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Canada's Tasks And Prospects

By JAMES MUIR*

Vice-President & General Manager The Royal Bank of Canada

Prominent Canadian banker reviews Canada's problems arising out of war and postwar abnormal conditions. Reports progress in solving Canada's exchange difficulties and supports principle of expanded and multilateral world trade. Hits socialistic forces.

I am glad to have the opportunity of coming before my United States colleagues, people who talk my language and are sincerely interested in hearing about my country. It is complimentary to Canada that United States bankers, so engrossed in your own business, so eager to find solutions for your own problems, should invite representative bankers from Canada to tell you their views of world affairs and the part Canada plays in them.

James Muir

We in Canada know full well

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*An address by Mr. Muir at the 38th annual convention of the Association of Reserve City Bankers, French Lick, Ind., April 19, 1949.

What's Ahead in Television?

By DR. COURTNAY PITT*

Vice-President—Finance, Philco Corporation

Dr. Pitt estimates in next four years $5 billion will be spent for expansion of television industry. Traces postwar television technical developments and contends no other industry has grown with such amazing speed. Predicts prices of television sets will come down over period of time, but sees no immediate substantial price reduction since mass production now exists. Foresees 115 television stations serving 80 million people within year with greatly expanded advertisement utilization.

Television, today, is the fastest-growing industry in America. Its progress in the past two years has surpassed the early days of the automobile, the motion picture, and even radio broadcasting, which attained great popularity in a very short time in the early '20s.

Courtnay Pitt

If we consider the money that will be spent in building and equipping television stations, connecting these stations into networks, and providing programs, and when we add to this the production of television receivers, I estimate that this new industry will represent a $5 billion expenditure in the next four years.

For a whole generation, some of the industry's over-enthusiastic prophets have been telling you that "television is just around the corner." I think you will agree that we have finally turned the corner, and are in the early stages of one of the most notable devel-

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

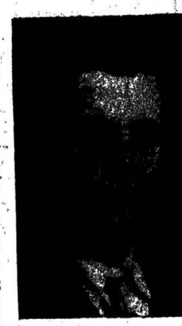
Price Fluctuations of High-Priced and Low-Priced Stocks

By O. K. BURRELL

Professor of Business Administration, University of Oregon

Professor Burrell measures price fluctuations and variability of selected high-priced and selected low-priced stocks in period from July, 1937, to June, 1947, and concludes, except for bull market of 1946, there appears to be very little difference in volatility between high-priced and low priced-groups.

It is widely believed that low-priced stocks fluctuate within wider limits than do high-priced stocks. Whether or not this is true in an absolute sense is not the subject of this inquiry. It is entirely possible that many low-priced stocks have wider price fluctuations than other high-priced stocks for reasons that have little or nothing to do with the absolute level of the quotation. There are many possible reasons for differences in price variability in stocks other than the general level of quotations.



O. K. Burrell

Differences in capital structure may be a cause of price variability. If a company has a large proportion of senior securities in its capital structure, its earnings per common share will necessarily show wider fluctuations than will those of a company of similar size in the same line of business but with an all common stock structure. Swift & Co. is the largest meat packer and Armour & Co. is the second largest factor in the same

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EDITORIAL

As We See It

Many Times $1.5 Billion

Ex-President Hoover has placed us all deeply in his debt by his courageous, lucid and forceful criticism of the loose way in which funds are requested by and granted to the military establishment. Should his words have the effect of arousing the rank and file to a situation which borders on the scandalous, the debt that we shall owe this "elder statesman" will be greater than we shall ever be able to pay. Professional military men have been in the saddle in Washington ever since Pearl Harbor. This is true despite the fact that that fiasco was as much their fault as anyone else's. They redeemed themselves in the eyes of the public by winning a difficult war with a dispatch which was thoroughly to be admired. The popular credit for that victory was, unfortunately, in no way dimmed by the fact that the struggle cost us many billions of dollars which could just as well have been left unspent. Since active hostilities ceased military leaders have again shown not the slightest understanding of the need of reaching their ends with at least a reasonably near minimum of expenditures.

It is obvious that we cannot keep this pace up indefinitely without weakening ourselves in a way that in due time will reflect itself in a reduced ability to con-

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What's Ahead for Business and Banking?

By ARTHUR R. UPGREN*

Associate Editorial Editor, The Minneapolis "Star"

Professor of Economics, University of Minnesota

After reviewing recent economic developments, Professor Upgren lists as chief problems confronting American economy: (1) lower prices to broaden and quicken consumers' markets; and (2) new investment expenditure to take care of increasing labor forces. Holds greater agricultural output must be offset by continued high productive and business employment. Says crucial work for solving problem of supplying new components of investment expenditures lies with bankers. Urges more housing and highway expenditure.

I

There is widespread agreement that the conditions business faced at the opening of 1949 have changed and are continuing to change from the conditions of the last three years. Therefore, the topic for this evening, "What's Ahead for Business and Banking?" is intriguingly interesting. It is always useful to appraise what's ahead for business and banking. It is therefore useful to estimate the course which business has traversed in the recent past and to fix its position at the present time. Appraising the past record of business can best start with the close of the war and the conditions which the war had created by that time.

Arthur R. Upgren

These conditions the war created were three in number:

First, the lifting of American incomes from a maximum of $85 billion a year level in the two very best years before the war, to a $180 billion net national income as the war closed. The gross national production of the United States increased from $100 billion in 1929 and 1940 to $210 billion in the peak years of the war.

Second, increasing the amount of liquid assets of the American people and business by more than $200 billion, a large part of which consists in the very greatly increased banking resources in the United States.

Third, creating a great deficiency in goods wanted. This deficiency grew as goods wore out and were not replaced by new production. It also grew because we now had very high level of incomes and very large amounts of surplus liquid assets with which to buy many more goods. We have been trying to buy them ever since.

When the war came to an end, business in the United States achieved a most amazingly successful reconversion out of these new, powerful economic forces. The total outturn of goods and services dipped hardly perceptively in late 1945 and early 1946. The increase in unemployment as reconversion was achieved was extremely small, actually much less even than the small increase in unemployment we have seen since last November.

After reconversion was completed, our gross national outturn of all goods and services and our national income increased to a peak outturn valued at $255 billion in 1948. That total output embraced a net national income of $225 billion. After our successful reconversion, a part of these gains were due to price increases. These increases, when we had freed the price system in 1946, added about 40 "percentage points" to the wholesale price level. That price rise lifted the wholesale price index from about 125 as price controls were abandoned to 165 in 1948. Since the peak of prices of last August, we have seen a repeal of almost one-third of what may be called a "penalty of inflation." That penalty was the price paid—very much worth while indeed — for the restoration of a free pricing system and for getting rid of the bogey which pervades all Europe—suppressed inflation. It has been rampant everywhere there except in Britain.

These price increases also brought about a rise of 30% in the cost of living after the war had ended. These price rises at retail were the result of an intense demand for goods by consumers. That this demand was intense is revealed by the fact that the rate of personal savings in the United States fell from $34.2 billion to $8.8 billion from 1944 to 1947. This was a decline of more than $25 billion in our annual personal savings. This was a decline in the desire to hold money. We were all imbued with a desire to acquire goods in face of an increase in disposable personal income from $145.6 billion in 1944 to $173.6 billion in 1947. So we saved $25 billion less out of a personal income increased by $28 billion. That adds up to $53 billion more which was spent.

Thus, one important force causing inflation was the consumer, who widened his expenditures for consumption by $55 billion. He lifted these outlays from $110 billion in 1944 to $164 billion in 1947. This gain grew out of increased incomes, decreased savings and the ability of consumers, at any time necessary, to buy out of a great store of liquid assets or to buy out of an expansion of consumer credit. That credit has gained $10 billion since the low point during the war.

This enormous drive to buy caused a rise in prices because business could not expand its output as rapidly as would be necessary to meet this increased demand without such price increase. But the price increase at the same time signalled to business the desire of the American people for a genuinely and substantially expanded flow of goods.

II

The New Construction Prospect

It was this expansion which produced the next important force causing inflation in these past few years.

That force was the outlay of industry for new plant and equipment so that the flow of goods to consumers could be "substantially enlarged" as has been mentioned. These expenditures of business for new construction, producers, durable equipment, and increased holdings of inventories (all for private account) rose from $6.4 billion in 1944 to $30.0 billion in 1947 and further to $41.5 billion in the last half of 1948.

Now, in this period when business was trying to expand its investment to provide increased capacity, the cost of all this expansion is poured into the income stream of the economy. That income stream enlarges, accordingly, by the number of dollars paid out by industry and others for new capacity. But as we know, only much later does the new capacity produce an enlarged flow of goods. The delay here is the "period of gestation" for these new plants. It creates boom, intensifies the cycle and comes to an end.

As money incomes are thus increased, there is an inflation-creating force resulting. Only at a later time as a substantial proportion of the plants are fully completed and put into operation do we have the increased flow of goods for which they were built in the first place. Then when that increased flow of goods comes as the plants are fully completed, there are two deflationary forces at work in the economy: (1) The pace of plant building does not continue at its old rate and that starts to shrink money incomes; (2) as the plants are fully completed, the flow of consumers' goods and other goods is enlarged by the full amount of the new capacity which thus has been completed. This, I think, is the change which has occurred since the fourth quarter of last year.

In their annual survey, McGraw-Hill Publishing Co. has shown that it is the expectation of businesses to decrease this year their expenditures for new plant and equipment by about 6%. This is the average for the year. Since

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*An address by Dr. Upgren at 10th Annual Pacific Northwest Conference on Banking, State College of Washington, Pullman, Wash., April 8, 1949.

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Articles and News

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Latest Results of Poll on NASD

Additional ballots reemphasize widespread belief that NASD and its policies are detrimental to the well-being of the securities industry as a whole. More comments from firms on "5% mark-up" philosophy contend "yardstick" works to the disadvantage of smaller corporations and market for their securities.

In our issue of April 14, on page 3, we presented the *initial results* of the poll being conducted by the CHRONICLE relative to the attitude of the securities industry with respect to the National Association of Securities Dealers and its policies. Ballots containing a series of questions were sent to all firms, whether members or non-members of the NASD, the only exceptions being stock exchange floor brokers and firms doing strictly a municipal bond business. The latter were excluded for the reason that they are not subject to the dictates of the NASD.

As expected, a considerable number of additional ballots have come to hand since our previous issue. Allowing for these returns, the latest results of the poll are set forth in the accompanying tabulations. In addition to indicating answers to the series of questions contained on the face of the ballot, hundreds of the firms that replied took advantage of the opportunity to express their views as to the effect, if any, that the NASD's "5% mark-up" philosophy has on the market for securities of the smaller corporations of the country. This question appeared on the reverse side of the ballot, with space provided for the submission of comments. Further below we reproduce some more of these expressions regardless of the nature of the replies. (The initial ones appeared in the April 14 issue, starting on page 8.)

We show first the composite results up to press time (April 20) of the opinions expressed by both members and non-members of the NASD on the series of questions propounded on the face of the ballot. Editorial comment on the results of the poll, along with a reproduction of the original ballot and a final resume of the opinions expressed, will be made in a later issue.

