found for over 300 leading stocks, thus disposing of the possibility of spuriousness also.

If through such a correlation over a period of 20 years we can determine what weight the market will give to the variables of earnings and dividends and assets, then we can with reason determine what the future value of a stock will be in terms of market price, provided only that we can forecast correctly, or approximately correctly, the future earnings and dividends and assets of that stock. We cannot say with certainty that the future price will accord with the normal capitalization of earnings and assets as determined by the 20-year experience. But we can say that the probability that the future price will conform to the long-term sense of value is so high as to justify the effort and to pro-

CHART I

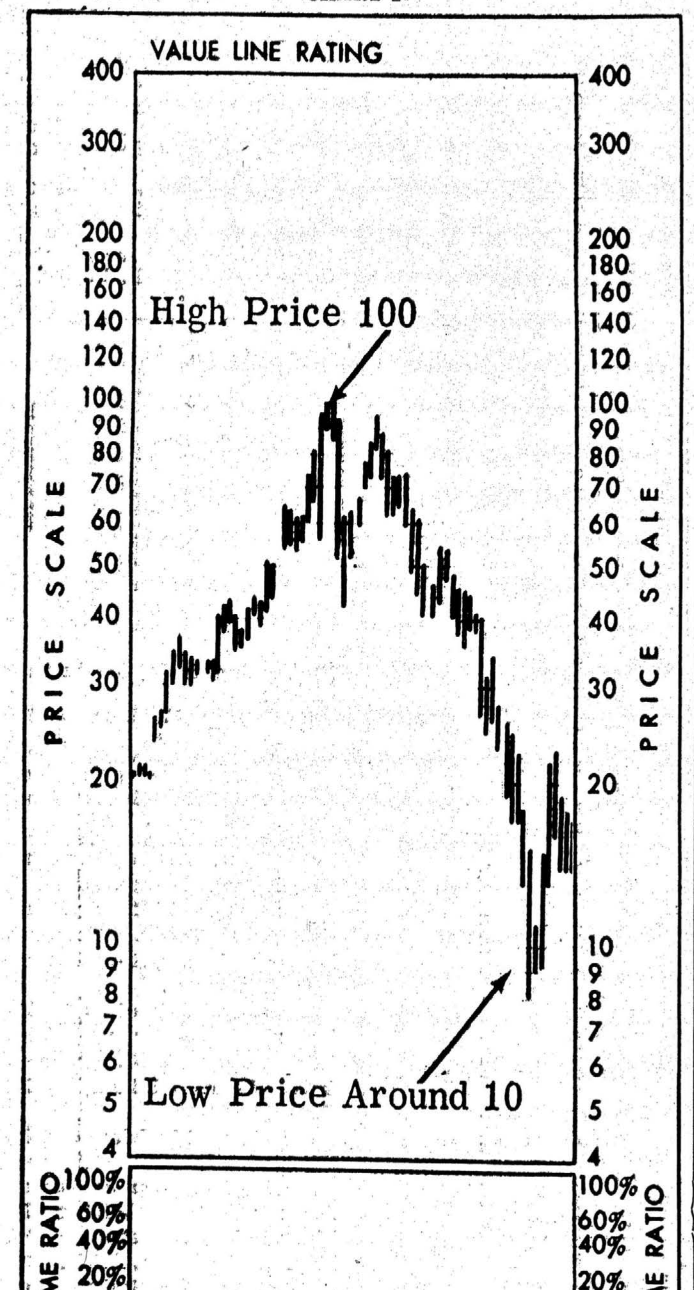
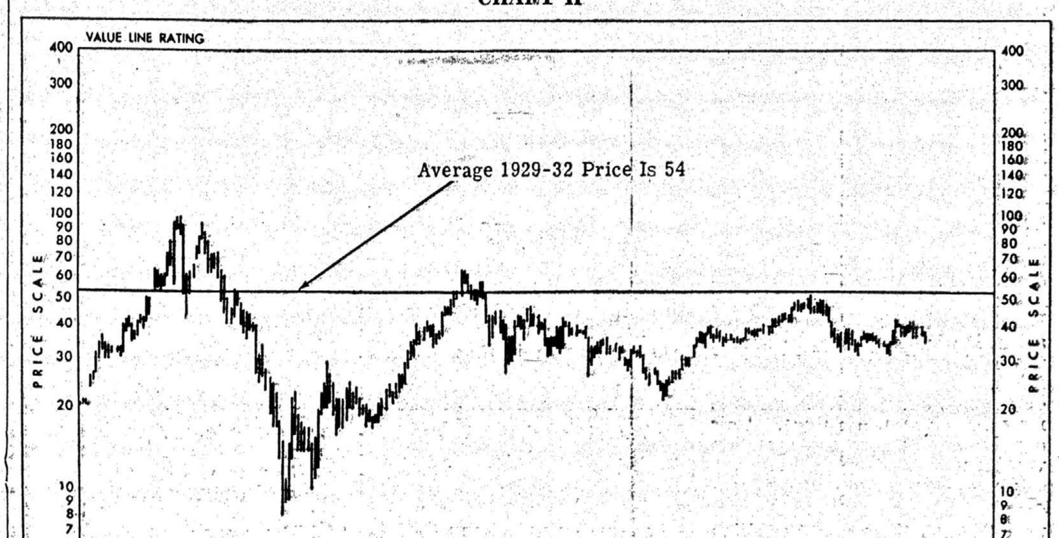


CHART II



vide a basis for a rational investment program.

Summary and Conclusions

In the absence of a commonly accepted definition of value, we must, to be practical, go on the assumption that value is in the long run the equivalent of price. But we may also proceed on the assumption that price **at any given time** is not always the same as value, because there is such a thing as a long-term price appraisal which may differ from the current price appraisal. We find that the changes in price which occur from year to year can be ascribed in significantly high degree to corresponding changes in such variables as assets, earnings and dividends and habit of mind (price lag). We conclude, therefore that the evolution of a standard of value based upon a correlation between changes in price and changes in the factors of value, when found, should enable us to project the probable future price of a stock, not with certainty but with a sufficiently high degree of probability to validate the premise that such a projection is a practical standard by which to identify areas of undervaluation or overvaluation, not only in the stock market as a whole but in the prices of individual stocks as well.

It is recognized that the practicability of such a rating depends upon ability to forecast the future level of earnings and dividends with reasonable accuracy. Although space does not permit a discussion of the methods by which this can be done, there is evidence to prove that it can be and has been done. At the very least the analysis proves that the normal capitalization of a given level of earnings and assets can be determined in advance and that because the capitalization is normal, it will probably be realized. The inescapable hazard of projecting future earnings and dividends remains, of course. But the price that the market will probably place upon a given level of earnings and dividends need no longer remain the realm of pure guess.

If this method of evaluation is sound, then it follows that the stocks that are most deeply undervalued according to this standard should give the best account of themselves in the open market during a period of 6 months to 18 months, regardless of the trend of the market as a whole. This, as a matter of fact, is a result that has been proved in experience. That is to say, the stocks most deeply undervalued and therefore most strongly to be recommended have, as a class, outperformed in the market the stocks that, as a class, merit a lower recommendation, and those that merit the second best recommendation have outperformed as a class those that merited the third class recommendation, and so on. In short, it is possible by this method to separate the sheep from the goats in the market according to value. This is not to say that every stock that merits the strongest recommendation will outperform every stock that deserves only the second strongest recommendation, but it is to say that taken as a group, the most strongly recommended stocks outperform, in a practical market sense the stocks that are in a less favorable position relative to an objective mathematical standard of value and this happens consistently, as audited records prove.

CHART III

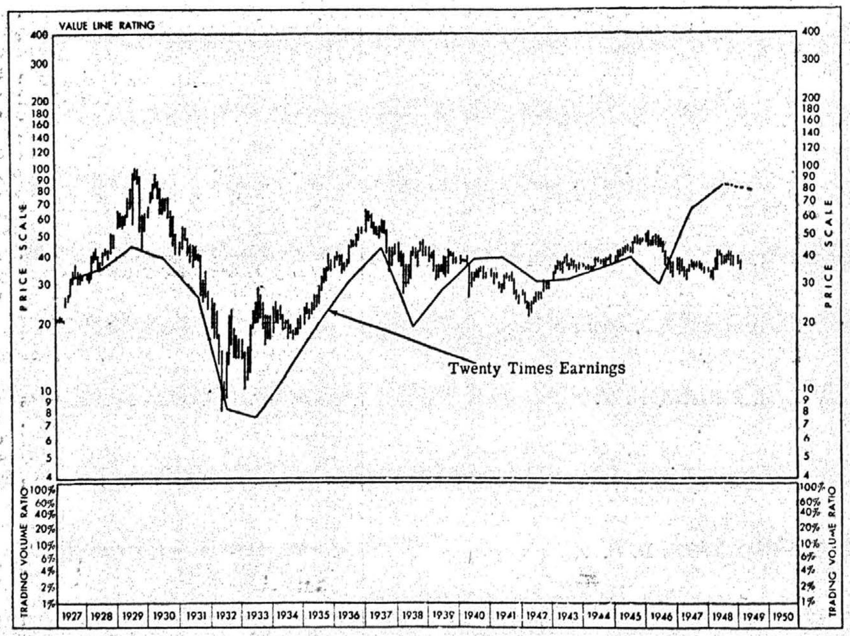
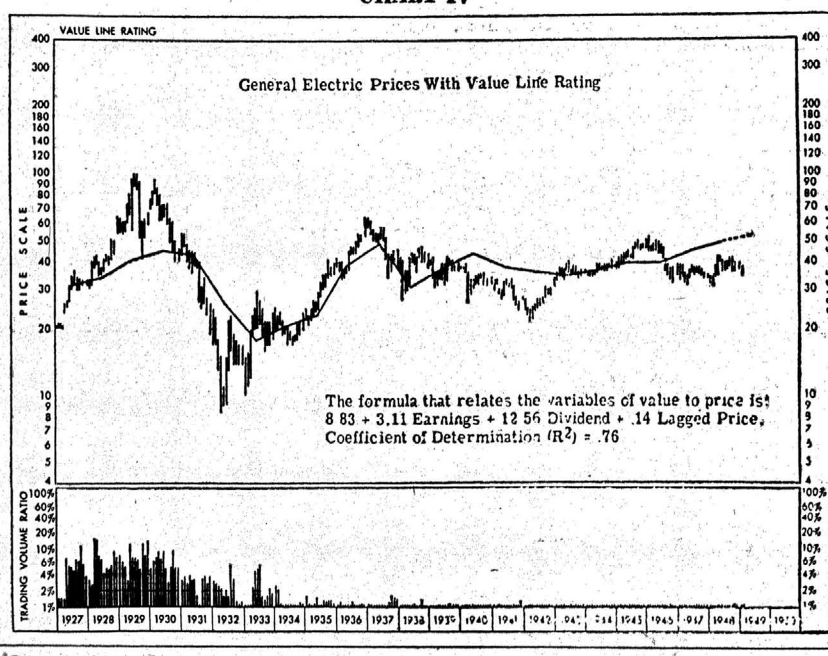


CHART IV



Trends in Finance

(Continued from first page)

tion and see what it tells us about the present state of our economy. Two symptoms stand out above everything else: a staggering Federal debt of over $250 billion and the highest peacetime tax burden any country has ever carried.

"Why have we been willing to place these two terrific loads on our people and on our economy?" "What made us abandon the old-fashioned 'pay-as-you-go' basis and adopt the opportunistic devices of borrowing against the future and confiscating our 'seed corn'?" If we can answer these questions, we may have some inkling as to why the peoples of the world are flirting with the destruction of their hard-won freedoms.

There is, in my opinion, just one and only one underlying answer—an almost frantic mania for security and protection. What is the reason for it?

There are three rather inter-related reasons. One is the devastation and dislocation caused by two great wars within a relatively short space of time. Due to these causes and other factors we have also suffered one long depression and several smaller ones. Wars and unemployment frighten people more than we realize and these tragic events are indelibly imprinted on the minds of our people, particularly of the young. The conviction that these things must not happen again under any circumstances has number one priority in the consciences of the peoples of the world.

Abuses in Our Economic and Financial Life

To these two factors, war and depressions, we may also add the abuses that over the years have crept into our economic and financial life. Proponents of radical government and economic policies have exaggerated these abuses as they have exaggerated the hardships of depression. However, abuses did and do exist, and the free enterprise, or profit, system has been largely blamed for them. So we are tempted to adopt almost any measures—including suicidal deficit financing and destructive taxation—to reach our goal of security and to leave behind the horrors of war and depression.

At the same time other things have been happening. Science, education and general cultural progress have radically changed the relationship between our people and their government. With vastly speedier transportation facilities and almost instantaneous communication throughout the world, each individual is thrown on his own to form his opinions and to reflect these opinions directly and immediately to his elected representatives. We will now be able to find out for the first time whether or not majority rule is sound. It is, perhaps, sacrilegious to dispute our long held theory that, given time, the people of the country will decide issues correctly, but I believe firmly that up to the present we have never had a true basis for determining this important question. Heretofore we have largely used Hamilton's theory that a few, well-chosen, enlightened men can best provide intelligent and far-seeing leadership for the country's policies. But we now have what Jefferson would probably call a true democracy.

In discussing this question, we must analyze the nature of the vote and the reasons why people vote as they do. Fundamentally a man or a woman is by instinct devoted to his family's interest above everything else. This instinct goes back to prehistoric, and even to prehuman days. In fact, it is the basis of our modern civilization and as such must be protected above everything. Even in time of war you will agree, I am sure, that the indirect threat to one's family security is a large part of what we call patriotism.

Therefore, it is not illogical that our people cast their votes for candidates who promise to provide benefits and security for them.

Our political parties have recognized this great thirst for security and protection of family and too often have, unfortunately, capitalized on it. They have fallen in with the country's short-term thinking and have followed, rather than led, our people. The people need, and should have, intelligent, farseeing and unselfish leadership from their elected representatives. Such representatives are supposed to have more understanding and more wisdom in matters of government than the voters themselves. Our hopes for the future rest on a return of this leadership to its proper place.

To summarize, we find now that people primarily want security and protection after the bitter experience of wars, depressions and the abuses and inequities of our economic system. Opportunistic politicians, reformers and radicals have exaggerated and distorted these influences and have urged people to turn to various forms of stateism in order to attain these objectives. As a drowning man carries the life guard down with him so people seem willing to destroy and to risk the loss of established institutions, even their freedom, for the purpose of an apparent and illusory security.