LATEST RESULTS OF NASD POLL
(RETURNS FROM NASD MEMBERS)

Total ballots returned	964	
(1) *5% "Yardstick":*		
Favoring	204	or 21.2%
Opposed	**733**	**or 76.0%**
No opinion	27	or 2.8%
(2) *Questionnaire for Reports on Spreads:*		
Favoring	220	or 22.8%
Opposed	**721**	**or 74.8%**
No opinion	23	or 2.4%
(3) *Examination of Books and Records Where Neither Complaints nor Charges Are Pending:*		
Favoring	197	or 20.4%
Opposed	**741**	**or 76.9%**
No opinion	26	or 2.7%
(4) *NASD Trial System:*		
Favoring	109	or 11.3%
Opposed	**826**	**or 85.7%**
No opinion	29	or 3.0%
(5) *Rule Forbidding Discount to Non-Members:*		
Favoring	260	or 26.9%
Opposed	**670**	**or 69.5%**
No opinion	34	or 3.6%
(6) *Should Maloney Act Be Repealed?:*		
Favoring	**622**	**or 64.5%**
Opposed	262	or 27.2%
No opinion	80	or 8.3%

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"Built-In" Salesmanship in Securities

By J. DONOVAN EMERY*
District Manager, Prudential Insurance Co. of America
Instructor of Salesmanship, Boston University

Mr. Emery stresses personality of salesman and his preparation for performance, along with thorough knowledge of product being sold, as foundations for good salesmanship. Says giving customer hope and knack of getting action is magic life-stuff of salesmanship. Urges reconciling differences with customers who say "no," and emphasizes value of creating emotional response as well as being original and developing a working personality. Outlines Rule of Built-In Salesmanship.

A three-lecture course in Salesmanship must adhere to basic principles. The fact that this course is designed for salesmen who sell intangibles, helps narrow down our field of endeavor. What do men want to learn about selling in a Training Course? Well, for my money, I believe men want to learn basic principles by which they can do the right thing automatically as they meet their customer. I am not going to give you fifty funny formulas for improving your salestechnique but rather I am going to try to build in you a concept of salesmanship that will help you operate from the subconscious. Then your salesmanship will be **"built-in"** instead of merely being **"brushed-on."** A first principle of **"built-in"** salesmanship is to practice correctly.

J. Donovan Emery

"Practice makes Perfect"—but you Perfect what you Practice. Practice makes perfect—any kind of practice will make a man more or less perfect. But while one kind of practice makes a man perfectly competent, another sort of practice will make him perfectly comical. We must decide before we begin to practice precisely what we will practice—because whatever qualities or combination of qualities we choose to practice, **those** and **those alone** will determine what we will eventually perfect. It is essential that we perfect a good product to sell, but it is more essential that we perfect a good man to sell it. How then do we begin to perfect a man? We will start with air—not **hot** air—but the air which makes the impression we receive in that man's presence. **First impression** is important because it means **first chance.** If you have the **air** of a gentleman you will make a good impression. Practice that **air** and perfect that impression. For our purpose, **practice** is the considered and consistent endeavor to make good appearance and an attractive manner a **habit.** An **attractive** manner is one of the essentials in salesmanship, because a salesman must attract customers **before** he can make sales.

Your performance level will depend, to a great extent, on how well you prepared for the performance. Preparation for the performance of selling means first of all, a thorough knowledge of your product and the ability to impart that knowledge to the customer. Perhaps you will have to hammer it home, but even so, in the long run you will find that **propounding** will do a lot more for you than **pounding.** Naturally the word hammer, in this case, is a figure of speech like that where some writer said, "They are hammering their typewriters into executives' desks." So let's keep it figurative and not implement any more hammer-heads into salesmanship.

Sales Talk

In addition to a thorough knowledge of what he is selling, a salesman must be convinced of the merits of his goods; if he isn't, he can't tell the truth, and if he doesn't tell the truth, it will show in his eyes. Also a salesman must have faith in his sales talk. His goods may be commonplace—most goods are—but his story must not be. His talk must be glamoured up—the more commonplace the product the more glowing the account of it. Like the newspapers, it isn't the story that sells the papers—it's the headlines. Make your sales talk march. Use live phrases and rythmic, balanced sentences. Can you imagine a customer going to sleep while a salesman was talking about something of the utmost importance—**"Intensified Competition"** — Expansion programs—action of informed opinion—scope and direction—Of vital import—Industrial modernization and the Basic position of Sales potentials?

The poor, tired, sales story may have been the fashion once-upon-a-time, but fashions change!

And now let's look at what the life-stuff of salesmanship actually is. . . . The magic life-stuff of salesmanship is **customer hope.**

Confronted with the fact that salesmen sell only when they have persuaded someone to act on their suggestion to buy, it becomes evident that the knack of selling is the knack of getting action; and to get action we must know what will make people act.

People will always act to obtain something they want; and there is nothing in this material world that mortal man wants more than something to **hope** for. Countless thousands have destroyed themselves—not because they had nothing—but because they had nothing to **hope** for.

When people become hopeless their minds become set—they have made up their minds and their minds will never change—unless you show them something to **hope** for.

Remember this: give the customer something to **hope** for and **hope** will make him act. Thus, the ability to inspire customer-**hope** is the root, stalk, and stem of salesmanship.

Find Out Customer's Problem

What is the customer's problem? Find out, it will help you to chart your own way. Adjust your approach to the mood and atmosphere of each individual situation. Creative imagination is essential; guide the conversation to bring out the will to hope in the customer's mind. Don't worry about setting the pace—set the pose, be confident, your attitude counts for or against you—your morale is in your voice and face. Don't try to be **smooth,** you are selling **hope**—not soap.

But even though you were merchandising soap you would sell only through the hope of your customers that soap would be beneficial to them or to those with whom they were associated. Think of selling as the act of arousing the customer's hope-potential, because people just do not buy unless they hope. Recall the last ten articles that you purchased, you **hoped** to be able to use them profitably, otherwise it's ten-to-one you wouldn't have bought.

You will be surprised how you can influence people once you have put something in their way to hope for; millions of farmers, motivated by **hope,** are now buying seeds, fertilizer, and a dozen different kinds of power implements in the **hope** of raising crops which they **hope** to sell.

The **magic life-stuff** in salesmanship is **hope;** and because

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*Three lectures by Mr. Emery, third, fourth and fifth of a series in a course on Investment Salesmanship, sponsored by Boston University and the Boston Investment Club, Boston, Mass., February 15, February 23 and March 1, 1949. These were combined into one article by Mr. Emery for the "Chronicle."

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. (Previous lectures appeared on page 4, in our issues of March 3, 10, 24 and 31; April 7 and 14.) 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.

Sound Rates and Financing For Utilities

By JUSTIN R. WHITING*
President, Commonwealth & Southern Corporation

Leading utility executive recounts urgent need for new capital by public service companies to meet expanding public demands. Stresses desirability of more common stock financing and defends sale of common stock above book value. Lauds movement to interest small investor in corporate securities, but contends improved earnings necessary to attract more investors. Describes utility rate-making basis and calls for rates which will give greater return on investment than utilities must pay for capital.

Accountants have a real responsibility in setting up and analyzing the facts and figures that go with today's operations so as to reflect a true picture of the rights of both owners and customers. And I would like to talk in general terms of some of these problems that bear upon the future of our industry through sound rates and financing.

Justin R. Whiting

Let us refer briefly to financing first, because it is the urgent problem of the hour throughout the industry. I have to spend no time telling you of the prodigious job the industry is confronted with in raising sufficient capital to meet unprecedented demands for service. I will allude to my own experience, because out of it I have generated some of the ideas I will discuss today.

In 1940, my first year as President of Commonwealth & Southern Corporation, our combined budgets of all 10 operating companies aggregated some $42,000,000. We had launched an increased construction program engendered by the war which began the year before. Last year, the total budget of the nine operating companies that were left in the system amounted to $137,000,000—over three times as large. In 1940, the budget of Consumers Power Company operating here in Michigan was $12,000,000. Its capital expenditures the past year were $48,500,000—over four times as great. You have had similar experiences.

Common Stock Financing Desirable

Soundly financing such expansion is a task worthy of the best in any of us. On all sides we are told that in times like these we should finance by common equity. As stated by George D. Woods, Chairman of the First Boston Corporation, at Pittsburgh last February:

"At this point I would like to inject a note of caution and a word of advice. Because of the ease with which debt securities can be sold, do not be tempted to create the maximum amount of debt which trust indenture permits. Always have a balance of bondable additions against which no bonds have been issued to take care of the inevitable rainy day when conditions are such that equity financing is not available on any practical terms. Do not be tempted by the combination of low rent for the capital and the fact that this rent, in the form of interest payments, is a deduction for income tax purposes, whereas the rent for your equity capital represented by preferred and common dividends is not only higher but is not deductible for income tax purposes. Keep your debt low and expend your efforts on increasing your equity."

In our own case of Consumers Power Company, the common equity taken at book value, including earned surplus, amounted to approximately 20% of our entire capital in 1939. Since then we have brought up that ratio from 20% to over 29%.

Market Value in Excess of Book

One of the ways this was accomplished was through the sale of common stock. In November of 1946 we sold 500,000 shares of the company's common stock at competitive bidding for $36 a share, with a spread of $2.46, resulting in a net amount received by the company of $33.54. The order of the Michigan Public Service Commission authorized the sale of not exceeding 500,000 shares to be sold at a price which would realize not more than $20,000,000. To put it another way, the order authorized the sale at not more than $40 per share. We were not fortunate enough to obtain their highest expectations, but did sell the stock to the public at $36 on a prospectus showing current earnings at the rate of $2.69 per share. The book value of the common stock was $15.03 per share. The sale of these securities brought that book value up to $17.51 per share.

Again in November of last year we sold over 400 000 shares of the company's common stock to its own stockholders at $33 a share under an order of the same State Commission authorizing the sale at that exact amount. The prospectus upon which this stock was sold showed current earnings of $2.74 per share. The book value of the stock was $18.50 per share. The sale referred to brought the book value up to $20.24. The dividend was $2 per share.

There is nothing unusual about shares of common stock selling above book value. In fact, in the case of many industrial companies there is little, if any, relationship between book value and market price. For example, the stocks of large industrial concerns like International Business Machines, E. I. du Pont de Nemours, and Eastman Kodak sell at over twice the book value. Similarly, the common stocks of many of the best operated utilities in the country sell above book value. I saw a list of 20 utilities the other day operating from California to Pennsylvania representing a fair cross-section of operations on a national scope. The current market value of their common stocks ranged from 150% to 229% of their book value. To my mind this is merely an indication that underwriters and sophisticated investors realize that the issuing company is being economically and efficiently operated, that the cost of its plant carried on its books is much less than its fair value, and that its earnings bear some relation to present values.

Deterrents to Equity Financing

Assuming that there are 10,000,000 individual investors in this country—the figure oftentimes is placed much higher than this—there seems to be no great en-

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*An address by Mr. Whiting before the National Conference of Electric and Gas Utility Accountants, Detroit, Mich., April 13, 1949.

The State of Trade and Industry

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

Moving slightly upward last week over-all industrial production for the United States was moderately above the level of the comparable week in 1948 when labor-management disputes impeded production in some lines.