Implications of Debt Burden and Taxation

These forces are very great and must be reckoned with if we are going to appraise properly events and trends in finance. These factors for example have made us willing to pile up a huge government debt and to continue a vast program of taxation. What are the implications of these two burdens on our economy and will they permit us to retain our institutions of liberty and our cherished free enterprise system?

The national debt has necessitated maintenance of extremely cheap rates which in turn discourage private investment. These cheap rates are necessary in order to keep the interest burden on $250 billion somewhere within reason. In the national debt we have, furthermore, the basis for a severe inflation, although at the moment our economy is moving in the opposite direction, as the immense money supply is losing its velocity. The second item—taxation—can be and is now a very potent factor in the elimination of growth capital. The siphoning off of a large share of the profits, the increased risks from government regluation and from unpredictable economic and financial measures all have taken the heart out of private venture capital. In addition, corporate taxation has given us an extraordinarily high industrial break-even point that is just now becoming apparent in our corporations, as business volume turns downward.

The above developments have, of course, tended to redistribute the capital wealth of the country and have resulted in a concentration of funds in insurance companies, savings banks, investment trusts and similar fiduciary institutions. Unfortunately, or perhaps fortunately, a large share of these institutions, by law or regulation are prohibited from making equity investments. Increasing problems arising from lack of private working capital can be expected in the future. This reaching of our people for protection has brought us other measures involving financial commitments and further drains on our economic system. I refer to parity farm prices, vast public works, social security, medical care, protection of our natural resources, flood and drought control, etc.—all reflecting the great motive and purpose in the world today — security.

The Trend Downward

Now we are witnessing slowing down in our economy and a declining volume of business. How far, and how long, this trend will continue is, of course, impossible to say. It is estimated that for the fiscal year ending June, 1949, the deficit in our national budget will be approximately $1.7 billion, including that period's share of the Marshall Plan. Next year some authorities are talking about a $4 billion to $5 billion deficit. Between 1930 and 1932 there was a decrease in tax receipts by the government from $4,178,000,000 to $2,600,000,000 without any change in tax rates. No one knows what tax receipts would decline to now if we had a really bad depression, but an authoritative article published by one of our large banks recently gives some revealing figures. It stated for 185 manufacturing organizations a drop of 10% in sales would mean a decrease of 28% in profits; a decline of 20% in sales, approximately 50% lower profits; a sales decrease of 30%, 80% lower profits; a decline of over 30% in sales brings these corporations into red figures. Translate that into corporation and individual income taxes and you have some startling results.

I think you will agree then that the question of increasing tax rates in the face of such figures is largely academic at the moment. That leads us inevitably to that handy, but rather grim device called deficit financing. When our debt was $50,000,000,000, we were somewhat aghast at such figures. Most of us said this is the end and we can never go further. Here we are at over $250,000,000,000 and we are still wondering how far we can run it up and how it will ever be paid.

Confronted With Great Question

We are now truly up against the great question of how much more security we can afford without a

(Continued on page 40)

Dealers' Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

(Continued from page 8)

CHICAGO, ILL.

Adverse.*

CHICAGO, ILL.

It's killed the goose that laid the golden egg.*

CHICAGO, ILL.

Has dried it up.

CHICAGO, ILL.

Limited the trading.*

CHICAGO, ILL.

Unfavorable.*

CHICAGO, ILL.

None.*

CHICAGO, ILL.

Confusion.*

CHICAGO, ILL.

This rule is a great hindrance to the market, and the small dealer like ourselves finds it next to impossible to get salesmen. Surely our industry should be allowed a living commission if we are to survive. I wonder who is going to do the financing of the small corporations if we are ruled out of business. Keep up your good work, may be the small dealer will wake up some day.

CHICAGO, ILL.

None.*

AURORA, ILL.

Retards the market for securities of smaller corporations.*

ELGIN, ILL.

I think it makes most salesmen uneasy in the marking up of around 5%. He doesn't know if he will be criticized by NASD or not. In a great many cases the salesmen and house are greatly underpaid for the work they have done, future servicing, etc., especially in low-priced situations; and of course today overhead is considerably higher in relation to business, but the dealer must still carry on and keep on servicing, etc., on securities sold several years ago, etc. **There are many other things that could be said.** Something must be done in Washington to assist brokers and dealers very quickly or there will be no venture capital available.*

CHICAGO, ILL.

Less interest and resultantly, a market lower than is justified on good little issues. Too, underwriters and dealers, selling piecemeal, are entitled to a better return.

CHICAGO, ILL.

Impairs marketability.

CHICAGO, ILL.

Banks charge small borrowers higher interest rate and investment bankers are likewise entitled to larger spread on securities of smaller companies.

BOSTON, MASS.

When profits are too small it causes the dealer to lose interest in the promotion of these securities. Nor can the dealer afford to make extensive investigation if he can't get his money back from profits. We heartily endorse your efforts!*

BOSTON, MASS.

None.*

BOSTON, MASS.

Restricted the distribution of securities, which in turn retards development of industry.*

BOSTON, MASS.

Bad. Too scared to be identified.*

BOSTON, MASS.

Detrimental.*

BOSTON, MASS.

Rules and regulations have discouraged expansion of investment industry. Small financing is now more costly, has greater potential risks than charges for service that are considered proper. **It must be remembered that morals cannot be established by law.***

BOSTON, MASS.

Limits the market.*

BOSTON, MASS.

None.*

BOSTON, MASS.

None.

BOSTON, MASS.

Adverse.

BOSTON, MASS.

None.*

BOSTON, MASS.

Made it more difficult to finance the smaller corporations through stock issues.*

BOSTON, MASS.

It is discriminating.

BOSTON, MASS.

Haven't studied or thought about it enough. Think one of the end results might be to keep many investors from being sucked into lousy situations where they are pretty sure to take a licking.*

WORCESTER, MASS.

Detrimental.*

BOSTON, MASS.

The greater the necessary sales effort the larger should be the spread. **"Salesmanship is essential to distribute securities"**—when this concept is accepted by the investment community all this emphasis on spread will disappear.

NEWARK, N. J.

Probably very little.*

NEWARK, N. J.

It depresses the market.

GLOVERSVILLE, N. Y.

Allows fair profit.

SMALL UPSTATE NEW YORK TOWN

Adverse to corporations' as well as dealers' best interests. We rarely, if ever, handle such issues, therefore our opinion is not based on self-interest.

SMALL UPSTATE NEW YORK TOWN

I feel that the 5% rule has a very bad effect on the market.*

GLENS FALLS, N. Y.

Has hurt them very much.

SMALL UPSTATE NEW YORK TOWN

Unfavorable. Any ruling which tends to kill incentive to make a trade, naturally makes for fewer trades, and hence a market in which it is more difficult to buy or sell.*

ELMIRA, N. Y.

Very bad.*

BUFFALO, N. Y.

Hurt it.*

SMALL UPSTATE NEW YORK TOWN

While it is hard to tell, I believe the need for NASD is unnecessary as the SEC covers the governing or control aspects of the business.

WATERTOWN, N. Y.

Has killed the over-the-counter securities markets.

SYRACUSE, N. Y.

Detrimental.*

WHITE PLAINS, N. Y.

Not much of any effect.

BUFFALO, N. Y.

No effect.*

HARTFORD, CONN.

I think it restricts the market.*

WASHINGTON, D. C.

Bad.*

SMALL TOWN, ME.

Limited their distribution.*

PORTLAND, ME.

Detrimental.*

PORTLAND, ME.

It produces a very limited market.

PORTLAND, ME.

Thin market created.*

BALTIMORE, MD.

Do not know much about this as do not deal in them but imagine it has restricted the market considerably.

BALTIMORE, MD.

None.*

BALTIMORE, MD.

I doubt whether it has any appreciable affect. We don't average anything like 5% but there are cases involving low priced speculative stocks where 5% on small sale doesn't give the dealer room to conduct the transaction as a profit. Of course on higher grade bonds selling around par we wouldn't think of charging a mark-up of 5 points. If we got 1 point or 1½ points on single bond transactions in this price class we'd be doing well.

BOSTON, MASS.

Not any.

BOSTON, MASS

The writer has been for all the years of the existence of NASD in a particularly good position to observe the effects on the public and the market of securities of small corporations. As the head of a house dealing almost exclusively in the securities of companies of small to moderate size, he can truthfully say that there has been no bar from any rule of the Association in carrying on a legitimate business. On account of his interest in the subject matter he has had innumerable interviews with partners of small houses, many of them individual proprietors, and finds that their views almost exactly coincide with those above expressed. The fact is that the Business Conduct Committees have leaned over backward to be fair in the matter of mark-ups, having in mind the provision in the By-Laws of the Association that the dealer is "entitled to a profit." In practice, as shown by the official reports of the Association, there is a very substantial percentage of transactions carried on at spreads exceeding 5% because there is taken into account the difficulty of buying, the difficulty of selling, the dollar amounts involved, travel, and extraneous services performed. That the Committees have been very understanding and fair is indicated by the small number of formal complaints that have been brought in the 9 years since the Committees began to function. Their attitude so far from being punitive, has been directed toward education of the very small number of houses which are inclined to charge more than the traffic can properly bear as to what the investor can afford to pay for services. The result of this has been a definite increase in the good will of a very large percentage of the members toward the Association and a diminution of sales resistance toward the over-the-counter securities on the part of the public owing to the fact that gradually it has grown to realize that there is an organization in existence which protects its interests. Among the results of all of this is that your attempts to pull down the Association have lost their force and are considered entirely "out of date." The fact is that where your efforts in the early stages of the Association were a source of interest and

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Trends in Finance

(Continued from page 39)

complete change in our form of government and our economic system. I strongly doubt if we can stand more tampering or regulating without destroying the institutions we are trying to regulate.

In spite of all that might lead us in the other direction, however, I strongly doubt if the people of this country will answer the problem by giving up their liberties and subjugating themselves to an all-powerful bureaucratic central government. I have a firm conviction that this frantic rush for security and protection is temporary and that with some semblance of enlightened and courageous leadership our people will turn from it toward higher goals before many years have passed. The great truths of liberty and free enterprise on which our country has been built cannot be thrown aside so easily.

On March 21, 1864, Abraham Lincoln stated:

"Property is the fruit of labor; property is desirable; it is a positive good in the world. That some should be rich shows that others may become rich, and hence is just encouragement to industry and enterprise.

"Let not him who is houseless pull down the house of another, but let him work diligently and build one for himself, thus by example assuring that his own shall be safe from violence when built."

We Will Survive Crisis

It is my firm conviction that we will survive this crisis and that the great risks we have taken with our liberties and our institutions, at such tremendous cost in things and in people, will reap vast rewards to us and to the world. What, then, are the implications of all this on the international scene? Will we eventually be able to say that our contributions to the winning of two world wars and recovery afterward led to something really big and significant? I believe it will, and I believe history will record these years and events in indelible ink of the highest colors. I think you will agree that the system of international finance under which we have operated for so many years is far from satisfactory and completely unable to cope with emergencies. The international gold standard folds up in times of war or depression or other severe dislocations of international trade. Nations seek security and protection just as much as individuals, and they also seek equitable treatment and fair standards of living. These great stresses and strains between countries can account for a large part of the international influence of the Communist Party. We find it hard to answer the question as to why our friends in England are living on insufficient food when their cousins across the border in Canada, as well as in the United States, have all they can possibly eat and more. Off hand the trouble would seem to lie in the area of exchange and international finance as much as in the realm of geography and natural wealth.

We all want world peace and security from war above all else. We desperately advocate adoption of a world government, or in lieu thereof, a league, or a U. N., or even an Atlantic Pact, as a compromise. I doubt if these things can come from a drafting board or be suddenly born on a conference table. Great things, like democracy, evolve by trial and error, painfully and slowly, rather than easily and quickly.

Perhaps international finance will show the way.

World Federation Through Financial Processes

In this field great and big things are now being accomplished. We are breaking barriers and creating world cooperation and perhaps eventually even world federation through financial processes. It began actually during and after World War I when the United States made vast loans to our allies in Europe and other parts of the world. These loans turned into gifts. For the first time we recognized the fact that national barriers could, and should be, broken down in favor of human needs. Lend lease picked up in the late thirties and forties where loans left off in the early twenties. The Marshall Plan picked up where lend lease left off and we are seeing today an almost unbelievable distribution of goods, services and funds all over the world for the purpose of sharing our strength. These financial developments on an international scale are the real beginnings of world government and will, in my opinion, eventually result in international cooperation such as we have never known before. We must admit that it is a thrilling and inspiring thing to contemplate, and that it may well repay us for the terrible risks we are taking with our way of life.

This all may seem unrealistic, romantic, and overly optimistic. Let me point out, however, that we can never accurately appraise the present or plan the future on the basis of fleeting influences and antagonisms that tend to cover up what is really happening underneath. How many of us can truly claim an objective, unbiased, and long-range point of view, free of emotion, passion and prejudice? Let me close by quoting from the greatest living thinker and writer on history, Arnold Toynbee, who in his latest book "Civilization on Trial" says:

"Mental perspective, like optical perspective, comes into focus only when the observer has put a certain distance between himself and his object; when, for example, you are travelling by air from Salt Lake City to Denver, the nearest view of the Rockies is not the best one. While you are actually over the mountains, you see nothing but a maze of peaks, ridges, gullies and crags. It is not until you have left the mountains behind you and are looking back at them as you fly over the plains that you rise up before you in their magnificent order, range behind range. It is only then that you have a vision of the Rockies themselves."

With Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, MAINE—Gabriel H. Bisson is connected with Coburn & Middlebrook, Inc. of Hartford, Conn.

Smith with du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John S. Smith has become affiliated with Francis I. du Pont & Co., 200 South La Salle Street. Mr. Smith was previously with Bache & Co.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Leo A. Tormanen has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

With Kirchofer & Arnold

(Special to THE FINANCIAL CHRONICLE)

WINSTON SALEM, N. C. — Frank J. Walker is with Kirchofer & Arnold Associates, Inc., Insurance Building, Raleigh, N. C.