A fractional decline in continued claims for unemployment insurance took place in the week ended April 2, but initial claims advanced by nearly 8%.

The downtrend in steel demand the past week continued, the magazine "Steel" reports, with market opinion mixed as to the velocity of the decline. According to some steelmakers, a leveling-off tendency is developing, but others, the magazine states, see no change in the rate of contraction and still others, including sellers with diversified lines, describe the situation as "snowballing."

The record production of steel in the first quarter of this year was equal to annual output of over 1,300 pounds of raw steel for each person in the United States, or an increase of almost 8% over 1948 per capita output and more than 50% over a decade ago, the American Iron and Steel Institute stated on Wednesday of this week.

As announced previously by the Institute, the new monthly record output of 8,388,965 net tons of ingots and steel for castings in March brought the total for the first three months of 1949 to 24,053,181 tons, or 9% higher than a year earlier, or more than half the average annual output of the 1920's.

Continued production at the March rate, averaging nearly 1,894,000 tons a week, would make an annual total of over 98,000,000 tons of steel, an increase of 10,000,000 tons over 1948 output.

Production is breaking records not only in total tonnage, but in relation to growing population, the Institute said, and the effect of this greatest steel production cycle is being felt everywhere in supplies as the factories of the country are rapidly balancing supply and demand for their products.

In the latest 12 months more steel was produced than ever before in a similar length of time. The total of more than 90,000,000 tons for the 12 months ending March 31 was 1,500,000 tons greater than in the calendar year of 1948.

The rapidly rising trend in production of raw steel is indicated by the following figures: From average monthly production of 5,951,728 net tons in the final quarter of 1945, output rose to a monthly average of 7,074,506 tons during 1947 and advanced to 7,377,811 tons in 1948, followed by the sharp rise in the first quarter of 1949 to a monthly average of 8,017,727 tons.

* * *

Shoe output for the first quarter of 1949 of around 114 million pairs, or 9% below the comparable previous period, appears to be consistent with a hope-for annual production of 450 million pairs, states the First National Bank of Boston in its March issue of the "New England Letter." Although shoe prices at retail in early March showed little change from a year ago, a decided shift toward prewar price preferences of consumers seems indicated by a Department of Commerce statement that 92% of purchases in 1949 will be made at less than $10 per pair, in comparison with 85% last year. While retail sales trends indicate that more units are being sold, stores face far-reaching adjustments in the composition of their inventories in order to meet such a trend. Orders from retailers continue to be placed on a hand-to-mouth basis and prompt deliveries are required, making an additional burden upon manufacturers' scheduling of production.

* * *

In preparation for the Easter holiday, shoppers increased their purchases in the week. Total retail dollar volume was slightly above the final pre-Easter week of 1948 and moderately above the corresponding week a year ago. Pre-Easter mark-down sales, uncommon in recent years, were prevalent in many sections. The response to such promotions was generally very favorable.

As many buyers placed additional re-orders for seasonal merchandise, wholesale dollar volume increased slightly in the week and was moderately above that of the similar week a year ago. Shipments were more prompt than a year ago and many merchants insisted upon immediate delivery.

STEEL OUTPUT SCHEDULED AT SLIGHTLY LOWER RATE THIS WEEK

Steel customers this week find themselves in a dominant position. Six months ago they were knocking at steel firms' doors for future steel. Now steel companies are trying to get many of their customers to make up their minds on their steel requirements for the third quarter, and they are not making much headway, according to "The Iron Age," national metalworking weekly.

This week the steel shortage is definitely over, with many products in general balance with demand. Some items will soon be in better supply than the demand for them. So strong is this trend to normal methods of buying steel, states this trade authority, that at least two steel firms have started to take blanket orders from customers. That is an order for general requirements for a long period. Specifications against these blanket orders come through at a later date.

Steel users have one eye on their inventories and the other on the general economic outlook. Their reaction is anything but placid. Knowing full well that ECA has been approved, that Western Europe will be rearmed and that there may be steel losses due to a long coal strike; they still, this week, look like they will take a chance and go slowly on future steel commitments.

A few large steel companies had important sales conferences late last week and a few things they could have discussed were the increase in cancellations and the slow leveling off in new orders; the downward trend in railroad buying and heavy slashes in appliance manufacture; the hesitancy in farm area buying with its lowered income; the chances of auto companies to hold up their unprecedented buying of steel in the face of the general business outlook and the

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Observations . . . .

By A. WILFRED MAY

The Individual's Unwillingness to Risk His Capital

Certainly there has been much public airing of causes of the paucity of money being devoted to risk-*full* investment. But whereas most individual discussions have been narrowly confined to specific phases of the broad problem, a welcome contrast has just emerged in the form of a study, *"Risk Capital and the American Investor,"* compiled and published under the aegis of the New York Society of Security Analysts.*

A. Wilfred May

In this comparatively brief single publication the Society has achieved inclusive coverage of the important elements obstructing corporate equity financing. In addition to analyzing the usually recognized factors as destructive government policies, taxation, devotion of life insurance funds to fixed-interest rather than equity investment, deficient salesmanship, etc., the study is unique in including a section, by Mr. Walter K. Gutman of Goodbody & Co., exploring the *psychological* processes inhibiting the various income groups from devoting their wherewithal to common stock ownership.

Together with *causes* as above-cited, the study is interesting in analyzing the *effects* of the present equity-starvation on the raging "social revolution," on the free enterprise system, on the stock exchange and security business, on the gigantic insurance company structure, and on the nation's tax system. As such the findings and conclusions, far from having their interest confined to the theoretician alone, will intrigue many other citizens, including the individual investor, the investment banker and security dealer, the manager of insurance assets, the lawmaker, the voter, the taxpayer, and the labor leader—as well as the lay and professional psychologist.

Avoiding Single-Cause Explanation

The Analysts group is also quite unique in avoiding any of the single-cause explanations for that dearth of risk capital which are commonly broached.

"We do not think the blame lies entirely with the investment market machinery, entirely with the government, or entirely with the investor himself," they say. "We think that the capital-gathering machinery of the economy and the economic policies of the government (especially in the field of taxation) have not kept pace with the vast social and economic changes of the past 20 or 30 years, and we think it is time that a lot of things were done about it. . . .

"Many of the matters discussed in this report obviously are interrelated. None of them provide the complete answer to the problem. Other avenues of approach obviously could profitably be studied. We do not wish to appear as propagandists for anything except smooth working conditions for the capitalistic system."

The Psychological Approach

Although by no means offered as a single cause explanation, particularly adequate attention is devoted to the psychological factor. As Mr. Gutman states: Although psychoanalysis is the proper work for a specialist in that field, people concerned with securities should with professional assistance make greater exploratory efforts to discover the psychological forces determining investment decisions. With this contention the writer fully agrees, along with the advisability of scrutinizing the various conscious and subconscious emotions motivating behavior in the market place. The resulting investor foibles manifest themselves in the processes popularly termed "manic-depressivism," "escapism," "hind-casting," and the like. The subconscious forces motivating buying and selling decisions should receive much greater attention. For instance, there is the chronic "bucketer-of-the-crowd" on both sides of the market, as well as the perpetual bear, who are often really motivated by deep-rooted hatred, rather than just by shrewd logic.

Whereas likening psychological discovery to the "forward sweep of science" which unlocked the atom may be somewhat tenuous, Mr. Gutman cites various fruitful paths of inquiry. In simply ignoring common stocks, at the same time that it is emotionally aroused by the phrase "Wall Street," the public is held to be somewhat less than rational.

Mr. Gutman goes on to conclude that the duality of public attitude is one of Wall Street's most promising aspects. For if the public were totally indifferent the situation would be hopeless, while now where there is "hate" there may later be "love."

Continuing in the mental process sphere, Mr. Gutman contends that it is not fear of losing money that scares the public away from

*"*Risk Capital and the American Investor*"—Report of a special study group appointed by the executive committee of the New York Society of Security Analysts, Inc., 25 Broad St. Price $1. Participants include Lucien O. Hooper, G. P. Caterer, Moses C. Ferguson, Orson H. Hart, Walter K. Gutman, Robert W. Lau, Rudolph L. Weissman, Roger T. Gilmartin, F. J. McDiarmid.

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Lanston Resigns Post With First Boston Corp.

Will Devote Some Time to Tax Reform Measures

Aubrey G. Lanston has announced his resignation as Executive Vice-President and Member of the Executive Committee of The First Boston Corporation effective as of April 30. He is continuing to serve as a Director of The First Boston Corporation. Mr. Lanston joined the organization in 1929 and has been continuously with the First Boston Corporation except during 1934 when he was on leave of absence as Assistant to the Secretary of the Treasury to advise the latter on the investment of governmental trust funds and the deficit financing of that period. As Executive Vice-President Mr. Lanston was in charge of the First Boston Corporation's trading and sales activities in government, corporate and municipal securities. He has established a temporary office at 31 Nassau Street, New York City.

Aubrey G. Lanston

Tentative plans for the formation of his own business are in process and may be announced shortly. It is understood that although the new firm will probably devote itself to the security business that consideration is also being given to activities in allied fields.

"After twenty years with one security firm, I feel I would be unwise in rushing to decisions as to my future plans. Besides, I have become intensely interested in the desirability of eliminating or reducing the existing double taxation of corporate dividends. I believe it is a subject of national significance and I would like to devote a short time to broadening the information that is available with respect to possible tax reform in this connection. Last December in a talk before the National Association of Mutual Savings Banks I suggested a partial remedy for this discriminatory taxation. Since that time Congressman Byrnes of Wisconsin

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A Defense of the ITO Charter

By WILLIAM L. BATT*

President, SKF Industries, Inc.

Prominent industrialist and former War Production Board executive, though acknowledging International Trade Organization Charter is complicated document, upholds it as an instrument of expanding international economic cooperation and as being in line with recent U. S. foreign trade policies. Outlines features of ITO Charter and holds, despite its imperfections, it is step in repair of corrosive effect of the economic confusion of inter-war years. Contends quota system cannot be immediately eliminated and concludes repudiation of Charter by U. S. would be more of a blow than was rejection of League of Nations.

The Havana Charter is a complicated document and it is easy to understand that there is only a handful of experts who can claim detailed knowledge of its nine chapters and 106 articles. There are many, however, who while not conversant with every detail, will still have an understanding of the broader significance of the ITO to the foreign policy of the United States; to the democratic world in this critical period; and to the development of international economic cooperation.

W. L. Batt

I propose to examine the International Trade Organization in the broad setting of the position of the United States in the present struggle for freedom, and in doing so, try to look at the forest instead of the trees.

Let me begin by observing that those of us who were privileged to serve in the War Production Board, observed at first-hand, the amazing extent to which we became the arsenal for democracy. One saw how American know-how doubled our industrial capacity in a few years and more than doubled our output. We learned—and the lesson at times was mighty trying, as Mr. Piquet, who was one of my ablest trouble-shooters, can testify—the extent to which our highly developed output depended on resources that had to be obtained in other countries. Almost daily we saw how greatly our enormous industrial and agricultural output relied upon imported materials. We realized how much our security depended upon international cooperation. And, incidentally, I learned for the first time how very difficult that is, even among allies. I used to say during the war that the difficulties of negotiations with nations increased, not arithmetically, but by geometric progression. It was hard enough to reach agreement with one nation, much less the 54 that have given their endorsement to the charter.

During the past three decades the center of economic and political gravity has shifted steadily away from Europe to the United States. We tried to ignore this vital fact after the first World War, although the change was already perceptible. We tried to escape the responsibilities which it entailed. Our policies on trade, on tariff, on foreign investments, on international cooperation, were exactly the opposite of those required by a country in our financial and productive position. They were exactly contrary to the policies by which Britain became the financial and business center of the world and was the operating center of a stable world economy for a hundred years. We chose to follow a line of high tariffs, indiscriminate loans, and short-sighted trade policy—all of which encouraged retaliation and fanned the flames of nationalism and economic autarchy. Two world wars, and the troubled years between, have proved that nations cannot *alone* create sound international economic conditions, any more than they can *alone* sustain political security.

It took the shattering depression of the 30's to bring home to us the fact that international trade is an international problem. It took a loss of over two-thirds of our export markets and an almost fatal impairment of our process of production, to rouse us to our responsibility as the world's outstanding industrial nation. The Second World War completed the job of demonstrating that members of the democratic world community cannot survive except by cooperation.

Expanding International Economic Cooperation

A more realistic concept has formed the base for our present foreign economic policy. Since 1934, with the passage of the Reciprocal Trade Agreements Act, the United States has taken the leadership in expanding the scope and area of international economic cooperation. We have provided the initiative for such international agencies as the Bank, the Fund, the Food and Agriculture Organization, and for the development of the Economic and Social Council with which these agencies are closely related. We have made a continuous contribution to efforts toward world recovery through grants and loans and, more recently, through what has been called "one of the most creative acts in history"—the European Recovery Program.

Our policy is based on the understanding that questions relating to the international exchange of goods and services, the production and distribution of basic agricultural commodites, the inter-relation of currencies, and foreign investment are international questions and can be dealt with effectively only through international discussion, negotiation, and cooperation.

Of course, some people are not in favor of international cooperation. They deny that trade restrictions are a two-way proposition and would have us arrange our tariffs and other trade policies again as we did so disastrously in 1930—entirely on the basis of apparent domestic interest. They believe that our political security can be achieved solely by political treaties and alliances without regard for fundamental economic foundations. If you are one who is ready to give up this, at times, discouraging and exhausting business of international economic cooperation; if you believe we have gone too far in our tariff policy and that we should revert to the good old days of 1930-33; if you feel that the financial and political power of the United States should be used more positively and drastically to club the rest of the world into different economic policies than some of them have been following—and there are people who believe that; if you think that the United Nations is pretty will washed up and that the Specialized Agencies of the Economic and Social Council are wholly inadequate to deal with economic and social problems; if you believe that political stability can be achieved without solid economic foundation—then I suspect you will oppose the ITO Charter.

If you believe as I do that peace and security can be achieved only through the broadest possible international collaboration; if you are convinced that the objective of the foreign policy of the United States is to give maximum aid and effective leadership to all people and nations who are trying to expand economic security and political stability through democratic means; if you believe that the newly created structure of international political cooperation will collapse like a house of cards, unless built on the solid rock of economic cooperation; then you will probably consider the ITO of primary importance.

The Havana Agreement

The five years of discussion and consultation and the two and a half years of almost continuous international negotiation, which resulted in agreement among 54 nations at Havana on March 24, 1948, represents in itself the most impressive example on record of the democratic process in international economic affairs. If the ITO did nothing but assure a democratic approach to commercial problems at this critical juncture, it would warrant our whole-hearted support.

I have heard the complaint that the Charter is not perfect and that there are many things the Organization will not be able to do. Believing as I do in the democratic process, I conclude that perfection can be only an aspiration, and that any international agreement, because it is a product of compromise, can never fully satisfy any single party. If it is to be anything but a series of glittering generalities, it must be spelled out in detail. Look on the back of your purchase order for a ton of steel, or on your fire insurance policy, and see what detail is necessary to cover such relatively simple agreements.

Some of the criticism, I am convinced, really stems from a deep-seated distrust of any organization which we do not control, lock, stock and barrel. This is a point of view which has no practical reality in a day when there is such imperative need for more and more international cooperation.

Some of the criticism comes from those whose views as to tariff policy, while undoubtedly sincere, are of the long-standing and unchangeable conviction that lowering U. S. tariffs is an irretrievable assault on our standard of living. It is curious that the one area of our economy where that complaint might be expected to arise—organized labor—has supported Reciprocal Trade Agreements and is supporting this Charter.

Some of the criticism one hears comes from more or less the same groups that opposed the Bank and the Fund; that went along with the broad principles of the Marshall Plan if the appropriation for it was small enough; that reluctantly accepted the Reciprocal Trade Agreements Act only after it had been severely crippled by amendments.

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*An address by Mr. Batt at the 27th Annual Session of the Academy of World Economics, Washington, D. C., April 14, 1949.

Austerity Continues in Britain

By PAUL EINZIG

Commenting on British Budget, Dr. Einzig sees in it policy of Labor Government to be guided by national considerations instead of party politics. Observes notwithstanding Britain's recovery, chronic difficulties arising largely from over-spending are viewed with growing concern. Gives credit to Sir Stafford Cripps for not abandoning austerity, and says deflation fears in Britain are groundless.

LONDON, ENGLAND—The budget for 1949-50, introduced by Sir Stafford Cripps on April 6, confounded all prophets. Never in the history of budget forecasting have so many forecasts been so wrong on so many points. Everybody anticipated an "election budget" in which the government would make a bid for popularity by making generous concessions to the working classes and middle classes and by soaking the rich in the approved fashion. Instead, the Budget contained practically no concessions to anybody; indeed, the rich have more reason to be pleased with its minor changes than the poor. So far from releasing additional purchasing power, even its minor concessions are more than balanced by new burdens, such as the increase of food prices brought about by the limitation of subsidies.

Dr. Paul Einzig

Evidently, Sir Stafford Cripps has succeeded in resisting pressure in favor of a popular budget and in fully upholding the principles of austerity. Instead of making sacrifices to lower the cost of living, he is actually raising it slightly, in defiance of the demands of the government's supporters for a reduction. What is perhaps even more significant was the presentation of this decision. Sir Stafford Cripps, in his budget statement, allowed it to be understood that there could be no more hope for the working classes to receive more goods through soaking the rich and that any addition must henceforth come through increased productivity. He also made a strong plea for the realization that increased social services must be paid for. It is no wonder some Socialists accused him of having made a Conservative Chancellor's budget statement.

The significance of the government's new policy indicated by the budget lies in the fact that, almost for the first time since it assumed office, it allowed itself to be guided in the economic and financial sphere by national considerations instead of considerations of party politics and class warfare. Hitherto, the government's main concern has been to secured the maximum of advantages to the classes supporting it. On many occasions the interests of these classes coincided with national interests, but often they were divergent, in which case the former were made to prevail. The nationalization of the steel industry and the increase of social service charges far beyond what the country can afford in its present conditions are the two outstanding examples of this policy. Now, suddenly the government has displayed a degree of patriotism which is none the less welcome for having come so late in its term of office and in the lifetime of the present Parliament. After all, it is a well-established practice, not confined to any one country, to become generous with concessions as and when the elections are approaching.

Sir Stafford Cripps has certainly moved in the opposite direction. Many commentators have paid compliments to his courage. Few, if any, realized that they owed a tribute also to his intelligence as a politician. One is inclined to assume that electorates can only be attracted by bribing them with the aid of concessions. As a matter of fact, there have been instances in the opposite sense. For example, in 1931 the Conservative Party swept the country, not by offering concessions, but by adopting an austere policy to save the pound. Quite conceivably, a large part of the British electorate is now again in the same mood. Notwithstanding the recovery of the country from its acute crisis, its chronic difficulties which are largely due to overspending are viewed with growing concern, especially among the middle classes. The government owes its present majority largely to the support of middle-class electorate. If this support is withdrawn the majority may disappear. As far as the industrial laborers are concerned, they would vote for the Socialist Government in any event, and even though they may grumble about the budget they would certainly not withdraw their support. On the other hand, many members of the middle classes who were inclined to withdraw their support might now arrive at the conclusion that, after all, this government is sound and is worth supporting.

This does not mean that the budget will not cause the government endless difficulties from the side of its supporters. There is bound to be a crop of demands for higher wages and industrial disputes will ensue. It is to the credit of Sir Stafford Cripps that he is prepared to face this rather than abandon austerity and disinflation.

Many of the government's critics base their objections on deflation fears. Such fears are, however, groundless, in face of the prospects of increased armament expenditure during the war.

Another ground for criticism is that the budget is balanced at a very high level of expenditure. Beyond doubt, there is scope for drastic reductions in many directions. But the psychological factors could hardly be overlooked. Excessive as social service charges are, it is at present inexpedient to bring about their drastic reduction. Such a policy would cause grave discontent and would endanger industrial and political stability. Sir Stafford Cripps has chosen a happy middle way by introducing a "standstill budget."

Lanston Resigns Post With First Boston Corp.

(Continued from page 5)

has introduced a Bill, HR 3272, which incorporates the basic idea which was advanced at that time. If possible, I hope to inspire a greater interest in the possibilities and the desirability of a partial reform, during the present session of Congress, on the part of large and small business firms, large and small investors, and all others who comprise our saving classes. If all of those who are vitally affected can be sufficiently informed and aroused, remedial legislation can be obtained, the benefits of which would go far beyond the seemingly narrow question of corporate dividends."

From Washington Ahead of the News

By CARLISLE BARGERON

One of the most serious commentaries on our amazing and weird adventure in what is called global leadership is the utter lack of enthusiasm for it in Congress. The legislative body goes along with the State Department, grumbling, skeptical and more or less blindly insofar as the consequences are concerned. But it goes along. If a secret ballot were taken on Capitol Hill on the ECA expenditures or the forthcoming Atlantic Pact, it is doubtful that either would get more than a relative handful of votes. Yet the Pact will be ratified and any effort to cut down on ECA appropriations is sharply beaten down.

Carlisle Bargeron

I doubt if any similar situation ever before existed. The country, we are told, is overwhelmingly behind the ECA and the Pact. This may be true. But the private sentiment of the legislators is far from being behind either one of them.

This does not mean either is in danger. The Pact unquestionably will be ratified, and I doubt seriously that the effort to shave down the ECA appropriations will succeed, any more than did a similar effort several days ago when the vote was on continuing the authorization for the appropriations.

Talk privately with Senators who have been closely associated with the two items, who have steered them through the legislative procedure, and you will get something like this:

"Oh, they say the ECA and the Pact will stop the march of Communism. I don't know—maybe they will."

A few weeks ago, the ECA Administrator, Paul Hoffman, was testifying before the Senate Foreign Relations Committee in behalf of continuing ECA.

He spoke movingly of its accomplishments. Suddenly Senator Vandenberg said *sotto voce*, "Baloney." He drew up short when he realized he had been heard and sought to laugh his expression off, but there is no doubt that it reflected his innermost thoughts.