Dealers' Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

(Continued from page 40)

discussion among many members, they have now ceased to pay any attention to them. I have had quite a few of them query as to "whose chestnuts you were trying to pull out of the fire." In brief they questioned your good faith in the face of their observation that NASD has not only not hurt their business, but actually been of assistance in building it up.*

BOSTON, MASS.

As a general rule we approve the 5% mark-up, though we recognize that there are cases where a larger spread is both necessary and desirable and would expect NASD to recognize such.

BOSTON, MASS.

Depressing.*

BOSTON, MASS.

I believe that in your continued campaign against the restrictive efforts of the NASD you have all the logic and common sense on your side. The smaller corporations need your continued efforts. I have noticed that in many "run-down" offerings of the lower priced securities, the mark-up is usually over 5%. If any concern is engaged in shady offerings their work is done long before the SEC can catch up to them. The long established processes of law are adequate for protection of the investor. In my experience the brokers themselves were wary of such individuals. After all, if we want to keep in business, why should we try to defraud our customers from whom we derive our living.

NEW YORK CITY

None.

NEW YORK CITY

Very bad effect.

NEW YORK CITY

It certainly lessens the market—creates greater inactivity.

NEW YORK CITY

A very unfavorable effect. It practically prevents the sale of securities of smaller corporations.

NEW YORK CITY

The rule has contributed greatly to the freezing of equity capital.*

NEW YORK CITY

Detrimental—any other business makes more and no one complains.*

NEW YORK CITY

Very little.

NEW YORK CITY

None.*

NEW YORK CITY

On small issues with inactive markets the 5% rule is not constructive.

NEW YORK CITY

Difficult to say.*

NEW YORK CITY

None.*

NEW YORK CITY

Constructive.

NEW YORK CITY

None.*

NEW YORK CITY

None—same as larger corporations.

NEW YORK CITY

Ruinous.

NEW YORK CITY

The original purpose which was to eliminate fantastic gouging was good. Someone should protect innocents from the wolves. Being a listed broker, usually we charge regular SE commissions on unlisted trades when only purchase or sale is involved. Were we to purchase block of securities and retail them, the 5% rule would be unfair. We could not afford to do so. It is our belief that the rule is good and bad only as interpreted. It should be changed to 5% on any essentially brokerage transaction when stock is bought after receiving order, but allow greater profit when stock is a bona fide retailing job from inventory. It should not be too difficult to establish the fact that inventories are carried by the dealer. The higher limit should have a very close relation to the market for the security involved. In any case, 10% above real market should be plenty.

NEW YORK CITY

Limited.*

NEW YORK CITY

None.*

NEW YORK CITY

Has retarded sales, especially in small quantity of shares, which could be sold to the small investor.

NEW YORK CITY

Detrimental to the street and industry.*

NEW YORK CITY

None.*

NEW YORK CITY

A great hindrance to the raising of venture capital.*

NEW YORK CITY

Driven the over-the-counter market down 50%—has made the little dealer sell investment trusts so the board could get more business.

* Commented anonymously.

NEW YORK CITY

A definite tendency to discourage dealers from devoting their efforts to the smaller companies. Selling "names" is much easier than selling values. Why do extra work for no more money?

NEW YORK CITY

Does not afford the distribution of this type of issue.*

NEW YORK CITY

1. Killing small corporation. 2. Wiping out the small securities dealer. 3. Concentrating power in a few stockhouses. 4. Demoralizing the business like in England. 5. The power to circumscribe profits is the power to kill initiative and the industry.*

SMALL OHIO TOWN

It is equally bad for small or large dealers. It is definitely the rule of the SEC.*

DAYTON, OHIO

Adverse.*

CLEVELAND, OHIO

None.

CLEVELAND, OHIO

Stagnates that market.

CLEVELAND, OHIO

Bad.*

CLEVELAND, OHIO

Detrimental! Almost impossible to get risk capital. Stops flow of new money into securities.*

CLEVELAND, OHIO

No particular effect.

CLEVELAND, OHIO

There should not be any hard and fast rules as to profits. Some securities (especially small corporations) are hard to sell.

CLEVELAND, OHIO

None.

CINCINNATI, OHIO

Has considerably lessened marketability and has been a depressing factor on the prices of those securities.*

CINCINNATI, OHIO

Bad.*

CINCINNATI, OHIO

It is bound to restrict their marketability if mark-up is limited, for greater sales effort is not adequately compensated.

PITTSBURGH, PA.

None.*

PITTSBURGH, PA.

Ruinous.*

PITTSBURGH, PA.

It has not helped.

PITTSBURGH, PA.

They will soon be a thing of the past—unlisted trader's (corner) take—3-way profit—then try to get 5% and keep your customer.*

PITTSBURGH, PA.

Members are permitted in a great many cases to go above 5%, especially on small orders and special circumstances, and don't you think 5% is sufficient where no position is taken?*

PITTSBURGH, PA.

It narrows the market and consequently has an unfavorable effect.*

ALLENTOWN, PA.

Very little, if any.*

SPARTANBURG, S. C.

None—for it takes a great deal more selling, etc., to help a small, unknown corporation.

GREENVILLE, S. C.

It makes it very difficult to "find a friend."

COLUMBIA, S. C.

Has played hell.*

CHARLESTON, S. C.

Very bad—no dealer can stock them and enthuse salesmen for 5%—not even for 10% in many cases.

NORFOLK, VA.

This rule very definitely slows up activity in the securities of smaller corporations. The unlisted security dealers cannot survive on a 5% gross profit. It isn't in the books. The NASD is purely a duplication of the SEC and a definite drawback to the securities industry as a whole.

MILWAUKEE, WIS.

Retards energetic sales program.*

MILWAUKEE, WIS.

If a **net profit** of 5% on **all** our transactions were permitted that would be OK. But these "Lice" go further than that, and arbitrarily challenge and criticize a profit of over 2½% to 3% on sale by us of **listed bonds** and **stocks**. Accordingly there is a tendency among salesmen and proprietors to sell a client a security with a larger profit (unlisted), even though the account should be buying **listed** bonds or stocks. Result—safety for clients' account is sacrificed, often, as the "boys" must eat. We have been paying this "gangster organization" blood money to have "our own throats cut"—too, too long.—(Signed) A small WHITE MAN.*

* Commented anonymously.

The State of Trade and Industry

(Continued from page 5)

In one midwestern area the truck shipments of steel run as high as 62% of the steel leaving that plant.

Steel users are demanding and getting exactly what they want in steel. No longer are cold-rolled sheets being used when hot-rolled sheets at a cheaper price are required. Some customers, the magazine points out, are getting so quality conscious that they are calling and getting steel mill metallurgists on quality cases.

Steel scrap was off sharply in price again this week. The drop was not as big as a week ago but it was substantial. "The Iron Age" steel scrap composite is down $2.59 a gross ton to $23.58 a gross ton. The scrap composite is off $19.42 a ton since the first of this year and has reached the lowest point since Nov. 10, 1946 when OPA ceilings went off scrap. The "Iron Age" steel scrap composite this week is only $4.41 a ton higher than the OPA ceiling average of $19.17, concludes this trade paper.

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 99.2% of capacity for the week beginning April 11, 1949, as against 98.8% in the preceding week, or an advance of 0.4%.

This week's operating rate is equivalent to 1,828,800 tons of steel ingots and castings for the entire industry, compared to 1,821,400 tons a week ago, 1,880,400 tons, or 102% a month ago, and 1,285,200 tons, or 71.3% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS RISE 21.7% IN LATEST WEEK AS A RESULT OF HEAVIER COAL AND ORE LOADINGS

Loadings of revenue freight for the week ended April 2, 1949, totaled 725,623 cars, according to the Association of American Railroads. This was an increase of 129,294 cars, or 21.7% above the preceding week, due principally to heavier loading of coal and ore. It also represented an increase of 64,992 cars, or 9.8% above the corresponding week in 1948 and an advance of 10,464 cars, or 1.5% above the similar period in 1947.

ELECTRIC OUTPUT EASES FOR TENTH SUCCESSIVE WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended April 9, was estimated at 5,359,961,000 kwh., according to the Edison Electric Institute. This represented a decrease of 17,701,000 kwh. below output in the preceding week, 327,082,000 kwh. or 6.5% higher than the figure reported for the week ended April 10, 1948 and 740,261,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT IN LATEST WEEK ATTAINS NEW POSTWAR HIGH

Production of cars and trucks in the United States and Canada for the past week rose to a new postwar high of 130,197 units, compared to 119,088 (revised) units in the week preceding, according to "Ward's Automotive Reports."

"Prospects," states the publication, "are that schedules in coming weeks will be moved up markedly in response to rapidly increasing availability of cold rolled sheet steel."

Output in the similar period a year ago was 103,004 units and for the like week of 1941, 99,260 units.

Last week's output consisted of 99,745 cars and 24,852 trucks built in the United States and 3,592 cars and 2,008 trucks in Canada.

BUSINESS FAILURES REGISTER HIGHEST LEVEL OF POSTWAR PERIOD IN LATEST WEEK

Commercial and industrial failures increase to an estimated 236 in the week ended April 7 from 216 in the preceding week, Dun & Bradstreet, Inc., reports. This was the highest number occurring in any week since April 2, 1942. Casualties were three times as heavy as in the comparable weeks of 1948 and 1947 when 79 and 71 occurred, but they remained below the prewar total of 295 in the same week of 1939.

Failures involving liabilities of $5,000 or more rose to 177 from 162 last week, exceeding the 68 reported a year ago. Small casualties increased slightly to 59 from 54; they were over five times as numerous as in the corresponding week of last year.

Retailing and wholesaling failures had the sharpest increases rising to 122 from 97 in the preceding week and 32 wholesalers as against 18. In both these lines, casualties rose to the highest level since 1942.

The Middle Atlantic States reported a rise to 69 casualties, the most in this region since 1943, from 48 a week ago and 18 last year. The only other marked uptrend occurred in the East South Central States which had 17 as compared with 6 in the previous week.

FOOD PRICE INDEX MAKES FIRST ADVANCE IN FIVE WEEKS

There was a generally firmer trend in farm and food items in the past week, resulting in a slight advance in the wholesale food price index, compiled by Dun & Bradstreet, Inc. It was the first rise in five weeks and brought the April 5 figure to $5.78, from $5.77 a week previous. The current index compares with $6.72 on the like rate a year ago, or a drop of 14.0%.

The index represents the sum total of the price per pound of 31 foods in general use.

COMMODITY PRICE INDEX FOLLOWING MIXED TREND CLOSED A TRIFLE HIGHER LAST WEEK

Trends in both industrial and farm commodities continued to be mixed during the past week. After fluctuating unevenly during the period, the Dun & Bradstreet daily wholesale commodity price index finished at 255.89 on April 5, comparing with 255.53 a week earlier and with 283.67 on the corresponding date of last year.

Grain futures prices were irregular and moved in a fairly narrow range. Trading was comparatively light and mostly professional in character. Wheat developed strength, aided by a steady tightening in cash wheat premiums resulting largely from reduced country offerings and an active demand for the cash article.

The condition of the new wheat crop was said to be excellent with further beneficial rain and snow reported in the winter wheat areas.

Corn displayed independent firmness, reflecting continued small offerings and receipts from the country. Flour purchases by larger bakers showed some pick-up last week. Aside from this, there was very little activity in the domestic flour market with trading still confined largely to nearby requirements. Fairly active trading featured the cocoa market, with prices rising almost 2 cents per pound during the week. Lard prices were steady with trading moderate in volume. The market for cottonseed oil showed improvement, aided by substantial government buying and a firmer tone in soy beans.

In the Chicago livestock market, hogs were under considerable pressure, with prices falling to the lowest levels since the end of OPA.

Fed lambs finished unchanged for the week after rising to new seasonal high prices due to continued starvation receipts.

Spot cotton markets were firmer with prices averaging slightly higher than a week ago. Domestic mill demand was only moderate with buying restricted to small lots for prompt shipment. Sales for export were reported in fairly good volume.

The strength in prices last week largely reflected the generally unexpected advance in the mid-March parity price for cotton to 30.50 cents a pound from 30.38 cents a month previous. Another factor was the report of a $16,000,000 ECA authorization for cotton to China.

Entries of the staple into the government loan turned upward in the week ended March 24, although they were still less than withdrawals for the same period.

Entries for the latest week were reported at 66,215 bales, compared with 49,878 a week previous, while repossessions totaled 77,246 bales, against 75,201 a week earlier.

There was very little activity noted in the Boston raw wool market last week. Inquiries, however, were somewhat better and spot quotations held nominally steady due to lack of burdensome supplies.

Prices in foreign primary wool markets continued on a firm basis. Imports of apparel class wools at Boston, New York and Philadelphia in the week ended March 25 represented 3,599,900 clean pounds, compared with 3,070,000 in the previous week.

RETAIL AND WHOLESALE TRADE SHOWED A SEASONAL RISE LAST WEEK OVER THAT OF PREVIOUS WEEK AND YEAR AGO

As Easter shopping gained momentum in many parts of the country, total retail dollar volume rose noticeably in the week and was very slightly above that of the corresponding week a year ago, Dun and Bradstreet, Inc., reports in its current summary of trade. Promotions of spring merchandise continued in many areas and most shoppers continued to insist on good quality at moderate prices.

There was a substantial increase in the demand for apparel last week and total dollar volume soared considerably above that of the similar week a year ago which followed Easter.

Women's gabardine suits and short-length coast in pastel colors were very popular. The retail volume of blouses, skirts, hosiery and millinery rose seasonally. There was a sizable increase in the interest in shoes. The retail volume of men's apparel rose moderately with interest centering largely on furnishings.

Retail food volume did not change appreciably from the moderate level of the previous week, being fractionally less than that of the comparable week last year.

Housewives bought slightly less meat than in the preceding week. Sea food and dairy products were purchased frequently. The supplies of fresh fruit and vegetables increased in many sections. Interest in canned and frozen foods remained high. There was a slight rise in the demand for candy and bakery goods.

Interest in furniture and housewares dipped slightly the past week. Retail volume of giftware, novelties, curtains and decorating materials remained sizable. Shoppers displayed more reluctance in the purchase of electrical appliances than a year ago. The demand for garden supplies and hardware, however, remained large.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 1% below to 3% above that of a year ago.

Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England and Southwest down 2 to up 2, East unchanged to up 4, South and Pacific Coast unchanged to down 4, Midwest up 1 to up 5 and Northwest up 2 to up 6.

The increased interest of many buyers in spring merchandise boosted re-order volume moderately in the week with total dollar volume rising slightly above that of the similar week a year ago. The number of buyers attending many wholesale markets dipped fractionally and was very moderately below that of the corresponding week in 1948.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 2, 1949, increased by 8% from the like period of last year. This compared with a decrease of 16% in the preceding week. For the four weeks ended April 2, 1949, sales decreased by 9% and for the year to date by 5%.

With the advent of Easter retail trade here in New York the past week continued to advance. Department store sales volume, according to estimates, was about 5% above the corresponding week a year ago, which, however, was in the post-Easter period.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to April 2, 1949, advanced by 8% from the same period last year. In the preceding week a decrease of 17% (revised) was registered under the similar week of 1948. For the four weeks ended April 2, 1949, a decrease of 10% was reported below that of last year and for the year to date volume decreased by 6%.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF — Antoine J. MacNamee is now connected with King Merritt & Co., Inc., Chamber of Commerce Building.

With F. S. Moseley

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Clifford A. Worthing is now affiliated with F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Los Ang. Stock Exch. Reports Trading Gain

Entering its 50th year, which will be celebrated Dec. 7, the Los Angeles Stock Exchange reported a very gratifying showing for the first quarter of 1949. Transactions on the Exchange during the three-month period ending Mar. 31 registered an increase of 10% in dollar volume over the corresponding period of last year in contrast to a general decline in volume recorded by other exchanges of the country.

For the three-month period our transactions totaled $30,335,772 as compared with $27,548,637 during the same period for last year. The volume for the month of March amounted to $10,267,193 as against $9,374,119 in the preceding month and $10,011,575 for March of 1948. These increases follow the trend established for the year 1948 in which there was recorded a 40% increase over the year 1947 when the average of all Exchanges of the country increased approximately 10%. The dollar volume increase has raised the position of the Los Angeles Stock Exchange from fifth to fourth place among the Regional Exchanges of the Nation and emphasizes its increasing importance as a market for securities of both locally and nationally known corporations.

It is also significant that the dollar volume for 1948 has been exceeded in only five years since 1900. Further, for the first quarter the average price per share of stock traded was $14.08, whereas the figure for the comparable period of 1948 was $10.96. This fact is important in that it indicates a greater activity in the higher priced issues being traded on our Exchange.

Some of the contributing factors of the Exchange's progress are the tremendous industrial growth of this area during the last 10 years, the increase in investor population in Southern California and the fact that the Los Angeles Stock Exchange remains open two and a half hours after the closing of major Eastern Exchanges, with listed or trading privileges available in 245 stocks the majority of which are actively traded on other important Exchanges. In addition to these, and perhaps most important, is the effort being made by member firms in building the home market by effecting local executions of dually traded issues when such executions are in the best interest of the customer.

Clarence Troup Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Robert R. LeClercq is with Clarence G. Troup & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges.

With Bear, Stearns Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Joseph F. Halloran has become affiliated with Bear, Stearns & Co., 135 South La Salle Street.

D. E. Arries Co. Adds

(Special to THE FINANCIAL CHRONICLE)

TAMPA, FLA. — Robert A. Foster has been added to the staff of D. E. Arries & Co., 415 Tampa Street.

Ralph Folwell in Miami

MIAMI, FLA.—Ralph T. Folwell is opening offices in the Olympia Building to engage in the securities business.

With Floyd D. Cerf, Jr., Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—David F. Cerf II is with Floyd D. Cerf, Jr. Co., 120 South La Salle Street.

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)	Apr. 17	99.2	98.8	102.0	71.3
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 17	1,828,800	1,821,400	1,880,400	1,285,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Apr. 2	5,072,400	5,130,450	5,186,800	5,388,700
Crude runs to stills—daily average (bbls.)	Apr. 2	¶§5,269,000	§5,353,000	§5,515,000	5,475,000
Gasoline output (bbls.)	Apr. 2	§17,635,000	§17,417,000	§17,705,000	15,735,000
Kerosene output (bbls.)	Apr. 2	§1,959,000	§2,014,000	§2,158,000	2,484,000
Gas oil and distillate fuel oil output (bbls.)	Apr. 2	§6,658,000	§6,167,000	§6,947,000	7,586,000
Residual fuel oil output (bbls.)	Apr. 2	§8,351,000	§8,305,000	§8,542,000	9,084,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 2	§127,769,000	§128,087,000	§126,266,000	113,261,000
Kerosene (bbls.) at	Apr. 2	§17,915,000	§17,700,000	§18,999,000	10,930,000
Gas oil and distillate fuel oil (bbls.) at	Apr. 2	§48,556,000	§48,721,000	§52,109,000	32,180,000
Residual fuel oil (bbls.) at	Apr. 2	§58,710,000	§58,792,000	§59,568,000	47,959,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 2	725,623	596,329	705,552	660,631
Revenue freight received from connections (number of cars)	Apr. 2	583,210	551,409	632,622	595,451
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 7	$178,242,000	$132,174,000	$184,579,000	$93,800,000
Private construction	Apr. 7	89,664,000	85,088,000	66,103,000	24,951,000
Public construction	Apr. 7	88,578,000	47,086,000	118,476,000	68,849,000
State and municipal	Apr. 7	71,977,000	39,331,000	67,962,000	54,965,000
Federal	Apr. 7	16,601,000	7,755,000	50,514,000	13,884,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 2	9,600,000	*2,415,000	10,260,000	2,131,000
Pennsylvania anthracite (tons)	Apr. 2	960,000	*107,000	697,000	856,000
Beehive coke (tons)	Apr. 2	105,900	*38,800	159,500	9,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Apr. 2	301	*277	244	280
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 9	5,359,961	5,377,662	5,530,629	5,032,879
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Apr. 7	‡236	216	179	79
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 5	3.75197c	3.75197c	3.75701c	3.28244c
Pig iron (per gross ton)	Apr. 5	$46.74	$46.74	$46.74	$40.11
Scrap steel (per gross ton)	Apr. 5	$26.17	$31.17	$36.25	$40.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 6	22.950c	22.950c	23.200c	21.200c
Export refinery at	Apr. 6	23.175c	23.425c	23.425c	21.675c
Straits tin (New York) at	Apr. 6	103.000c	103.000c	103.000c	94.000c
Lead (New York) at	Apr. 6	15.000c	17.000c	21.500c	17.500c
Lead (St. Louis) at	Apr. 6	14.800c	16.800c	21.300c	17.300c
Zinc (East St. Louis) at	Apr. 6	15.000c	16.000c	17.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 12	101.64	101.70	101.67	100.88
Average corporate	Apr. 12	112.93	113.12	113.12	112.19
Aaa	Apr. 12	118.80	119.20	118.80	117.60
Aa	Apr. 12	117.00	117.20	117.00	115.63
A	Apr. 12	112.19	112.37	112.37	111.44
Baa	Apr. 12	104.66	104.83	105.00	104.48
Railroad Group	Apr. 12	108.16	108.16	108.52	106.92
Public Utilities Group	Apr. 12	113.89	114.08	113.70	113.70
Industrials Group	Apr. 12	117.20	117.60	117.40	116.02
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 12	2.38	2.38	2.38	2.44
Average corporate	Apr. 12	3.01	3.00	3.00	3.05
Aaa	Apr. 12	2.71	2.69	2.71	2.77
Aa	Apr. 12	2.80	2.79	2.80	2.87
A	Apr. 12	3.05	3.04	3.04	3.09
Baa	Apr. 12	3.47	3.46	3.45	3.48
Railroad Group	Apr. 12	3.27	3.27	3.25	3.34
Public Utilities Group	Apr. 12	2.96	2.95	2.97	2.97
Industrials Group	Apr. 12	2.79	2.77	2.78	2.85
MOODY'S COMMODITY INDEX	Apr. 12	354.5	359.6	372.7	420.3
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Apr. 9	219.1	*218.0	217.7	231.5
Fats and oils	Apr. 9	144.0	145.6	155.3	269.8
Farm products	Apr. 9	236.8	234.7	236.9	254.5
Cotton	Apr. 9	314.0	310.9	310.4	348.9
Grains	Apr. 9	206.2	205.6	205.1	271.8
Livestock	Apr. 9	235.0	232.2	236.2	238.5
Fuels	Apr. 9	226.3	231.8	235.9	228.6
Miscellaneous commodities	Apr. 9	166.6	*166.2	167.3	173.8
Textiles	Apr. 9	189.0	189.8	190.8	212.6
Metals	Apr. 9	184.6	186.0	190.0	163.5
Building materials	Apr. 9	215.2	216.5	217.4	230.4
Chemicals and drugs	Apr. 9	137.9	137.9	142.5	156.7
Fertilizer materials	Apr. 9	142.8	142.8	142.9	137.2
Fertilizers	Apr. 9	150.5	150.5	150.5	143.7
Farm machinery	Apr. 9	155.7	155.7	155.6	138.5
All groups combined	Apr. 9	208.5	*209.0	210.7	218.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 2	179,967	149,388	178,515	233,919
Production (tons)	Apr. 2	149,918	170,643	157,814	186,484
Percentage of activity	Apr. 2	75	80	79	98
Unfilled orders (tons) at	Apr. 2	271,986	242,374	287,302	464,683
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Apr. 8	134.1	135.0	138.1	146.2
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Apr. 5	158.0	†158.1	†158.9	160.3
Farm products	Apr. 5	171.5	†170.8	†172.3	181.5
Foods	Apr. 5	164.7	†162.9	†163.4	171.6
All commodities other than farm and foods	Apr. 5	149.7	†150.7	†151.4	147.9
Textile products	Apr. 5	141.2	†141.6	†144.5	149.9
Fuel and lighting materials	Apr. 5	132.8	†134.4	†134.8	131.0
Metals and metal products	Apr. 5	174.0	†174.6	†175.2	156.8
Building materials	Apr. 5	197.2	†199.7	†201.6	192.8
All other	Apr. 5	130.7	†131.3	†130.8	135.1
Special indexes—					
Grains	Apr. 5	164.1	161.7	164.6	217.8
Livestock	Apr. 5	205.1	211.2	208.1	211.5
Meats	Apr. 5	225.9	224.7	220.4	241.4
Hides and skins	Apr. 5	184.6	185.2	177.6	192.3

*Revised figure. ¶Includes 366,000 barrels of foreign crude runs. §On new basis of reporting in California. Principal changes exclude cracking stock from distillate and residual fuel oils. ‡Estimate based on incomplete data from the Pacific States region. †Corrected.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of March	8,388,965	*7,480,721	7,608,135
Shipments of steel products, including alloy and stainless (net tons)—Month of Feb.	5,519,938	5,765,959	5,046,115
AMERICAN PETROLEUM INSTITUTE—Month of January:			
Total domestic production (bbls. of 42-gallons each)	179,319,000	189,805,000	175,828,000
Domestic crude oil output (bbls.)	166,321,000	176,329,000	163,781,000
Natural gasoline output (bbls.)	12,987,000	13,448,000	11,997,000
Benzol output (bbls.)	11,000	28,000	50,000
Crude oil imports (bbls.)	13,875,000	14,547,000	8,427,000
Refined products imports (bbls.)	5,355,000	5,450,000	5,479,000
Indicated consumption—domestic and export (bbls.)	196,156,000	205,396,000	199,763,000
Increase—all stock (bbls.)	2,393,000	4,406,000	‡‡10,029,000
AMERICAN ZINC INSTITUTE, INC.—Month of March:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	78,121	69,193	74,322
Shipments (tons of 2,000 lbs.)	71,017	68,522	77,334
Stocks at end of period (tons)	28,204	21,100	45,631
Unfilled orders at end of period (tons)	79,722	87,898	61,610
BUSINESS INVENTORIES, DEPT. OF COMMERCE—Month of Feb. (millions of $):			
Manufacturing	$32,036	$32,081	$28,768
Wholesale	8,602	8,542	7,885
Retail	13,948	13,517	13,625
Total	$54,586	$54,140	$50,278
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD—Month of March:			
Total U. S. construction	$743,529,000	$563,000,000	$508,096,000
Private construction	344,058,000	374,000,000	220,715,000
Public construction	399,471,000	189,000,000	287,381,000
State and Municipal	236,154,000	169,000,000	188,288,000
Federal	163,317,000	20,000,000	99,093,000
COAL OUTPUT (BUREAU OF MINES)—Month of March:			
Bituminous coal and lignite (net tons)	32,800,000	44,458,000	34,399,000
Pennsylvania anthracite (net tons)	2,373,000	*2,927,000	4,928,000
Beehive coke (net tons)	395,200	*607,300	325,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM)—(1935-39 Average=100) Month of March:			
Adjusted for seasonal variation	272	*274	284
Without seasonal adjustment	256	*227	285
INTERSTATE COMMERCE COMMISSION— Index of Railway Employment at middle of February (1935-39 average=100)	¶¶120.1	¶¶123.7	132.3
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of March:			
Copper (per pound)—			
Electrolytic, domestic refinery	23.178c	23.200c	21.200c
Electrolytic, export refinery	23.425c	23.432c	21.531c
Lead (per pound)—			
Common, New York	18.907c	21.500c	15.000c
Common, St. Louis	18.715c	21.300c	14.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	71.500c	70.803c	74.625c
Silver, London (pence per ounce)	43.500d	43.000d	45.000d
Sterling Exchange (Check)	$4.02750	$4.02750	$4.02500
Zinc (per pound)—East St. Louis	17.056c	17.500c	12.000c
Tin (per pound)—			
New York Straits	103.000c	103.000c	94.000c
New York, 99% min. (§§)	102.000c	102.000c	93.500c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$87.296	$88.091	$76.000
‖Antimony (per pound) (E. & M. J.)	41.730c	41.730c	36.120c
Antimony (per pound), bulk, Laredo	38.500c	38.500c	33.000c
Antimony (per pound), in cases, Laredo	39.000c	39.000c	33.500c
Antimony (per pound), Chinese, Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$75.111	$85.455	$72.926
†Cadmium (per pound)	$2.00000	$2.00000	$1.75000
‡Cadmium (per pound)	$2.05000	$2.05000	$1.77500
§Cadmium (per pound)	$2.10000	$2.10000	$1.80000
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	15.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	Not Avail.
MONEY IN CIRCULATION—TREASURY DEPT. As of Feb. 28 (000's omitted)	$27,557,141	$27,579,534	$28,018,806
U. S. GOVT. STATUTORY DEBT LIMITATION—As of March 31 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	251,641,514	252,721,282	252,989,915
Guaranteed obligations not owned by the Treasury	24,083	26,110	78,154
Total gross public debt and guaranteed obligations	$251,665,598	$252,747,393	$253,068,069
Deduct—Other outstanding public debt obligations not subject to debt limitation	782,441	785,345	837,250
Grand total outstanding	$250,883,156	$251,962,047	$252,230,819
Balance face amount of obligation issuable under above authority	24,116,843	23,037,952	22,769,180
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of March 31	$251,665,598	$252,747,393	$253,068,069
General fund balance	5,766,580	5,290,704	5,352,930
Net debt	$245,899,018	$247,456,689	$247,715,139
Computed annual interest rate	2.233%	2.225%	2.168%
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of April 1, 1949:			
Winter wheat—Production	1,019,686,000	-----	990,098,000
Rye—Condition	89%	-----	89%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ‖Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colbourne, N. S. U. S. duty included. ‡‡Decrease—all stocks. §§Tin contained. ¶¶Preliminary figure.