It is truly remarkable that on two of the most important undertakings this country has ever embraced there should be so little real support or even understanding on the part of the men who must and do give them approval. The explanation probably lies in the fact that the forces behind the undertakings are so involved that the lawmakers are unable to dissect them and appraise their individual political worth. The package is unpalatable to them but its vote potentialities are uncertain and suggest not taking risks.

There are few members of Congress, indeed, who put much stock in the argument about stopping Communism. Certainly if this were the primary purpose, it would be sheer nonsense not to do something about stopping Communism in Asia. More people are involved there. Communism in Asia, if Communism is our worry, is more of a menace (from Asia) than from Europe.

Some Republican Senators have had primarily in mind the debunking of this Communism argument in their demands that we extend the Marshall Plan to China. They have little or no expectation that it will be done but their demands do serve to show the inconsistency of the Administration. There is a question, though, as to whether it doesn't show up the inconsistency of these Republicans, too. They are the ones who are continuously criticizing the expenditures of the government, yet they would add to these expenditures.

The difference in a Communist menace from Europe and a Communist menace from Asia, and of spending money to do something about it, is in the fact that no Asiatics vote in this country. The fact that millions of our voters are of European origin is one of the forces behind the European spending which the members of Congress are afraid to tamper with. These foreign-born blocs in our midst were a tremendous element in Mr. Truman's reelection. They are a tremendous element in the shaping of our foreign policy.

Indeed, our columnist and radio pundits who are continually reminding us that never again will we be removed from Europe's wars, that this is because the world has shrunk, would be much franker if they said the realization had gradually come to us, after our participation in two European wars, that our efforts at assimilation of our immigrants have failed.

There was considerable boasting on our part just before and after World War I, of how we were a melting pot and of the tremendous strides made by our teachers and social workers in the work of mixing our foreign born into the national stream. But very likely any strides they made were offset by the politicians in appealing for votes of the racial strains.

I have been closely associated with the last three Presidential campaigns and both Democratic and Republican headquarters had well staffed divisions to get the bloc votes of those of foreign origin. And our politicians are thinking of votes among these people when they vote Marshall Plans for aid to the various European countries, or when they contemplate military aid.

There is no doubt, as the pundits say, that our fortunes and the fortunes of Europe are inseparable. But it is not because of the advance of aviation. It is because we were wrong when we thought it would be different with the second and third generations of immigration. Regardless of their own dispositions the politicians have seen to it that their ties with the homeland are kept alive.

Products Shown by Co. Now Listed on N. Y. S. E.

After securities of Affiliated Gas Equipment, Inc. were admitted to trading on the New York Stock Exchange, an exhibit of the products of the company was opened in the firm's first floor offices at 37 Wall Street. The display of gas equipment products was planned to make the Wall Street community familiar with the activities of the company.

The Prospect for Business Financing

By ELI SHAPIRO
Associate Professor of Finance, School of Business, University of Chicago

Dr. Shapiro estimates corporate capital expenditures in two postwar years, 1946-48 at $79 billion, of which 60% was supplied internally and remainder from bank loans, security issues and trade creditors. Holds in 1949, use of capital funds will decline about 10%, and will be supplied mainly from retained earnings and depreciation reserves. Foresees slight rise in interest rate on capital funds, and reduced capital expenditure, should taxes rise. Looks for no rise in stock prices and says bank loans available in sufficient quantity.

PART I

This article is devoted to examining the manner in which business has financed its requirements for funds since the end of the war and to evaluating the prospects for business financing in the critical year 1949. American industry came out of the war with a smaller volume of plant and equipment than at the end of 1941. During the war net profits after taxes were large compared with the decade of the '30s or even of the '20s. Dividend disbursements were small, averaging less than 50% of the profits.

Dr. Eli Shapiro

The earnings retention ratio was high, as business was anxious to accumulate funds in order to prepare for future uncertainties (including tax requirements) as well as to obtain the means of paying for replacement, modernization and enlargement of plant and equipment. Private expenditures for plant and equipment were small during the war years as the government pursued a course of action designed to divert the maximum volume of resources to the successful prosecution of the war. In addition to the large volume of retained earnings, depreciation and depletion reserves were not used to acquire physical plant and equipment, with the result that liquid asset holdings of business quadrupled between 1939 and 1945 and net working capital of American corporations more than doubled over the same period.

Thus at the end of 1945 business had an unprecedented volume of liquid assets and there was a tremendous demand for plant facilities and equipment to replace those worn out in wartime production and to enlarge existing productive facilities. Estimates of additional plant and equipment required by American industry at war's-end vary from $60 billion to $150 billion, depending upon the assumptions made by the person preparing the estimate. In addition to deficiencies in plant and equipment, working capital requirements to handle the enlarged volume of business at markedly higher prices gave further evidence of business' need for funds.

At any point in a country's economic development, business demand for funds is largely determined by prevailing levels of employment, industrial production, construction activity and prices. In a period of full employment and rising prices additional working capital is required for purchasing and carrying inventories, meeting payrolls, extending trade credit, and meeting the increased level of general overhead expenses. Additional long-term funds in either borrowed or equity form are needed to finance the construction of productive facilities and the purchase of machinery and equipment. I want to examine the uses and sources of corporate funds in the postwar years 1946-48 (Table 1).

In 1946, American corporations spent $24.0 billion on plant and equipment, increases in book value of inventories and extension of trade credit to customers. About 70% of these funds were obtained internally: $6.5 billion from retained earnings, $4.0 billion from depreciation reserves and $6.5 billion from drawing down liquid assets. I might add that despite the unprecedented volume of liquid assets, 1946 was the only year in which they were drawn upon to finance needs. Uncertainty of the business outlook has apparently made business unwilling to reduce its liquidity position. Thirty per cent of the funds were obtained from sources outside the business. Bank loans, including mortgage loans, provided $4.0 billion, new security issue supplied $2.3 billion, while trade creditors accounted for $3.0 billion.

In 1947, corporations used a record volume of $29.0 billion. These firms were reluctant to draw down their liquid asset holdings, but retained earnings and depreciation reserves provided a larger volume of money. Internal and external sources of funds provided about equal amounts of funds. Record corporate profits and relatively small dividend distributions made for a large volume of retained earnings which, added to depreciation reserves, accounted for $15 billion. Bank loans (including mortgage loans) continued to supply around $4 billion. New security issues supplied more funds than in any year since 1929, although the securities took the debt form.

Nineteen-forty-eight was characterized by continuing price increases and a growing volume of economic activity. Plant and equipment expenditures continued to rise although at a slower rate; despite price rises, the increase in the book value of inventories was less than in either 1947 or 1946, reflecting a filling of pipe lines and a restoration of prewar relationships between inventories and sales. The same behavior was true of trade receivables. Internal sources of funds, principally retained profits and depreciation reserves, accounted for 60% of the sources of the funds. Bank loans fell off sharply during the year while the capital markets supplied a total of $6 billion—an amount just slightly under that of 1929. These new securities continued to take the debt form.

Summary: In the years 1946-48 corporations used about $79 billion, of which 60% was supplied internally while external sources were provided principally from bank loans and new security issue, with a lesser amount provided by trade creditors.

Financing Outlook for 1949

Businessmen men are always interested in a forecast. I am fully aware of the needs for a forecast in view of the fact that results of your current decisions are tested in the market only with a considerable lag. As you realize, we have no generally accepted theory of the so-called business cycle; hence, it is rather grandiose to use the term business forecasting. I would prefer the more accurate description "business guesstimating."

Any discussion of the supply of funds requires as a prelude an analysis of the demand for funds. The principal uses of funds in order of importance are:

(1) Plant and equipment expenditures.

(2) Increase in book value of inventories.

(3) Increases in receivables.

There are at present two comprehensive estimates of plant and equipment expenditures of American business for 1949 (Table 2). The Securities and Exchange Commission survey indicates that the volume of planned expenditures for plant and equipment in 1949 will be 5% below the record-breaking amounts actually spent in 1948. Declines from 1948 to 1949 in capital outlays are anticipated by manufacturing companies, the commercial and miscellaneous groups and other transportation companies. These declines are offset to some extent by the higher expenditures

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Present and Prospective Steel Supply Ample

By WALTER S. TOWER*

President, American Iron and Steel Institute

Asserting steel companies, expending approximately $2 billion, are completing largest expansion program ever undertaken, industry's spokesman looks for output of 100 million tons of steel ingots per year by end of 1950. Denies purpose is to create steel shortage and says present supply is ample. Attacks proposals for additional government regulations as incompatible with private enterprise, and scores Spence Bill, as dangerous to national economy.

It is not always easy to distinguish between temporary and more enduring issues. If I had come here even a few months ago, your first interest probably would have been in hearing some sort of answer to the question: when will the automobile industry be able to get all the steel it wants?

Walter S. Tower

Now, however, it seems that the question of steel supply is no longer vexing your leading industry, nor almost any other consumer of steel. As steelmakers expected, the so-called steel shortage has proved to be a transitory, as well as an inevitable, phase of postwar economic readjustment. It did not signify any fundamental lack of balance in our industrial system which might call for drastic corrective measures.

Both steel and automotive industries have achieved remarkable production feats in this postwar period and they have done so in the face of some tough problems. Both industries for a time found themselves unable to produce and ship their products as fast as their customers wished. Clamor from would-be buyers was loud and insistent. Gray market troubles beset both industries, while raw material scarcities and labor difficulties at critical periods retarded their output.

So far as steel is concerned, if these materials and labor problems had not existed, more than 20,000,000 additional tons of finished products could have been made in the 45 months since the end of the war. As for the automotive industry, if it could have received its share of that missing tonnage of steel products, and if it, too, could have been free of labor difficulties, the size of its backlog of orders long since would have been of greater interest to sales departments than to production men.

Automobile manufacturers and steel makers have enough problems in common for each industry to be sympathetic toward the other's special varieties of postwar complications and worries. Steel men, bothered by supply and quality problems in scrap and coal, could well understand the automobile man's concern over when his next carload of sheets would arrive. Steel men did all that they could to eliminate the famous "daisy chain" of gray marketeers, just as automobile people were trying to fight the zooming market in so-called new-used cars.

Where Steel Industry Stands Today

Against this background of fact that the steel industry and its biggest customer have faced similar problems, let us see where the steel industry stands today. That is the best guide as to what may be expected in the future.

Steel companies are well along towards completing some of the largest programs for increasing production ever undertaken in any American industry. These programs got under way shortly after the end of fighting. At that time the industry had a capacity to produce 95,500,000 tons of steel ingots and castings per year—a record figure.

With the war's end it was necessary to take out of production various old facilities which after four years of emergency operation without let-up were no longer efficient or economical. Meanwhile new facilities were being installed and others modernized.

By Jan. 1, 1948, the discarded furnaces had been replaced and the industry's ingot capacity was again close to the wartime peak. By Jan. 1 of this year annual capacity was rated at more than 96,000,000 tons, a new high mark in the history of the industry.

Steel companies are still striving to increase their productive facilities. When all plans for expansion and improvement so far authorized or announced have been completed, close to 100 million tons of steel ingots per year can be produced. By the end of 1950 that figure may be reached if consumers want the tonnage. To make this possible, approximately $2 billion will have been spent.