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

Alabama Gas Corp. (5/2)
March 29 filed $6,000,000 first mortgage bonds, series A, due 1971. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., White, Weld & Co., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler and Equitable Securities Corp. (jointly). **Proceeds**—To pay off $4,000,000 2¾% notes and the balance for construction and working capital. Expected about May 2.

● **Allied Meals, Inc., Spokane, Wash.**
April 6 (letter of notification) 500,000 shares (one mill par) common. **Price**—15 cents per share. No underwriter. To secure additional property and to explore, develop and ship ores.

Allied Western Oil Corp., New York
Jan. 19 (letter of notification) 1,200,000 shares of common stock (par 1c). **Underwriter**—Atlantic Securities Co., New York. **Price**—25c per share. Acquisition of oil leases, properties, drilling, etc.

● **American Hellenic Mining Development Corp., Washington, D. C.**
April 7 (letter of notification) 50,000 shares of capital stock. **Price**—$2 per share. No underwriter. For production of saleable quantities of ore.

American Oil Explorers, Inc.
March 17 filed 5,000,000 shares of common stock (1c par). **Underwriter**—Tellier & Co., New York. **Offering**—Stock will be offered at $1 per share. Stock purchasers will receive a fully paid up life insurance policy equal to the amount they pay for stock. The purchases must amount to not less than $250 nor more than $2,000. **Proceeds**—To purchase life insurance policies and for working capital to provide funds for oil exploration and development.

American Research & Development Corp. (4/26-29)
March 30 filed 166,500 shares ($1 par) common stock, to be offered at $25 per share. **Underwriters**—Estabrook & Co. and Harriman, Ripley & Co. **Proceeds**—For general corporate purposes. Expected last week in April.

American Steel & Pump Corp.
Sept. 21 filed 200,000 shares ($2 par) convertible class A stock. **Underwriters**—Herrick, Waddell & Reed, Inc. and Sills, Minton & Co., Inc. **Price**—$8 per share. **Proceeds**—To retire indebtedness and for working capital. Financing plan may be revised.

Argus, Inc., Ann Arbor, Mich.
Nov. 1 filed 115,315 shares ($10 par) 5½% cumulative convertible preferred stock. **Offering** — To be offered initially for sale to stockholders at the rate of one preferred stock and purchase warrant for each 3½ shares of common stock held. With each share of preferred purchased company will issue a purchase warrant entitling the holder to buy 80/100 of a share of the company's ($1 par) common stock on or before Dec. 31, 1950. **Underwriters**—Leason & Co., Inc., and First Securities Co., Chicago. **Proceeds**—For working capital.

Arkansas Power & Light Co. (4/26)
March 18 filed $8,300,000 sinking fund debentures, due 1974. **Underwriters**—Names to be determined through competitive bidding. Probable Bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Proceeds**—Reimburse treasury for funds expended in property additions, etc. Expected about April 26.

● **Baldwin Co., Cincinnati, Ohio**
April 7 (letter of notification) 3,000 shares of common capital ($8 par). Price, at market. **Underwriter**—W. D. Gradison & Co. To pay estate and inheritance taxes.

● **Basin Oil Corp., Ft. Worth, Texas**
April 6 (letter of notification) 50,000 shares of capital stock. Price, $2 per share. No underwriter. For the purpose of buying oil and gas leases, drilling oil and gas wells.

● **Bonanza Mining Co., Phoenix, Ariz.**
April 4 (letter of notification) 120,000 shares ($1 par) common stock. Price, $2.50 per share. No underwriter. For development work, purchase of materials and equipment and construction costs.

Bradshaw Mining Co., Tonopah, Nev.
Oct. 8 (letter of notification) 1,500,000 shares (5c par) common stock. **Price**—20 cents per share. **Underwriter**—Batkin & Co., New York. To repair and renovate mine of company and to exercise option to purchase processing mill and move and erect such mill on the company's property and for working capital.

California Life Insurance Co., Oakland, Calif.
March 18 (letter of notification) 15,000 shares ($5 par) class A capital stock. **Price**—$10 per share. No underwriter. To raise additional capital and surplus.

Cambridge (Mass.) Electric Light Co. (5/4)
March 29 filed $2,750,000 25-year notes, series A, due 1974. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Otis & Co. **Proceeds**—To fund presently outstanding borrowings. Expected May 4.

Chace Industries, Inc., West Chester, Pa.
March 7 (letter of notification) 68,000 shares of 6% noncumulative preferred stock (par $4) and 68,000 shares of common stock (par 10¢). **Underwriter**—De Witt Investment Co., 910 West St., Wilmington, Del. To be offered in units of one share of each. Building of factory, installing machinery, working capital.

● **City Coach Lines, Inc., Detroit, Mich.**
April 5 (letter of notification) 9,167 shares of common capital stock ($5 par). Price, $12 per share. No underwriter. Proceeds will be credited on the amount of a loan previously made by Pacific Capital Corp. to City Coach Lines, Inc.

Clarostat Mfg. Co., Inc., Brooklyn, N. Y.
Aug. 26 (letter of notification) 37,400 shares of 50¢ cumulative convertible preferred stock. **Underwriter**—Cantor, Fitzgerald & Co., Inc., New York. **Price**—$8 per share. Working capital, etc.

● **Coca-Cola Bottling Co. of St. Louis (Mo.)**
April 7 (letter of notification) 1,385 shares ($1 par) common stock, to be offered to employees at $31.50 per share. No underwriter.

Coleraine Asbestos Co. Ltd., Montreal, Canada
Aug. 16 filed 200,000 shares of capital stock. **Price**—50 cents per share in Canadian Currency. **Underwriter**—P. E. Frechette. **Proceeds**—For drilling operations.

Connecticut Light & Power Co. (4/20)
March 28 filed 200,000 shares (no par) preferred stock. **Underwriters**—Putnam & Co., Chas. W. Scranton & Co. and Estabrook & Co. **Proceeds**—For construction.

Consolidated Caribou Silver Mines, Inc., N.Y.C.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 60,000 shares will be sold to the underwriters. **Underwriters**—By amendment. **Proceeds**—To develop mining properties.

Detroit (Mich.) Sulphite Pulp & Paper Co.
April 1 (letter of notification) 1,000 shares ($10 par) common. **Price**—$15.50. **Underwriters**—Wm. C. Roney & Co. and Ferriss Wagner & Miller. Proceeds to selling stockholder.

● **Dewey Mining Co., Boise, Idaho**
April 4 (letter of notification) $100,000 10-year 6% cumulative, convertible sinking fund debenture bonds and 1,200,000 shares (1c par) capital stock (of which 200,000 shares will be given as a bonus on the basis of 1,000 shares of stock for each $3,500 bond purchased). No underwriter. For rehabilitation of present equipment, purchase of new machinery and equipment, and for working capital.

● **Doman Helicopters, Inc., New York (4/19)**
April 12 (letter of notification) 121,800 shares of capital stock, of which 21,800 shares are to be offered for immediate cash sale to the public at $1.875 per share (with warrants to purchase not more than 4,360 shares at $1.875 per share) and 100,000 shares are to be offered for public subscription at $2.25 per share (with warrants to purchase not more than 10,000 shares at $2.25 per share. No underwriting. Helicopter construction, purchase of tools, etc.

● **East Coast Electric Co., West Point, Va.**
April 7 (letter of notification) 13,125 shares ($10 par) common, to be offered initially to stockholders at $15 per share. **Underwriters**—Woodcock, McLear & Co., Philadelphia, and Scott Horner & Mason, Inc., Lynchburgh, Pa. To reimburse treasury and provide funds for construction.

● **Family Finance Corp., Wilmington, Del.**
April 8 filed 50,000 shares of 4½% cumulative preference stock, series A ($50 par). **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—Funds will be added to company's cash balances to reduce outstanding bank loans and commercial paper.

● **Farmers Tool & Supply Corp., Denver, Colo.**
April 8 (letter of notification) 75,000 shares ($1 par) common. **Price**—$2 per share. No underwriter. To pay off obligations and supply working capital.

First Springfield Corp., Springfield, Mass.
Feb. 28 (letter of notification) 5,471 shares of common capital stock. **Underwriter**—D. J. St. Germain & Co., Springfield, Ohio. Additional working capital.

● **Fox Hills Petroleum Co., Inc., Newcastle, Wyo.**
April 4 (letter of notification) 10,973 shares of common (par $25). Price, par. No underwriter. For drilling operations.

Frontier Refining Co., Denver, Colo.
March 7 filed $600,000 5% first mortgage bonds, series of 1949, $150,000 of 5½% debentures, due March 1, 1954, and 5,000 shares of 7% cumulative preferred stock ($100 par). **Underwriters**—Peters, Writer & Christensen, Inc., and Sidlo, Simons, Roberts & Co., Denver, Colo. **Proceeds**—To be added to general funds to retire current bank loans and for other purposes including the expansion of facilities.

Gauley Mountain Coal Co., New York
Jan. 19, filed 10,666 shares of capital stock, of which 1,381 shares will be sold in behalf of the company and 9,285 shares will be sold by Norgreen Associates Inc. and others. **Underwriting** — None. **Proceeds** — Company will use its proceeds for additional working capital.

Glauber Brass Inc., Kinsman, Ohio
March 14 (letter of notification) $150,000 5% first mortgage bonds, due March 15, 1961. **Underwriter**—The Ohio Co., Columbus, Ohio. **Proceeds**—To retire bank loan and provide additional working capital.

● **Greater Seminole Petroleum Co., Salt Lake City**
April 11 (letter of notification) 600,000 shares (25c par) common. **Price**—50 cents per share. **Underwriter**—Weber-Millican Co. For working capital and the drilling and equipping of oil wells.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 5,000 shares of class B common stock (par $100). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

Horwood Lake Gold Mines Corp.
Dec. 27 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—Charles W. Warshoff & Co., Newark, N. J. For development of mining properties.

Hotelevision, Inc., L. I. City (4/18-21)
Nov. 3 filed 480,000 shares (par 25¢) class A stock. **Underwriter** — Cantor, Fitzgerald & Co., Inc., New York. **Price**—$1 per share. **Proceeds**—To develop, exploit and distribute a television innovation. Expected week of April 11.

● **Howe Plan Fund, Inc., Rochester, N. Y.**
April 11 filed 300,000 shares ($1 par) capital stock.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
Nov. 23 (by amendment) 258,675 shares ($10 par) common stock to be offered at $10 per share and 20,020 shares to be issued in exchange for $170,200 first mortgage bonds. **Underwriter**—Tom G. Taylor & Co., Missoula, Mont. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Idaho Power Co., Boise, Idaho (4/26)
April 5 filed 10,000 shares ($100 par) 4% preferred and 200,000 shares ($20 par) common stock. **Underwriters**—Blyth & Co., Inc.; Lazard Freres & Co. and Wegener & Daly Corp. will underwrite common; Wegener & Daly Corp. will also sell preferred. **Proceeds**—To finance construction and repay short-term borrowings.

Indianapolis (Ind.) Paint & Color Co.
March 30 (letter of notification) $300,000 5% sinking fund debentures. **Underwriter**—City Securities Corp., Indianapolis, Ind. **Proceeds**—To buy about 1,864 shares of common stock now owned by Union Trust Co.

● **Indianapolis Power & Light Co.**
April 12 filed $8,000,000 first mortgage bonds series, due 1974 and 107,226 shares of common stock (no par). **Underwriters**—Bonds will be sold at competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc.; Hemphill, Noyes & Co., Drexel & Co. (jointly); Union Securities Corp., Lehman Brothers, The First Boston Corp. and Goldman, Sachs & Co. (jointly). **Stock Offering**—Stock will be offered for subscription by common stockholders of record May 11 at rate of one new share for each 10 shares held. **Underwriters**—Terms of sale of unsubscribed shares will be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers and Goldman, Sachs & Co. (jointly); W. C. Langley & Co., Shields & Co. and White, Weld & Co. (jointly). **Proceeds**—For construction.

Kansas Power & Light Co. (4/26)
March 25 filed $10,000,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Equitable Securities Corp.; Blyth & Co., Inc.; Union Securities Corp.; The First Boston Corp. **Proceeds**—To reimburse company's treasury for capital expenditures and for meeting, in part, the costs of future capital expenditures and for other corporate purposes. Expected April 26.

NEW ISSUE CALENDAR

April 14, 1949

Tracerlab, Inc. .... Common

April 18, 1949

Hotelevision Inc. .... Class A Stock
Pepsi-Cola Bottling Co. of Wash. .... Common

April 19, 1949

Doman Helicopters, Inc. .... Common
Rochester Gas & Electric Corp. Noon (EST) .... Bonds
San Diego Gas & Electric Co. 8:30 a.m. (PST) .... Preferred

April 20, 1949

Connecticut Light & Power Co. .... Preferred

April 22, 1949

Merck & Co. .... Preferred

April 25, 1949

Mississippi River Fuel Corp. .... Capital Stock
Texas Electric Service Co. .... Bonds

April 26, 1949

American Research & Development Corp. .. Common
Arkansas Power & Light Co. .... Debentures
Idaho Power Co. .... Preferred and Common
Kansas Power & Light Co. .... Bonds
National Distillers Products Corp. .... Debentures

May 2, 1949

Alabama Gas Corp. .... Bonds
Utah Power & Light Co. .... Bonds
Westchester Lighting Co. .... Bonds

May 3, 1949

Kentucky & West Virginia Power Co. .... Bonds
Rochester Gas & Electric Corp. Noon (EDT) .... Preferred

May 4, 1949

Cambridge Electric Light Co. .... Notes

May 10, 1949

Public Service Electric & Gas Co. .... Bonds

June 1, 1949

Southern Indiana Gas & Electric Co. .... Bonds

Kentucky & West Virginia Power Co. (5/3)
March 31 filed $10,000,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Union Securities Corp., Harriman Ripley & Co. and Kidder, Peabody & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler. **Proceeds**—To repay loans for construction and apply toward further construction expenditures. Expected about May 3.

Las Vegas (Nev.) Thoroughbred Racing Assn.
Jan. 25 filed 500,000 shares 6% cumulative preferred stock (par $5) and 500,000 shares common stock (no par). **Underwriting**—None. **Offering**—To be sold in units of one share of each at $5 per unit. **Proceeds**—To purchase land and construct racing plant and for working capital.

Liggett & Myers Tobacco Co.
March 21 filed 784,235 shares of common stock (par $25). **Underwriting**—None. **Offering**—Offered for subscription by stockholders of record April 13, in ratio of one new share for each four shares held at $50 per share. Rights expire April 29. **Proceeds**—To reduce short-term notes outstanding under company's credit agreements.

Mayflower Co., Salt Lake City, Utah
March 14 (letter of notification) 100,000 shares (1c par) common. Price, 10 cents per share. **Underwriter**—The Cromer Brokerage Co., Salt Lake City. To liquidate debts and provide funds for operating expenses.

Merck & Co., Inc., Rahway, N. J. (4/22)
March 31 filed 70,000 shares (no par) cumulative convertible second preferred stock. **Underwriting**—Goldman Sachs & Co. and Lehman Brothers, New York. **Proceeds**—For capital expenditures, working capital and other corporate purposes.

Minneapolis (Minn.) Gas Co.
March 30 filed 109,039 shares ($1 par) common stock. **Offering**—To be offered stockholders at rate of one additional share for each 10 shares held. **Underwriter**—Kalman & Co., St. Paul, Minn. **Proceeds**—To pay off $750,000 of bank loans and to finance additions to its utility properties.

Mississippi River Fuel Corp. (4/25)
March 30 filed 327,610 shares ($10 par) common capital stock. **Offering**—To be offered for subscriptions by stockholders of record April 12 at the rate of one new share for each 12 shares held. **Underwriter**—Union Securities Corp., New York. **Proceeds**—For general corporate purposes.

Monarch Machine Tool Co.
Sept. 13 filed 26,000 shares of common stock (no par). **Underwriters**—F. Eberstadt & Co., Inc. and Prescott, Hawley, Shepard & Co., Inc. **Proceeds**—Stock being sold by certain stockholders. Offering indefinitely postponed.

Murphy Ranch Mutual Water Co., Whittier, California
March 21 (letter of notification) 1,118 shares of common stock to be sold at $9.18 per share. **Underwriter**—San Gabriel Development Co. For capital additions and extensions.

● **Murray & Gee, Inc., Culver City, Calif.**
April 5 (letter of notification) $150,000 of 6% sinking fund debentures, due Jan. 1, 1959, and 15,000 shares ($1 par) capital stock, to be offered in units of one $500 debenture and 50 shares of capital stock. No underwriter. To acquire automatic book binding machinery and equipment, additional land and buildings and working capital.

National Distillers Products Corp. (4/26)
April 5 filed $40,000,000 sinking fund debentures, due April 1, 1974. **Underwriters**—Glore, Forgan & Co. and Harriman Ripley & Co. Inc. **Proceeds**—Prepayment of $25,000,000 2½% promissory notes; prepayment of $6,000,000 short-term bank loans and balance, together with other funds, to finance cost of construction by National Distillers Chemical Corp. (subsidiary), of a metallic sodium and chromium plant at Ashtabula, Ohio.

● **New Method Finance Corp., Springfield, Mass.**
April 4 (letter of notification) $150,000 of 6% debentures, due April 1, 1969. No underwriter. To pay off bank loans and to expand small loans receivable volume.

Nielsen Television Corp., New York
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.

Noranda Oil Corp.
March 21 (letter of notification), 65,000 shares of common stock ($1 par). **Underwriters** — Aetna Securities Corp. and W. T. Bonn & Co. Price, $1.75 per share. Corporate purposes.

Northern Natural Gas Co., Omaha, Neb.
March 9 filed 406,000 additional shares ($10 par) common. **Offered**—Offered to common stockholders of record March 30 at rate of one new share for each five held at $29.50 per share. Rights expire April 18. **Underwriting**—None. **Proceeds**—For construction and to replenish working capital.

● **O'Dares' Horse Pullman, Inc., Hialeah, Fla.**
April 5 (letter of notification) 1,000 shares of preferred stock. Price, $100 per share. No underwriter. To buy new motor truck equipment.

Orange & Rockland Electric Co.
March 16 (letter of notification) 2,600 shares of 4% cumulative preferred stock (par $100). Underwriting, none. Price, par. Capital additions.

● **Pacific Gas & Electric Co., San Francisco**
April 5 filed 1,500,000 shares of redeemable first preferred ($25 par) stock. **Underwriters**—Names by amendment (probably Blyth & Co., Inc.). **Proceeds**—To finance construction.

● **Pacific Lighting Corp.**
April 8 filed 200,000 shares $4.50 dividend cumulative preferred stock (no par). **Offering**—Stock will be offered to holders of 200,000 $5 dividend cumulative preferred stock (no par) on a share-for-share exchange basis, subject to condition that any new $4.50 preferred not exchanged will be purchased by underwriters on or about May 9. Exchange will run through May 4. **Underwriter** — Blyth & Co., Inc. **Proceeds** — to retire through exchange or redemption $5 dividend preferred.

Palestine Economic Corp., New York
March 28 filed 600,000 shares ($25 par) common stock. **Price**—$28 per share. **Underwriter**—None. **Proceeds**—For development of industries and real estate and the balance for working capital and general corporate purposes.

Peerless Casualty Co., Keene, N. H.
March 28 filed 50,000 shares ($5 par) common stock. **Offering**—To be offered to stockholders at the rate of five new shares for each 16 shares held. **Underwriters**—Herrick, Waddell & Reed; Geyer & Co., New York, and Townsend, Dabney & Tyson, Boston. **Proceeds**—To increase the company's capital surplus.

Pepsi-Cola Bottling Co. of Washington, D. C., Inc. (4/18-22)
March 31 (letter of notification) 297,000 shares (10¢ par) common stock, of which 214,500 is being sold by company and 82,500 shares by stockholders (proceeds of latter amount will go into company's treasury). Price, $1 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York. **Proceeds**—To discharge taxes, notes and accounts payable and for working capital.

Plywood, Inc., Detroit, Mich.
March 28 filed 150,000 shares ($1 par) common stock. **Underwriter**—Baker, Simonds & Co., Detroit. **Proceeds**—For working capital to finance inventories and operations and for other corporate purposes.

● **Portersville Oil Co., Baltimore, Md.**
April 7 (letter of notification) 10,000 shares ($1 par) A common and 40,000 shares ($1 par) B common, to be offered in units of one A share and 4 shares of B at $5 per unit. No underwriter. To carry on business.

Renaissance Films Distribution, Inc., Montreal, Que.
Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). **Underwriting**—None. **Offering**—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. **Proceeds**—To pay balance of current liabilities and working capital.

● **Riverside Orchards, Inc., Cleveland, Ohio**
April 4 (letter of notification) 6,000 shares of capital stock (par $25). Price, par. No underwriter. For additions to machinery, tools and equipment and for working capital.

Robinson Plywood & Timber Co., Everett, Washington
Nov. 17 filed 271,025 shares ($1 par) common stock, of which 105,000 shares are to be offered by company, and 166,025 shares by 15 selling stockholders. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To company from the sale of the 105,000 shares will be added to working capital, except about $275,000 may be advanced to a new subsidiary to be used by it in making part payment of the option purchase price of one-half of the stock of Conifer Timber Co., Fortson, Wash. Indefinitely postponed.

Rochester Gas & Electric Co. (4/19-5/3)
May 26, 1947 filed $16,677,000 of Series L first mortgage bonds, due 1979, and 50,000 shares ($100 par) Series G, cumulative preferred stock. **Probable bidders**—Halsey, Stuart & Co. Inc. (bonds only); Harriman Ripley & Co. (preferred only); Lehman Brothers; The First Boston Corp. and Smith, Barney & Co. (jointly); Union Securities Corp. **Proceeds**—To redeem outstanding bonds and short-term borrowings. **Bids**—Bids for purchase of the bonds will be received up to noon (EST) April 19 at Room 2601, 61 Broadway, New York. Bids for purchase of the stock will be received up to noon (EDT) May 3 at the same address.

Rojas Express, Inc., Manila, Philippines
March 30 filed 5,000 shares of 7% cumulative ($50 par) preferred stock. **Price**—$60 per share. **Underwriter**—None. **Proceeds**—To purchase 40 additional passenger buses.

● **Rosecroft Trotting & Pacing Association, Inc., Oxon Hill, Md.**
April 12 filed 1,250 shares of common (par $100) and 1,250 shares of $6 cumulative preferred (par $100). **Offering**—To be offered in units of one share each to present stockholders at $100 per share for both issues. Unsold stock will be offered by the Association. **Underwriter**—None. **Proceeds**—For plant construction and working capital.

Royalite Oil Co., Ltd., Canada
March 29 filed 1,250,000 shares of capital stock. **Underwriters**—Kidder, Peabody & Co. and Dominick & Dominick, New York. **Proceeds**—Go to selling stockholders: Dominion Securities Corp., Ltd., Toronto, and James Richardson & Sons, Winnipeg, Manitoba. Issue to be withdrawn from registration and placed privately.

San Diego Gas & Electric Co. (4/19)
March 18 filed 300,000 shares 4½% cumulative preferred stock (par $20). **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Blyth & Co., Inc., White, Weld & Co. and Shields & Co. (jointly). To reimburse company's treasury for capital expenditures, etc. **Bids**—Bids for purchase of the stock will be received at office of Allen L. Chickering, Vice-President, 111 Sutter Street, San Francisco, up to 8:30 a.m. (PST) April 19.

● **Sharp & Dohme, Inc., Philadelphia**
April 7 filed 208,373 shares (no par) common stock. **Underwriters**—Alex. Brown & Sons and Drexel & Co. **Proceeds**—To construct a new research laboratory and for other corporate purposes.

Shomee Oil Corp., St. Louis, Mo.
March 28 (letter of notification) 150,000 shares of class A common (par $1). Price, par. **Underwriter** — John R. Kauffmann Co., St. Louis, Mo. For working capital.

● **South Carolina Electric & Gas Co.**
April 11 filed an issue of common stock (par $4.50) to be offered for subscription by stockholders. Number of shares, record date, and subscription price by amendment. **Underwriter**—Names to be supplied by amendment. **Proceeds**—To finance construction program.

Southern Airways, Inc., Birmingham, Ala.
March 28 (letter of notification) 100,000 shares of common capital stock (par $3). Price, par. **Underwriter**—By amendment. To activate airline routes.

Southern States Iron Roofing Co., Savannah, Georgia
Feb. 21 filed 30,000 shares ($1 par) common stock, to be sold at $10 per share on behalf of three stockholders. **Underwriting**—None.

Southwestern States Telephone Co., San Fran.
March 31 filed 56,000 shares of common stock (par $1). **Offering**—To be offered for subscription by common stockholders, and the unsubscribed to stockholders desiring additional shares. **Underwriters**—Names by amendment. **Proceeds**—For extension, additions and improvements.

State Bond and Mortgage Co., New Ulm, Minn.
Feb. 28 filed $10,000,000 of accumulative savings certificate series 1217-A. **Underwriter**—None. **Price**—$85.68 per unit. **Proceeds**—For investment.

Suburban Gas Service, Inc., Ontario, Calif.
March 31 (letter of notification) 4,000 shares ($25 par) series B preferred and 20,000 shares ($1 par) common—issuable upon conversion of preferred. **Price**—Preferred $25 per share. **Underwriters**—Wagenseller & Durst, Inc. and Lester & Co. To buy Antelope Liquid Gas Co.

Tennessee Odin Insurance Co., Knoxville, Tenn.
March 29 (letter of notification) 3,800 shares (no par) capital stock. **Price**—$8.50 per share. **Underwriters**—J. C. Bradford & Co.; Elder & Co.; Strader, Taylor & Co.; Bullington-Schas & Co.; Marx & Co.; Stein Bros. & Boyce.

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(Continued from page 45)

Texas Electric Service Co. (4/25)
March 22 filed $8,000,000 30-year first mortgage bonds. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). **Proceeds**—Net proceeds, together with $4,000,000 to be derived from sale of additional 2,000,000 shares of stock to parent (Texas Utilities Co.) and from other funds will be used to pay short-term notes and for construction of new facilities, etc. Expected April 25.

Thompson Industries, Inc., Boston
March 31 filed 120,000 shares ($1 par) convertible preferred stock. **Offering**—32,214 shares are to be offered to holders of present $6 cumulative preferred stock at the rate of one new share for each one held on an exchange basis. The remainder are to be offered on a pro rata basis to other holders of $6 cumulative preferred stock at $15 a share. **Underwriter**—None. **Proceeds**—To modernize restaurant operations.

Toledo (Ohio) Edison Co.
March 18 filed $2,500,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable Bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co.; Equitable Securities Corp.; Union Securities Corp., and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Purpose**—To provide part of the new capital required for construction. Expected this month.

Tracerlab, Inc., Boston, Mass. (4/14)
March 24 filed 104,000 shares ($1 par) common stock. **Underwriter**—Lee Higginson Corp. **Proceeds**—To develop industrial applications for radioactivity and the manufacture of equipment for that purpose; and for working capital.