Part of the increase in production is the result of construction of new furnaces and mills. Part also comes from intensive efforts to improve technological processes which step up the efficiency of existing plant facilities. How successful these efforts have been is measured by the fact that a year ago steel production was equivalent to about 95% of the capacity then available. In recent months it has been at a full 100% of an even larger capacity.

Technological Advances

In technological advances, for example, many millions of dollars have been spent to increase the availability and quality of raw materials, as in coal washers and ore sintering plants. Other millions have been spent on larger and faster cranes, better charging boxes, diesel locomotives for plant railroads and other items which help to increase the efficiency of existing facilities.

The expansion of ingot output has of course been accompanied by increases in the tonnage of finished products. Take, for example, sheet and strip steel, of which the automotive industry is the largest user. Additional and improved facilities have produced a 60% increase in hot rolled sheet and strip, and a 160% increase in the cold rolled varieties as compared with prewar. Production of cold finished bars, also important in automobile and truck manufacture, has gone up 125% in the same period.

To increase the scale of production to such a degree in a short time was not an easy task. To have increased it much more would have been virtually impossible, in spite of all the confident advocates of fantastic expansion. Orders for new steel mill equipment had to take their turn with equipment orders from other industries. Construction labor was at a premium. And most important of all, until recent months the raw materials situation did not permit even existing steelmaking facilities to be operated at full capacity.

Instead of being maliciously attacked and charged with "betting on a depression" or "showing little faith" in the country's future, steel makers deserve high credit for carrying out, in the face of unusual difficulties, expansion and improvement programs which have few equals in any industry.

Steel Output Not Held Back

Yet long after the steel companies had announced the broad scope of their programs, there were continued accusations that they were "refusing" to increase capacity. When such accusations became so obviously unfounded as to be ridiculous, the criticism changed. Then it was said that the industry was not expanding enough.

Not long ago a prominent union leader publicly stated that the capacity figures released by the American Iron and Steel Institute were "inflated and overstated." He also repeated the favorite complaint that insufficient steel supply was holding back other industries.

The complete unreality of the attack on the accepted capacity figures is evident from the fact that production has exceeded rated capacity in every month so far this year. If anything is wrong with the capacity figure reported as of Jan. 1, 1949, the figure is too low—not too high.

The full significance of what steel has been doing can best be measured by a comparison of production and capacity today with what it was a decade ago. It was then, you may recall, that the steel industry was under severe criticism from both government and labor sources on the ground that it had overbuilt—and that it had too much plant for the good of the country. Events since then have tended to prove that such criticism, to put it mildly, was not very intelligent.

Since 1939 the population of this country has increased about 13%. A great deal of emphasis has been put on that fact. Over the same period total steelmaking capacity has been increased about 18%. In 1939, steel ingot production was about 800 pounds per capita. In the first quarter of this year production was at the annual rate of 1,300 pounds per capita. It is also worth noting that much of this recent growth of population has been due to high, wartime birth rate. I think most of you will agree that there are few direct needs for steel from even a large group of infants and young children.

Output Greatest for Peace Year

The record shows that both in 1947 and 1948 more steel was turned out than in any previous peacetime year. In the 12 months ending March 31 output has topped 90 million tons, more than was ever before made in a like period. But even that record is displaced by the rate of the past three months with a figure of 24 million tons.

Many persons overlook the fact that all but a small fraction of the huge amounts of steel which have lately gone into civilian uses has a life span measured in years. In capital goods, like construction and industrial machinery, the span may run for decades. In consumer durables, like household equipment or automobiles, the span now lengthens with every advance in quality of material and manufacturing skill. Hence there is a powerful cumulative effect from sustained high production of steel, which is too commonly forgotten

(Continued on page 37)

*An address by Mr. Tower before the Economic Club of Detroit, Detroit, Mich., April 11, 1949.

Latest Results of Poll on NASD

(Continued from page 3)

(RETURNS FROM NON-MEMBERS OF NASD)

Total ballots returned	190	
(1) 5% "Yardstick":		
Favoring	23	or 12.1%
Opposed	**147**	**or 77.4%**
No opinion	20	or 10.5%
(2) Questionnaire for Reports on Spreads:		
Favoring	20	or 10.5%
Opposed	**156**	**or 82.1%**
No opinion	14	or 7.4%
(3) Examination of Books and Records Where Neither Complaints nor Charges Are Pending:		
Favoring	10	or 5.3%
Opposed	**168**	**or 88.4%**
No opinion	12	or 6.3%
(4) NASD Trial System:		
Favoring	7	or 3.7%
Opposed	**175**	**or 92.1%**
No opinion	8	or 4.2%
(5) Rule Forbidding Discount to Non-Members:		
Favoring	6	or 3.2%
Opposed	**177**	**or 93.1%**
No opinion	7	or 3.7%
(6) Should Maloney Act Be Repealed?:		
Favoring	**150**	**or 78.9%**
Opposed	22	or 11.5%
No opinion	18	or 9.5%

More Dealer Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

As already stated, the following question (No. 4) appeared on the reverse side of the ballot:

"(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?"

A substantial number of the comments submitted in connection with this query appeared in our issue of April 14 and we are able to accommodate more of them herewith. Others will be published in subsequent issues.

In connection with these expressions, it should be noted that in accordance with the option contained in the ballot, some firms elected to affix their signatures and others replied anonymously. With respect to the former, we consider it a matter of fairness not to reveal their identity as time does not permit our obtaining individual permission to do so. Where the comment was made anonymously, this is indicated by the symbol (*) appearing at the end of the statement.

BIRMINGHAM, ALA.

There won't be any market—why should we risk our money for 5% gain or a possible 25% loss—or more—you cannot obtain risk money unless you speculate—and if you do, you have to get a spread to protect you and your customer. Why not an NASD for all business or is the Security business a special one?

BIRMINGHAM, ALA.

Very little effect. May do some harm in few cases.

BIRMINGHAM, ALA.

Narrows and frequently kills it.*

MOBILE, ALA.

In answer to question 4, we think that the "5% Mark-Up Rule" works a hardship in the case of the securities of many small corporations, particularly those whose securities are put on the market in large blocks, or through forced liquidation of estates, etc. We think a differentiation should be made, in some manner, relative to the liability or position taken by the dealer, or the degree of risk involved.

MOBILE, ALA.

None.

LOS ANGELES, CALIF.

Kills 'em.*

LOS ANGELES, CALIF.

Examples: Utility Appliance Common—8 or 9 firms participated in original distribution. Only 1 firm maintains a market—make their own price. Max Factor Common—Firms—original distributor and

*Commented anonymously.

(Continued on page 31)

Dealer-Broker Investment Recommendations and Literature

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

Business Activity and the Stock Market—Leaflet—John B. Dunbar & Co., 634 South Spring Street, Los Angeles 14, Calif.

Connecticut Securities—List of issues with long records of unbroken dividend payments—Chas. W, Scranton & Co., 209 Church Street, New Haven 7, Conn.

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.

Leading Banks and Trust Companies of New York—Comparative tabulation as of March 31—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Natural Gas—Circular—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

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.

New York City Bank Stocks—Comparative figures at March 31, 1949—First Boston Corp., 100 Broadway, New York 5, N. Y.

Oil—Analysis with tabulated comparison of common stocks of 24 companies—Wm. R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

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.

Railroad Earnings—Comparative analysis—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Also available is a bulletin on **Denver & Rio Grande Western and Seaboard Air Line.**

Retail Salesmanship of Mutual Investment Funds—Transcripts of 10 lectures by executives in the mutual investment fund field—Vol. I (lectures 1-5) ready May 10; Vol. II (lectures 6-10) ready June—$5 per set of two volumes on orders for 1 to 9 sets; lower prices in quantity—Publications Division, New York Institute of Finance, 20 Broad Street, New York 5, N. Y.

Rhode Island Banks—Circular—Brown, Lisle & Marshall, Turks Head Building, Providence 3, R. I.

Special Bond Tables at 3.10%—Booklet designed primarily for use in computing yields and values of State of Louisiana World War II Veterans' Bonus Bonds, series A—copies available to banks, institutions and dealers—Scharff & Jones, 219 Carondelet Street, New Orleans 12, La.

Utilities in the Over-the-Counter Market—Analysis—J. Arthur Warner & Co., Inc., 120 Broadway, New York 5, N. Y.

* * *

American Insurance Co.—Analysis—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Also available is an analysis of **Security Insurance Co. of New Haven.**

Boston Real Estate Trust—Analysis—du Pont Homsey Co., 31 Milk Street, Boston 9, Mass.

California Oregon Power Co.—Circular—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

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.**

City of North Miami Beach, Fla.—Memorandum—Paul Frederick & Co., 70 Pine Street, New York 5, N. Y.

Consolidated Rendering Co.—Circular—Schirmer, Atherton & Co., 50 Congress Street, Boston 3, Mass.

Also available is a circular on **Newmarket Manufacturing Co.**

Derby Gas & Electric Co.—Ananylsis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Fabricon Products, Inc.—Memorandum—Baker, Simonds & Co., Buhl Bldg., Detroit 26, Mich.

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

Firemen's Insurance Co.—Summary and analysis—Blair & Co., Inc., 44 Wall Street, New York 5, N. Y.

Also available are bulletins on **California Oregon Power Co.** and **Chemical Bank & Trust Co.**

Fort Worth Transit Co.—Circular—Sanders & Newsom, Republic Bank Building, Dallas 1, Tex.

Also available is a circular on **Galveston-Houston Co.**

Frost Lumber Industries—Circular—Barrow, Leary & Co., 515 Market Street, Shreveport, La.

Giant Yellowknife Gold Mines—Circular—A. G. Edwards & Sons, 409 North Eighth Street, St. Louis 1, Mo.

Also available are circulars on

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Over 1,200 members and guests of the Security Traders Association of New York, Inc. have made reservations for the 13th Annual Dinner to be held on Friday, April 22 at the Hotel Waldorf-Astoria, according to James F. Fitzgerald of W. L. Canaday & Co., President. About 100 persons prominent in the security business and allied fields have been invited as guests of the association.

Restriction on Freight Rate Absorption—A Dangerous Move

By WILLIAM T. FARICY*

President, Association of American Railroads

Mr. Faricy attacks prohibition of freight rate absorption by producers and sellers as restriction on free and expanding markets. Says application of theory of FOB pricing will disturb our economic structure by causing unpredictable and uneconomic relocation of industries. Points out unrestricted access to markets and to sources of raw materials, together with abundant use of transportation facilities, have been fundamental factors in our economic greatness, and any artificial limit, such as prohibition of absorption of freight charges, will retard or destroy progress. Defends cross-hauling.

Here in the United States we Americans enjoy such abundance as the world has never known before, and knows nowhere else today. Americans produce more and live better than any other people on earth. Why? One common explanation is the size of the country—but there are other countries even larger. Another common explanation is the rich resources of the continent—but other continents enjoy resources equally rich, and even this continent, which now sustains nearly 150,000,000 people in a high degree of comfort, at one time could provide no more than the barest sustenance for perhaps half a million aboriginal inhabitants.