Trenton Chemical Co., Detroit, Mich.
March 30 filed 131,841 shares 6% cumulative convertible class B preference ($2 par). **Underwriters**—Straus & Blosser, Chicago; Carr & Co., Detroit, and Lester & Co., Los Angeles. **Proceeds**—To build chemical plant and to replace working capital used for capital additions. [Under a previous registration statement (No. 7637), which became effective Sept. 24, 1948, company sold 43,159 shares of 6% cumulative preferred stock for a total of $97,108 and removed 131,841 shares from registration March 21, 1949.]

Mrs. Tucker's Foods, Inc., Sherman, Texas
Nov. 26 filed 200,000 shares of common stock (par $2.50) of which 80,000 will be sold by the company and 120,000 shares by certain stockholders. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—For general corporate purposes.

Upper Peninsula Power Co.
Sept. 28 filed 200,000 shares of common stock (par $9). **Underwriters** — Names to be determined through competitive bidding. Probable bidders include Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively; Copper Range Co., 34,000 shares and several individual owners 11,200 shares.

Utah Power & Light Co. (5/2)
March 15 filed $3,000,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. 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. and Blyth & Co., Inc. (jointly); Otis & Co. **Proceeds**—For corporate purposes, including construction. Expected about May 2.

Westchester Lighting Co. (5/2)
April 1 filed $12,000,000 general mortgage bonds, due 1979 (guaranteed unconditionally as to principal and interest by the Consolidated Edison Co. of New York, Inc.). **Underwriting**—To be decided under competitive bidding. Probable bidders include: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Stone & Webster Securities Corp. and Lehman Brothers (jointly); Harriman Ripley & Co.; The First Boston Corp.; Salomon Bros. & Hutzler. **Proceeds**—To be applied toward retirement of $10,000,000 of outstanding bonds and to repay indebtedness owing Consolidated Edison. Expected about May 2.

Western American Life Insurance Co., Reno
March 30 filed 12,500 shares ($10 par) common stock. **Price**—$40 each. **Underwriter**—To be named by amendment. **Proceeds**—To qualify the company to sell life insurance in any state.

Western Oil Fields, Inc., Denver, Colo.
Jan. 5 (letter of notification) 1,000,000 shares (1c par) common. Price, 10 cents per share. **Underwriter** — John G. Perry & Co., Inc., Denver, Colo. To drill a well and acquire additional properties.

Wichman Philippine Mindanao Development Co., Cebu City, Philippine Islands
Jan. 5 filed 2,000,000 shares of voting capital stock, one centavo par value. **Price**—25 cents per share (U. S. currency). **Underwriter**—F. T. Andrews & Co. **Proceeds**—To provide funds for plant construction, diamond drilling, exploration and repayment of loans.

Wiegand (Edwin L.) Co., Pittsburgh
Sept. 28 filed 200,000 shares (no par) common stock. **Underwriter**—Hemphill, Noyes & Co., New York. Price, by amendment. **Proceeds**—Will go to selling stockholders. Offering postponed.

Prospective Offerings

Admiral Corp.
April 14 stockholders will vote on to increase authorized common stock from 1,000,000 to 1,200,000 shares ($1 par). Company said it had no definite plan for disposal of the additional stock. It might be sold privately or publicly, exchanged for assets of other companies, or issued in the future as a dividend, the company said. Traditional underwriter, Dempsey & Co., Chicago.

American Telephone & Telegraph Co.
April 20 the stockholders will vote on authorizing a new issue of convertible debentures to 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. Debentures would be dated June 20, 1949, and will 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.

Bridgeport (Conn.) Hydraulic Co.
March 22 stockholders approved issuance of 36,000 common shares. Stock expected to be offered in June, first to present stockholders on a one-for-ten basis. Smith, Ramsey & Co., Bridgeport, Conn., may be underwriter.

● **California Oregon Power Co.**
May 24 stockholders will vote on increasing authorized common stock ($20 par) to 2,500,000 shares from 750,000 (550,000 shares outstanding). Stockholders also will vote on the elimination of restrictions on unsecured indebtedness. Sale of additional stock will be necessary in the future to enable sound growth of the business and to assure a properly balanced capital structure, according to A. S. Cummins, President. Elimination of the restriction which limits unsecured indebtedness to 10% of the aggregate amount of capital and surplus will assure the company more freedom in borrowing. Probable bidders for stock: Blyth & Co., Inc. and The First Boston Corp. (jointly); Harriman Ripley & Co.; Merrill Lynch, Pierce, Fenner & Beane.

● **Caterpillar Tractor Co.**
Apriil 11 directors have determined that after distribution of proposed 100% stock dividend it may be practical and desirable to authorize and sell an issue of cumulative preferred stock for the primary purpose of discharging $21,000,000 bank indebtedness. The authorized preferred will be 350,000 shares ($100 par) which will be issuable in two or more series. Traditional underwriter: Blyth & Co., Inc.

● **Cincinnati Gas & Electric Co.**
April 5 company asked SEC permission to sell 249,334 additional shares ($8.50 par) common stock. Common stockholders would be allowed to subscribe to this stock at the rate of one new share for each nine shares held. Proceeds would be used for construction. There would be no underwriting under the proposal. The SEC has given interested parties until April 27 to request a hearing on the proposal.

Columbia Gas System, Inc.
March 28 reported company plans sale of 1,350,000 additional common shares to present stockholders either in May or June, with The First Boston Corp. Expected to be dealer-manager.

Dayton Power & Light Co.
March 25 company's expansion plans call for sale of some $10,000,000 bonds later this year. Probable bidders: Shields & Co., Halsey, Stuart & Co. Inc., Morgan Stanley & Co., Blyth & Co., Inc. and The First Boston Corp., Harriman Ripley & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers; Union Securities Corp. and Salomon Bros. & Hutzler.

East Tennessee Natural Gas Co.
March 15 reported company has plans under consideration for sale of about $10,000,000 bonds. The issue will finance construction of a natural gas pipeline to the Oak Ridge atomic energy project. It is thought that the bonds will be sold directly to institutional investors. White, Weld & Co. and F. S. Moseley & Co. of New York, Elder & Co. of Chattanooga and Equitable Securities Corp. of Nashville, are said to be arranging the transaction.

El Paso Natural Gas Co.
March 31 reported company plans to finance construction costs through the sale of $18,500,000 first mortgage 3¼% bonds. Traditional underwriter: White, Weld & Co.

● **Houston Lighting & Power Co.**
April 7 company in its annual report stated plans to finance a substantial part of its 1949 cash requirements for construction through sale of securities. Its construction budget for 1949 amounts to approximately $25,000,000; for the five-year period, 1949-53, construction requirements are estimated at $80,000,000.

● **Illinois Central RR.**
April 12 company asked authority of ICC to issue $5,520,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); The First Boston Corp.

Indiana Harbor Belt RR.
March 31 reported company plans the sale at competitive bidding of $2,500,000 equipment trust certificates. Probable bidders include: Halsey, Stuart & Co.; Harriman Ripley & Co. and Lehman Brothers; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

● **Keller Motors Corp., Huntsville, Ala.**
April 11 corporation plans public offering of 5,000,000 shares common stock proceeds to provide capital to engage in volume production. Underwriter, Greenfield, Lax & Co., Inc., New York.

New York State Electric & Gas Corp.
March 12 company expects to finance its construction program in part through the sale of 160,000 shares of preferred stock (par $25) later this year, probably before July 1. Probable bidders: Harriman Ripley & Co. Inc.; W. C. Langley & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly).

● **Norma Oil Corp., Seguin, Texas**
April 13 reported the filing with the SEC through letter of notification at an early date of 300,000 shares of capital stock (par 40c), which it is expected will be offered at $1 per share through Cantor, Fitzgerald & Co., New York. Proceeds will be used to repay advances and for development of properties.

Pacific Power & Light Co.
April 5 reported company plans sale in July of $6,500,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co., and The First Boston Corp. (jointly); Union Securities Corp.

● **Pennsylvania Electric Co.**
April 9 reported company plans to raise $11,300,000 by the sale of additional securities to finance its 1949 construction program, which is budgeted at $15,000,000. The new financing would be in addition to $1,200,000 which the company raised in March by the sale of 60,000 common shares to its parent, Associated Electric Co.

Potomac Electric Power Co.
March 23 the District of Columbia Public Utilities Commission denied company permission to sell $37,000,000 of bonds to three large insurance companies. Halsey, Stuart & Co. Inc. and Otis & Co. had filed objections. In denying the application, the Commission said the sale would not be in the public interest. If company sells bonds competitively, probable bidders include: Halsey, Stuart & Co. Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.

Public Service Electric & Gas Co. (5/10)
April 18 stockholders will vote on authorizing the issuance of $75,000,000 first and refunding mortgage bonds. Proceeds from the sale will be used in part to retire prior lien bonds, to pay off bank loans and finance company's construction and expansion program. Probable bidders: Halsey, Stuart & Co. Inc., The First Boston Corp., Morgan Stanley & Co., Kuhn, Loeb & Co. and Lehman Brothers (jointly). Bids expected to be opened May 10.

● **Southern Indiana Gas & Electric Co. (6/1)**
April 8 directors approved the filing of a petition with the P. S. Commission of Indiana for authority to issue up to $3,000,000 in first mortgage bonds to be sold at competitive bidding. Proceeds of the issue are to finance a continuation of the company's construction program. Bids expected to be opened on or about June 1.

Southern Natural Gas Co.
April 7 company plans to make an early offer of about 140,921 shares of additional common stock to be offered for subscription by stockholders, in ratio of one new share for each 10 shares held, with privilege of subscribing for shares not subscribed for. Proceeds are to be applied to financing company's construction program and to purchase additional common stock of Alabama Gas Corp., subsidiary. Issue will not be underwritten.

Southern Ry.
May 17 stockholders will consider creation of a new first mortgage on the East St. Louis (Ill.)-New Albany (Ind.) line, and with approval of the ICC to sell $12,474,000 principal amount of bonds in order to refinance the company's St. Louis Division first mortgage 4% bonds maturing Jan. 1, 1951. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp.

Staten Island Edison Corp.
March 28 corporation asked SEC for permission to sell competitively $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.

● **United Biscuit Co. of America**
May 18 stockholders will vote on creating an authorized issue of 110,000 preferred shares. Traditional underwriter, Goldman, Sachs & Co.

● **Western Light & Telephone Co., Inc.**
April 8 stockholders voted to increase authorized preferred from 200,000 shares to 250,000 shares (par $25) and authorized common from 300,000 shares to 400,000 shares (par $10). This action is being taken to place company in position ot sell the stocks when market conditions are favorable. Traditional underwriters: Harris, Hall & Co. (Inc.) and First Trust Co. of Lincoln, Neb.

● **Wheeling & Lake Erie Ry.**
April 8 reported company possibly may be in the market this summer with a new issue of bonds to retire $6,870,000 first consolidated mortgage 4% bonds due Sept. 1. It is understood that the road, up to the present, has come to no decision with respect to the maturing issue.

Col. King Summarizes Reasons for Bull Market

Col. Herbert G. King, member of the New York Stock Exchange, has expressed the belief that there is a distinct and notable change in public psychology now taking place which will result in a bull market. *The reasons listed by him are:*

Col. Herbert G. King

(1) The reduction in margins has doubled the investor's purchasing power.

(2) The availability of capital with the great reservoirs of credit are still untapped.

(3) The breadth of the Stock Market. There are twice as many stocks listed as 20 years ago and also twice as many shares outstanding because of stock dividends, splits, etc.

(4) There are 30,000,000 more people in this country and more potential investors know about the Stock Market and have a greater underlying public confidence because of the SEC and government supervision.

(5) The huge government spending for armament, European aid and farm subsidies.

(6) The decline of communism and the improved foreign conditions in general.

(7) The already amply discounted leveling-off in business.

(8) The clarification of the domestic political situation and the constructive efforts being made to stabilize currencies, restore arbitrage, adjust tariff barriers and maintain the high level of employment.

(9) The high yields, earnings and asset values of many of the leading stocks coupled with the realization that the Stock Market is the best place to build up capital under the existing tax laws.

(10) The decline of speculative possibilities in commodities, real estate and war baby business ventures is forcing many investors to watch for opportunities in the Stock Market.

(11) The technical position of the Market itself which has just completed a three-year decline.

(12) The romance of new industries such as television, electronics and air transportation.

(13) The era of peace that is ahead for the world which will permit mankind to concentrate their best efforts on constructive enterprise.

(14) The role this nation now plays as the world's banker and industrial leader.

(15) The new emphasis being placed on catering to the needs of the small investor throughout the country.

Predicts Lower Margins Will Aid Stock Market

William Witherspoon of the statistical and research department of Newhard, Cook & Co., however, contends it might take a year for it to manifest itself as factor in stock prices.

Commenting on the recently reduced margin requirements in stock trading in the "Weekly Financial Letter" of April 7, issued by Newhard, Cook & Co., members of the New York Stock Exchange, William Witherspoon, a member of their statistical and research department, expressed the view that, as a result of the move, demand for stocks as well as stock prices will slowly improve.

William Witherspoon

"Now, with the 50% margin requirement again in operation," Mr. Witherspoon states, "speculative commitments are more practical for those who engage in this practice, but during the years of the New Deal Administration the large traders in the market were substantially reduced in the scope of their operations because of the growing bite of income taxes. However, with the passage of the 1948 tax bill, about a year ago, the large operator was given some reprieve through the Community Property clause of the tax bill. This places him in a somewhat more favorable position than he occupied in 1945, the last time margin requirements were at the 50% rate. Hence, it may be expected that the potential demand for equities from margin traders is now somewhat greater than it was in 1945. However, even if this is true, it might take several months to a year to manifest itself when so much doubt seems to prevail concerning the outlook for business and stock prices.

"In time, the lower margin requirements should tend to increase the demand for stocks in the open market, but the reduction will not develop a conscious desire for equity securities by the masses. The investment banking profession, industry in general, and even the Federal Government itself has the task before it of educating the public in the benefits of, and a desire for investment equities. However, after reading some of the proxy statements of important corporations which show the ownership by management of stock in their company, it would even seem as though the top level of management should in some instances be educated in the merits of their own equity; or else, how can the general public be expected to invest their savings in the equity of the enterprise? Nevertheless, the task calls for vigorous and widespread action, or else a large portion of the current $18.4 billion of annual savings will remain sterile instead of being employed in useful expansion of industry and commerce.