William T. Faricy

Still a third reason offered is our numerous, ingenious and industrious population—but other nations have populations as numerous, perhaps as ingenious and certainly as industrious. No, there must be still another reason for the difference in productive capacity and in the plenty we enjoy.

And there is such a reason First, foremost, and fundamentally, the difference is in the political institutions which were devised and bequeathed to us by our forefathers. The unique thing about these institutions is the extent and degree to which they provide freedom. They do not provide merely a freedom to endeaver to be wise and good—all governments presumably do that—but freedom to try ventures, to make mistakes, perhaps to fail—but if to fail, then to have the chance to try again.

But not even this unique degree of freedom would be enough to produce such results as we see all about us here today in Kansas City and, looking a little further, in this whole magnificent midwestern country. To produce such results, America had to be not only free, but also had to have the transportation which made it truly united.

So, to its unique freedom, America added a unique concept of transportation. Transportation by rail, on the highways, in the air, on the waterways, and under the earth in the form of pipelines—all these are known and used in other countries as well as ours, but nowhere else are they known and used in such abundance.

Growing out of that fact is the thing that is unique about transportation in America. That thing is the use we make of it. Use of transportation in most countries is restricted by the concept, how little can we get along with? In our country the idea is, how much transportation can we use to increase production, to enlarge output, to cut costs, to enrich life?

Every day in the year the railroads alone move 12 ton-miles of freight for every man, woman and child in the United States. The theorist in transportation will say that not all this hauling is necessary. The theorist will tell you it is wasteful to move St. Louis shoes to Boston and Boston shoes to St. Louis; to move Baltimore beer to Milwaukee and Milwaukee beer to Baltimore; to move Kansas City steaks to Chicago and Chicago steaks to Kansas City. The theorist would have each producer restrict his sales to the trade area of his production, and would do it by the expedient of prohibiting absorption of freight charges. Well, let's see what we get into if the theorist's philosophy obtains.

Cross-hauling of Freight

Why is freight cross-hauled? I don't know all the reasons why—nobody does—for there are so many of them, variously combined in each individual case. But I do know that there are reasons, for most certainly nobody ships freight for fun. Nobody gives himself the pleasure of crating it up, and loading it and paying the charges, just for the fun of doing it. Shipping freight is not a game. It's a business and for every shipment made there is a reason, or more likely a whole complex of reasons adding up to one controlling fact, namely, that somebody thought that the freight shipped would have enough more value at destination than at point of origin to make it worthwhile to go to the trouble and pay the cost of shipping it. This is a good business reason so long as the businessman is free to make up his own mind where and how he will ship and how much he will charge for his product at destination. And since it is his goods that are being shipped, and his money that pays for the movement, and his privilege to make a profit on the sale of the goods—if he can—and his responsibility to bear the loss if his judgment is wrong, doesn't it seem reasonable to let him say what he will charge and how he will go about figuring the price? Shouldn't it be his business to say whether he

(Continued on page 38)

*An address by Mr. Faricy before the Chamber of Commerce, Kansas City, Mo., April 13, 1949.

Missouri Brevities

An amendment to the registration statement filed with the Securities and Exchange Commission was made last week by Mississippi River Fuel Corp., St. Louis, increasing the number of shares of common stock to be offered to a total of 633,298 shares. Of this total, 347,610 shares will represent an offering to common stockholders of record April 12, 1949 on the basis of one share for each two shares held, subscription privileges to expire May 2, 1949, and the net proceeds to be used for general corporate purpose. The balance of 305,688 shares will be sold by the United Gas Corp., and represents that company's total holdings in Mississippi River Fuel Corp. Dillon, Read & Co. Inc. and Union Securities Corp., both of New York, N. Y., have been named as principal underwriters for both offerings, and have formed a nationwide group of more than 70 investment banking firms to handle the issues.

* * *

Missouri bankers participating in the public offering on April 6, of 1,000,000 shares of Ohio Public Service Co. common stock (par $7.50) at $16 per share were as follows: Metropolitan St. Louis Co., Newhard, Cook & Co., Stix & Co., I. M. Simon & Co., Smith, Moore & Co., and McCourtney-Breckenridge & Co., all of St. Louis, and Barret, Fitch & Co., Inc., of Kansas City.

* * *

It is expected that the change in name of Rice-Stix Dry Goods Co. of St. Louis to Rice-Stix, Inc. will not become effective until about June 1 as the company does not intend to file an amendment to this effect until some time next month. An amendment to the company's charter extending it to Dec. 16, 1974 and the change in name were recently approved by the stockholders.

* * *

Newhard, Cook & Co. and Stix & Co., on April 13 were among the group of underwriters participating in the public offering of 200,000 shares of Illinois Power Co. 4.70% cumulative preferred stock (par $50) at $51.65 per share, plus accrued dividends from April 19, 1949.

* * *

Sales of Monsanto Chemical Co., St. Louis, for the first quarter of 1949 amounted to $40,893,943, an increase of approximately 6% over those for the corresponding quarter of 1948. Net earnings for the period amounted to $4,461,608, equivalent, after provision for preference dividends, to 97 cents a share on the 4,274,965 common shares outstanding on March 31, 1949. Adjusted earnings a share for the three months ended March 31, 1948 were 84 cents. Net earnings for the 1948 period were $3,805,588.

* * *

Included in the nationwide group of underwriters who offered on April 13 an issue of $50,000,000 Commonwealth Edison Co. 3% sinking fund debentures due April 1, 1999, at 101.30% and interest were Metropolitan St. Louis Co. and Stix & Co.

* * *

Edison Bros. Stores, Inc., St. Louis, reports sales for March, 1949, of $6,250,845, a decline of 24.6% from the corresponding month last year while for the first three months of this year they totaled $15,194,066, or 10.8% less than in the same period in 1948.

* * *

Stern Brothers & Co., Kansas City, participated on March 23 in the public offering of $10,000,000 Wisconsin Electric Power Co., first mortgage 2⅞% bonds due 1979, at 101.375% and interest, and on March 24 in the public offering of $35,000,000 New England Telephone & Telegraph Co. 25-year 3% debentures due March 15, 1974.

* * *

Western Auto Supply Co. (Mo.) reports sales of $8,769,000 for March, 1949, compared with $9,137,000 for the same month last year, a decrease of 4%. For the three months ended March 31, 1949 sales were $22,604,000, against $23,658,000 for the corresponding period of 1948, a decline of 4.5%.

* * *

A letter of notification was filed with the Securities and Exchange Commission on March 28 covering 150,000 shares of class A common stock of Shomee Oil Corp., St. Louis, which, it is expected, will be offered at par ($1 per share) through John R. Kauffmann & Co., St. Louis. The net proceeds are to be used for working capital.

* * *

Illinois Terminal RR., St. Louis, for the two months ended Feb. 28, 1949 reported a net income, after fixed charges, of $123,800, equal to 25 cents per common share, as against $147,992, or 29 cents per share, for the corresponding period last year.

* * *

Gaylord Container Corp., St. Louis, has concluded arrangements, through Lehman Brothers, New York, N. Y., for the private placement with The Equitable Life Assurance Society of the United States of an issue of not exceeding $7,500,000 of 3% notes, due April 1, 1964.

* * *

Other Missouri firms reported earnings per common share for the latest fiscal year as follows (all located in St. Louis, except where noted): **American Investment Co. of Illinois**, $2.11 (compared with $1.60 in the preceding year); **Century Electric Co.**, $2.39, after appropriation from surplus of $150,000 for possible inventory price decline (against $4.80, after providing $400,000 for same purpose); **Falstaff Brewing Corp.**, $4.75 (against $2.67 on same number of shares outstanding); **Interstate Bakeries, Inc., Kansas City**, $6.75 (against $3.78, adjusted to number of preferred and common shares outstanding at end of 1948); **Kansas City Southern Ry., Kansas City**, $15.50 (against $9.74); **Katz Drug Co., Kansas City**, $1.61 (against $2.11); **Laclede Gas Light Co.**, 91 cents (against 83 cents); and **McQuay-Norris Mfg. Co.**, $2.67 (against $2.99).

Economic Club of N. Y. To Hear Henry Ford, II

New officers will be elected for 1949-1950 season.

Henry Ford II, President of the Ford Motor Co., together with Edmund Ezra Day, President of Cornell University, and John Jewkes, British economist, will address the 170th Dinner Meeting of the Economic Club of New York on Thursday, April 28 (7 p.m.) at the Hotel Astor.

Henry Ford, 2nd

The members of the Club will also select a slate of officers for the 1949-50 season. The meeting will be the final one for the current season, during which Paul Hoffman, Harold E. Stassen, Herbert Hoover, among others, appeared before the group. Alfred P. Sloan, Jr., Chairman of the General Motors Corp., has served as President during the season and has been toastmaster at each of the four dinner meetings.

David A. Noyes Co. Adds

(Special to The Financial Chronicle)

CHICAGO, ILL. — Charles W. Hobday is now with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges.

With King Merritt & Co.

(Special to The Financial Chronicle)

ST. LOUIS. MO. — George G. Clark is with King Merritt & Co., Inc., 408 Olive Street.

Michigan Brevities

Several shifts in the top executive staff of **The Dow Chemical Co., Midland**, were made April 5 by the company's board of directors as a result of the death, March 31, of Dr. Willard H. Dow in a plane crash near London, Ontario, Canada, which also took the lives of his wife and three other persons. Earl W. Bennett, Treasurer since 1930, was elected Chairman of the Board, and Leland I. Doan, a Vice-President since 1938 and Secretary since 1941, was elected President. Dr. Mark E. Putnam, a Vice-President since 1942, was named General Manager. Dr. Dow had formerly held all three of the positions thus filled but in recent years had abandoned the titles of Chairman of the Board and General Manager.

In the same action two new Vice-Presidents were named: Dr. A. P. Beutel, who is General Manager of Dow's Texas Division, and Russell L. Curtis, General Manager of the Great Western Division. Carl A. Gerstacker was elected Treasurer and Calvin A. Campbell, the firm's legal counsel, was elected Secretary.

* * *

In connection with the increase in the authorized capital stock of Detroit Edison Co. from 10,000,000 is 15,000,000 shares, approved by the stockholders on March 15. Prentiss M. Brown, Chairman, said: "This does not mean that new stock will immediately be issued but will enable the company to have a sufficient amount available for future financing needs. Any offering of stock or of a security convertible into stock would, of course, first be offered to the stockholders of the company."

* * *

The Detroit Stock Exchange reports that trading volume in March was 272,914 shares having a dollar value of $3,376,662. This compares with February trading of 213,597 shares with a dollar value of $2,805,213, and with 201,545 shares, having a dollar value of $3,347,173, which changed hands in January.

The 10 most active stocks during March were: McClanahan Oil Co., Detroit Edison Co., United Corp., Commonwealth & Southern Corp., Scotten, Dillon Co., Parke, Davis & Co., Udylite Corp., Goebel Brewing Co., Friars Ale Brewing Co. and Avco Manufacturing Corp.