"Hence, it will require more than liberal margins to increase the total demand for equity securities to an extent which will raise stock prices to reflect true worth. Furthermore, the supply of new equities in the open market will continue to burden the supply-demand equation. At the present time the utility industry is selling large blocks of common stocks to liquidate holding companies in compliance with Federal regulations and to finance capital expenditures on a large scale. In addition to this growing supply of utility stocks there will be industrial issues if the general price level of equities advances so that recently created long-term debt of industrial concerns can be refinanced through the sale of common stock at justifiable prices.

"Therefore, the supply or potential offering of stocks in the open market still appears to overshadow the demand even though it will probably be enlarged by the reduction in margin requirements. Nevertheless, this action by the highest board in the realm of finance might be the opening wedge by the Federal Government in emancipating the capital market which has so long been bound by the fetters of socialistic practices."

Reports Construction Contracts Decline 9%

F. W. Dodge Corporation reports that contracts awarded for building and engineering works in the first quarter in the 37 states east of the Rocky Mountains declined 9% from the corresponding period of last year. The first quarter total of building and construction awards was $1,799,070,000 compared with $1,986,936,000 in the first quarter of 1948.

Despite the decline, the dollar volume total was the second highest for a first quarter on record, being exceeded only by last year's corresponding quarter. March awards were up sharply over the total for March of last year, and reduced considerably the margin of decline shown for the first two months of the year.

Nonresidential building as a group showed a gain of 1% in the quarter with a total of $771,219,000.

The increase was attributable mainly to public building contracts — public administration buildings, post office buildings, armories, and similar structures—the total for which was $42,751,000 against $17,012,000 in the corresponding quarter of last year.

Religious building awards increased 49% to a total of $53,942,000 in the first quarter. Other major nonresidential building classifications, with exception of social and recreational buildings, showed declines ranging from 2% for educational buildings, to 19% for manufacturing buildings.

Residential building awards in the first quarter amounted to $603,971,000 against $746,889,000 in the corresponding period of last year, effecting a 19% decline. Contracts for single-family houses built to owners' orders for their own occupancy increased 23%, and dormitory awards jumped 43%, but other residential building classifications declined with hotel contracts down 36%, apartment house awards off 20%, and single-family houses built by operative builders for sale or rent down 32%.

Awards for streets, highways, bridges and other public works and for electric light and power, gas plants and mains, water supply systems and other public utilities totaled $423,880,000 in the first quarter to reflect a decline of 11%. These contracts include both publicly owned and privately owned facilities classified as heavy engineering works.

Thirty-nine percent of all building and engineering awards reported by the Dodge Corporation in the first quarter were for buildings and public works and utilities classified as publicly owned.

Industry Booming In New State of Israel

The new state of Israel is a veritable beehive of new industrial activity. To meet the needs of the immigration which now exceeds 1000 every day of the month —apart from the increase in the native population—new industries are being established and old ones extended. For instance, according to A. H. Sakier, founder and head of the American Palestine Securities Company, New York City:

(1) A new plateglass factory, with a capacity of over 16,000,000 sq. ft. of glass, and representing an investment of over $1,000,000, is going up in the industrial area outside of Haifa, adjacent to the Vulcan Foundry and the Hamegaper rubber works. The Negev (southern desert area of Israel) contains fine sand suitable for glassmaking so that none will have to be imported any longer—while two experts in glass-blowing have been hired from Venice.

(2) A new sugar manufacturing plant, representing an investment of $750,000, is about to be built by the Hamashbir Hamerkazi, the principal cooperative purchasing and marketing company in Israel.

(3) The HAIFA, the first ship to carry a regular freight service between the Western Hemisphere and Israel, has just made its maiden voyage. The AMPAL American Palestine Trading Corporation is one of the principal backers of the line owning and operating the HAIFA.

The response of the American investing public to the issues of Israel securities offered by the American Palestine Securities Company has been very good, according to Mr. Sakier.

Our Reporter's Report

The new issue market appeared to have developed improved powers of absorption this week judging from the response which greeted the largest outflows of offerings in a month or more.

With the total of new corporate securities coming to the offering stage running around $150,000,000, underwriters and dealers were able to report decidedly encouraging reception on the part of investors.

The bulk of the new material was designed pretty much for institutional buyers and while some of the larger of such units, whom the undewriters have dubbed the "bureaucrats" continued their aloofness, a sizable aggregation of smaller institutions displayed real interest.

The latter situation, it was said, developed to the point where those sponsoring deals were not especially concerned with the ultimate outcome, even though in most cases there was little to suggest "out-the-window" operations.

True, there are still some bits and pieces, in a few instances sizable "chunks" of recent issues around, but current new material appeared to be moving well at latest reports. This despite the fact that in no instance involving debt securities was the yield offered fully up to the 3% mark.

Commonwealth Edison 3s

The week's top-sized public utility offerings, $50,000,000 of 50-year debentures of Commonwealth Edison Co. (Chicago), brought out three group bids, ranging from the winning tender of 100.53 to the lowest of 100.15999, all for 3%.

Floated to put the issuer in funds needed for working capital and financing cost of new construction, the debentures were priced at 101.30 for reoffering to yield about 2.95%.

One of the few attempts to raise 50-year capital in recent years, this undertaking was reported to be finding satisfactory reception among insurance companies around the East, outside New York, and in Canada.

Bell Telephone Co. of Pa.

Bell Telephone Co. of Pennsylvania's offering of $25,000,000 of 25-year debentures brought out a total of five bids running from 101.419, the highest down to 101.26, all specifying a 3% interest rate.

Priced at 101.77 to yield approximately 2.90%, this issue was reported to have encountered brisk demand, with the sponsors finding themselves able to announce closing of the books within a short time.

Funds accruing to the issuer were earmarked for use in repaying American Telephone & Telegraph Co., parent, for advances already made to finance construction.

Working on Close Margin

Underwriters, it appears, are satisfied occasionally to work on a relatively thin margin of clearance in marketing an issue. That appears to have been the case in connection with the Bell Telephone deal.

The successful group paid 101.419 for the debentures and sold them at 101.77 for an indicated spread of $3.51 a bond. It was calculated that the group had an expense for legal fees and taxes of around $1.06 a bond, leaving indicated net of $2.45 a bond.

The Commonwealth Edison flotation, on the other hand was seen yielding the sponsors $6.80 net a bond, the spread having been $7.70 and expenses about 90 cents.

C.I.T. Financial Corp.

One of the rather infrequent negotiated deals came to market yesterday when bankers brought out $50,000,000 of C.I.T. Financial Corp. 10-year debentures.

Contrasting with Commonwealth Edison's 50-year term this issue, of intermediate maturity, fitting well into making portfolios, moved out quickly.

Offered to raise additional working capital for the big financing agency, the debentures were priced at 99.35, to yield approximately 2.70% to the buyer.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—While they have not yet found out about it, the boys and girls of the House of Representatives will in a day or so begin to learn just why it was that Speaker Sam Rayburn was so unusually nice to them this year as to give them a 10-day furlough for Easter, just like the rest of the kids.

Speaker Sam Rayburn was said to be as hopeful of results from a 10-day release from his little charges as a headmaster of any boarding school looking forward to meeting the little so and so's after they have been exposed to a little parental discipline.

In this case the "papa" who will do the necessary birching consists of the CIO and the AFL. The House Democratic leadership and the big labor moguls, even though they may deny it, hatched the little scheme of giving the little dears their long Easter vacation so that the tough labor boys back home can ask what the dickens the little things mean by stoning papa's pet project to kill the Taft-Hartley law and substitute for it some innocuous form of labor regulation.

The local committees of labor boys will be there to meet the Congressmen returning home prepared to rest. The meetings will not be adorned with flowers, it is said, and it will all be a surprise to the unwary Congressmen, for secret hitherto has been kept well.

This procedure has been made necessary to the House Democratic leadership, as it views the situation, as a last resort to retrieve the Administration's drive for repeal of the Taft-Hartley law and enactment of its "harmless" substitute, from a total collapse. It is said to appear that as of this moment the line-up in the House is such that the Administration's bill "at best" may be voted down and "at worst," the Wood substitute actually tightening up on the Taft-Hartley, may pass.

If the House Democratic leadership's strategy results in maybe only a dozen or a score of House members becoming sensitive to the persuasive arguments of the local labor delegations, then the Administration may not be hit any worse than by a subsitute which is 75% or more the equivalent of Taft-Hartley, which is roughly what the Senate is expected to produce.

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Incidentally, Mr. Truman will be faced with a most unpleasant decision. It is anticipated in all quarters that the labor law revision will be such as to arouse the furies of organized labor. Big Labor has been champing at the bit hoping that something better than Taft-Hartley can be enacted in time for the spring employer hunting season. The law Congress passes will do little good to the labor boys in their pursuit of the employer quarry.

So if Mr. Truman signs the bill Congress eventually gives him, labor will be mad and probably will accuse Mr. Truman of running out on them. On the other hand, if Mr. Truman vetoes, there are not enough votes to override the veto, because it will be impossible to get a two-thirds majority to pass a law "worse" from the employer's standpoint, than Taft-Hartley.

So if Mr. Truman vetoes, the Taft-Hartley act, now on the statue books, will remain the law of the land.

Thus Mr. Truman's practical problem is to determine whether to take responsibility for the continued statutory existence of the Taft-Hartley act.

* * *

Industrial production can drop quite a few percentage points before there can be a terrific volume of unemployment and the selling of apples and big breadlines, it was inferred from one comment. In response to an inquiry, Louis Bean, economic adviser to the Secretary of Agriculture, was asked his opinion about the effect upon employment which would be indicated by some such central indicator as a drop in the Federal Reserve Board Index of industrial production.

In Mr. Bean's opinion, for every 10-point drop in the FR Board indext of industrial production, there would be an increase of about 1½ million in the number of unemployed in the United States. Mr. Bean does not anticipate any such production drop. This is his estimate of unemployment only "if" there were a drop.

In other and anonymous quarters, fairly representative of current Administration thinking, it is anticipated that unemployment this year for the most part will hover between 3 million and 4 million, but not worse.

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If John Carson is confirmed as a member of the Federal Trade Commission private business is likely to find itself with a determined and voluble enemy. Mr. Carson for many years was secretary to the late Senator James Couzens of Michigan, an advanced "liberal" in his own day, but no more "liberal" than his secretary. On the eve of the election, Mr. Carson made a radio talk as a Cooperative League official attacking the "reactionary Republicans" for even thinking about taxing cooperatives, and pointed with joy at the prospect that such an eminent "liberal" as Hubert Humphrey of Minnesota would be elected.

* * *

For the first time within the memory of most persons alive here, the House Appropriations committee is going to get out on to the floor of the House before Easter, every major appropriation bill. Only one minor supply bill will be delayed.

This performance is all the more remarkable in that the committee started late. Ordinarily pieces of the Budget are sent to the Appropriations committee of the House on a confidential basis, so the committee can start hearings beginning November 15, and get going on this terrific job. For this session the committee didn't start hearings until after the turn of the year, having delayed its operations in the expectation that a "Dewey victory" would make all Truman Budget requests obsolete.

The secret of this speed is simple. At the beginning of the session the committee adopted a new rule that no member could serve on more than one appropriation subcommittee. This meant that all subcommittees were working simultaneously, instead of being interrupted and delayed as members had conflicting subcommittee commitments.

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Senator Scott Lucas' threat to hold Congress here during the summer or call it back for a special session must be heavily salted before being digested.

What the Republicans are doing, particularly in the Senate, is using the process of "full deliberation" to prolong the debate on everything as much as possible except appropriations, so that when July 31 rolls around, there simply will be no time for consideration of many of the schemes of the Truman Fair Deal. This incidentally, would save Republicans the discomfort of having to vote against some of these things.

So when Lucas, the Senate Democratic leader, threatened to prolong the festivities, he was inferentially serving notice on the GOP leaders that in Lucas' opinion they won't get away with it.

Under the Legislative Reorganization Act, which is the proud creation of the Democrats of 1946, Congress declared its formal sentiments in favor of closing shop not later than July 31 each year. This was a great sentimental triumph in 1946, for the Democrats were irked at the idea of Congress hanging around continuously during the war years to keep a close watch on how the Roosevelt Administration was conducting war.

This July 31 adjournment rule does not bind the present Congress, and it is only a small political liability for the Democrats to have to kick over their own pet scheme. On the other hand, short of war the Congress has no hankering to hang around this humid town and fuss with disagreeable legislation. Come July 31, the sentiment will be as hot as the weather for adjournment.

So the longer the GOP can prolong consideration of everything, the tighter will be the squeeze on the Administration leaders to take what they can get and be done with it, between early summer and mid-summer.

That is not to say there will be no extended session or a special session. The outlook for a prolonged Congressional sitting cannot be appraised so early. Certain legislation like the Atlantic Pact, foreign military aid, extension of certain legislation expiring June 30, and appropriations, will have to be settled one way or another or a prolonged or special session may become unavoidable.

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Here is the essence of the evolution of the Brannan plan for direct Federal subsidies to underwrite farm prosperity, as seen by old hands here:

Back in the early New Deal the Administration wanted to take money out of taxpayers' pockets and give it to farmers Instead of calling it just that they have developed all sorts of rationalizations, like parity income, soil conservation, and so on. The body of legal lore by which subsidies, direct and indirect, are legally rationalized, is something which makes some esoteric religion of the ancients look like a simple game of checkers. The web of legal rationalizations for relating each new step to the others became so tangled that Secretary Brannan just got his intellectual feet hopelessly entangled and decided to break the whole web and say simply he wanted to give farmers more for producing less.

* * *

Industry representatives here are worried about a new turn taken by a couple of members of the House Appropriations committee questioning publishing and paper industry representatives who testify as to the effect upon their business of the average of 300% increases in second class mail rates proposed by the Post Office department.

This new stunt is to ask every company representative what his personal salary is, what the salaries of his assistants are and so on. If this goes on much longer, industry representatives in a fright will steer a wide path away from any Congressional Committee hearing.

(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

"Just WHAT do you mean—'I'd better get rid of my dogs'?"

Robert M. Marks Joins E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert M. Marks has become associated with E. F. Hutton & Co., 623 South Spring Street. Mr. Marks was formerly vice-president of [illegible] & Co.

James A. Perry Now Is With Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL. — James A. Perry has become associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Perry was formerly an officer of the First California Company.

With Walter V. Raynor

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Robert T. Flotree has joined the staff of Walter V. Raynor Co., First National Bank Building.