* * *

Net sales of Plywood, Inc., Detroit, for the fiscal year ended Jan. 31, 1949 were $4,405,853 and net profits after taxes amounted to $376,466, equivalent to 71 cents per share on 525,150 shares of stock outstanding at the end of the year. This compares with $3,621,463 sales and $316,796 net profits of the company and its predecessor companies for the 12 months' period ended Jan. 31, 1948.

Plywood, Inc. has filed a registration statement with the Securities and Exchange Commission providing for the issuance and sale of a maximum of 150,000 shares of common, par $1. Proceeds of such financing would reimburse the company for the payment already, made on the new fir plywood plant in Klamath, Calif., and provide additional working capital for future operations. Certain of such proceeds, together with the proceeds of the sale of additional 5% debentures, may be used to effect prepayment of the obligations incurred in connection with the purchase of the new plant. The 150,000 shares of common stock will be underwritten by Baker, Simonds & Co., Detroit.

* * *

Watling, Lerchen & Co., Detroit, was among those who publicly offered on April 13 an issue of $50,000,000 **C.I.T. Financial Corp.** 2⅝% debentures, due April 1, 1959, at 99.35% and accrued interest from April 1, 1949. The same bankers also on the same date participated in the public offering of 200,000 shares of **Illinois Power Co.** 4.70% cumulative preferred stock (par $50) at $51.65 per share, plus accrued dividends from April 19, 1949.

* * *

Charles E. Bailey & Co., Detroit, are offering 50,000 shares of common stock of Harwill, Inc., St. Charles, at par ($1 per share), the net proceeds to be used to reduce current liabilities, and for additional working capital. Harwill manufactures "Aero-Craft" boats in 12 different models.

* * *

Rudy Manufacturing Co., formerly known as Rudy Furnace Co., which was incorporated in 1916, has been notified by the Detroit Stock Exchange that approval of its application to list 201,041 shares of its $1 par value common stock has been granted. Trading is expected to begin in the near future. The company reported a net income, after income taxes, of $4,311, equal to four cents per share, for the three months ended Feb. 28, 1949, as compared with $9,182, or nine cents per share in the corresponding period last year.

* * *

Campbell, McCarty & Co., Inc., First of Michigan Corp., and Watling, Lerchen & Co., all of Detroit, were included in a group of underwriters who on April 5 publicly offered $10,000,000 General Telephone Corp. 4% debentures, due April 1, 1964, at 102.25% and interest.

* * *

Hurd Lock & Manufacturing Co. for the year 1948 reports a net profit after taxes of $74,348, or 37 cents per share. Operations in 1947 resulted in a net loss of $34,688 after giving effect to prior year's Federal income taxes recoverable in the amount of $85,343. E. P. Hurd, President, stated: "At this time we cannot see any reason why this company should fail to operate at a good profit during the year 1949."

* * *

First of Michigan Corp. also was included in a group of underwriters who on March 24 publicly offered $35,000,000 New England Telephone & Telegraph Co. 25-year 3% debentures due March 15, 1974, at 100.75% and interest, and on April 13 participated in the public offering of $50,000,000 Commonwealth Edison Co. 3% sinking fund debentures due April 1, 1999, at 101.30% and accrued interest.

* * *

Michigan Bumper Corp., Grand Rapids, reports for 1948 a net income after taxes of $381,809 from net sales of $4,423,665, which compares with a net profit of $392,964 from sales of $3,694,619 for 1947. Book value of $7.80 per common shares for the calendar year just ended compares with $6.44 for the previous year.

Policy of Federal Reserve System

By M. S. SZYMCZAK*
Member, Board of Governors, Federal Reserve System

Federal Reserve Board member characterizes wartime policy as devoted to facilitating war financing and postwar policy as designed to curb inflation. Points out inability to combat inflationary pressures of bank credit expansion is due to Board's limited authority in applying credit curbs and, urges, despite recent decline of inflationary pressures, Board be given additional powers to be able to maximize stability of out and employment. Says Federal Reserve is well equipped to offset deflationary forces.

I was requested to review with you the major developments in the money and credit field since your conferences first began. Much has happened in the 13 years since I met with you here in 1936. My subject then was the Banking Act of 1935, which had made a number of important changes in Federal Reserve powers. At that time we were working our way up from a deep and prolonged depression and the Board was following a policy of monetary ease in order to encourage business recovery. There had been no opportunity to test the effectiveness of available instruments to influence the supply of credit during inflationary expansion. As a matter of fact, the slow upswing in business activity that was then in progress reached its peak about a year later, without our approaching full employment levels of output.

M. S. Szymczak

You all know how the coming of war to Europe coincided with our further efforts to achieve economic recovery after the setback of 1937-38, and how our own defense activities stepped up production and employment toward the turn of the decade. This period of transition has become so blended in our minds with the war effort that any attempt to separate them would be meaningless and artificial. Hence, I shall begin today by talking about the effects of war on the policies and activities of the Federal Reserve System.

Wartime Policies of the Federal Reserve System

During the war the Federal Reserve accepted as its overriding obligation the assurance of a ready supply of whatever funds the government needed for the prosecution of the war. The System recognized and constantly stressed the importance of financing as large a portion of the war cost as possible out of taxation and security sales to the nonbank public. Nevertheless, it brought all its powers and facilities to bear on the central problem of seeing that lack of funds never stood in the way of getting essential material to our fighting men.

As you know, the pivotal wartime policy of the Federal Reserve was the maintenance of a stable interest rate structure for the public debt. Even before Pearl Harbor, Federal Reserve and Treasury officials were considering means for maintaining stability in the government security market in the event that the United States should be drawn into the war. Shortly after Pearl Harbor they agreed upon a structure of yields on government securities with which war financing would be accomplished. This structure had as its principal point a yield of 2½% on long-term Treasury bonds. From this rate it graduated downward to ⅜% on three-month bills. Yields on other issues filled between the two extremes in accordance with maturity. The market interest structure was maintained substantially unchanged throughout the war, the main deviation occurring early in 1945, when yields on certain medium-term securities declined.

The System's policy of maintaining a fixed yield pattern on the public debt facilitated wartime Treasury financing in several ways. In the first place, it forestalled delay in purchasing securities by investors who might otherwise have awaited higher rates, as during World War I. Secondly, it kept down the interest cost on the government's war debt and prevented undue growth of investor earnings from holdings of public debt issued to fight a victorious war. Finally, and most important, the policy facilitated necessary absorption of government securities by the banking system. In order to maintain this fixed yield pattern the System was obliged to function as a residual buyer in the government securities market. In other words, if no one else offered to purchase government securities they would automatically be absorbed into the portfolios of Federal Reserve banks—at the same time supplying member banks with additional reserves. Furthermore, commercial banks needed to have no reluctance about tying up reserves in purchases of government securities since they could at any time reconvert them to reserve funds through sale to the Federal Reserve System at the supported price.

Other measures were employed as well that were directed at making reserve funds readily available to member banks. To assist banks that needed to borrow to meet the credit demands of their customers, the Federal Reserve established low discount rates, which ranged, depending on the character of the borrower, from ½ of 1% to 1½% at all Federal Reserve banks. After October, 1942, the rate on advances to member banks secured by U. S. Government obligations maturing or callable in one year or less became ½ of 1% at all Federal Reserve banks, and on other advances secured by U. S. Government obligations and on eligible paper, 1%. The rate to nonmember banks on advances secured by government obligations was 1%.

Another way in which reserve funds were made available was by a reduction in the percentage of reserves required to be maintained against demand deposits at banks in New York and Chicago. Moreover, Congress suspended reserve requirements against war loan deposits during the war period. These war loan deposits arose from subscriptions, for government securities by commercial banks, either for their own account or for the account of their customers. Subscriptions for new government securities were facilitated by these accounts, since otherwise commercial banks would have had to pay for their securities immediately by debit to their reserve accounts at the Federal Reserve banks. The elimination of reserve requirements against these deposits encouraged the use of war loan accounts.

No changes were made during the war except as to reserve requirements on net demand deposits of central reserve city banks. At the time of Pearl Harbor member bank reserve requirements were at the legal maximum of double the statutory requirements, that is, 26%, 20% and 14%, respectively, on net demand deposits of central reserve city, reserve city, and country banks, and 6% on time deposits of all member banks. Central reserve city bank reserve requirements were reduced, effective Aug. 20, 1942, to 24%; Sept. 14, 1942, to 22%; and Oct. 3, 1942, to 20%, so that they were the same as those for reserve city banks.

In order to encourage the purchase of Treasury bills by banks and other investors with temporarily idle funds, the Federal Reserve established the policy in 1942 of buying Treasury bills from banks and other holders at a rate of ⅜% and giving the sellers the option to repurchase at the same rate. With the Federal Reserve buying bills when funds were needed by investors for other purposes, and selling bills to investors when their funds were temporarily idle, maximum utilization of financial resources was encouraged.

An inevitable consequence of war activity was the great increase in the amount of currency in circulation. At the end of 1940 the amount of currency in circulation amounted to $8.7 billion. By May of 1945 currency in circulation reached a total of $27.5 billion. This increase in currency along with some increase in member bank deposits at the Federal Reserve naturally resulted in a decline of the ratio of Federal Reserve banks' reserves to their combined note and deposit liabilities. The ratio was further decreased as a result of some decline in the System's holdings of gold certificates. It was apparent that if there were further inroads in the System's reserves by the end of 1945 the reserve ratio would be near the legal minimum prescribed by law.

Accordingly, the Board of Governors recommended legislation that provided for a reduction in the requirement as to reserves to be held by Federal Reserve banks to a uniform minimum of 25% in gold certificates against both Federal Reserve notes in circulation and deposits. Under the law previously existing a reserve of 40% in gold certificates was required against Federal Reserve notes and a reserve of 35% in gold certificates or lawful money against deposits. In addition to the change in the reserve percentage, the legislation made permanent the authority of the Federal Reserve banks to pledge U. S. Government securities against Federal Reserve notes. This authority, which had been in the law since 1932 on a temporary basis and had been renewed from time to time by Congress, would have expired on June 30, 1945. The Reserve Ratio Bill was signed by the President on June 12, 1945.

In addition to these general measures, the System also made a material contribution in more specific ways to the problem of facilitating wartime finance. Of particular importance were the activities of the Reserve banks with respect to war contract financing. An executive order issued in 1942 designated the Federal Reserve banks as agents of the Army, Navy, and Maritime Commission in financing wartime contracts.

From the beginning of this program in March, 1942, to the end of 1944, the armed services and the Maritime Commission authorized about 7,500 loans, aggregating about $9 billion, all of which were handled through the Reserve banks as fiscal agents.

The Federal Reserve was not entirely preoccupied throughout the war with facilitating credit expansion. I have already mentioned that the Federal Reserve urged continually that as much as possible of the war cost should be financed out of the current spending power of the public rather than through bank credit expansion. In addition, the System made effective use of two important weapons for curbing expansion of credit in the private sphere of the economy.

As a result of the diversion of labor, material and productive facilities to the manufacture of war materiel, most types of consumer goods were in short supply. In order to minimize competitive bidding for the limited supply of consumer goods, it was deemed advisable to restrict the amount of credit used for their purchase. Accordingly, the Federal Reserve System was authorized in 1941 to place restrictions on consumer credit. Under this authority the Board issued Regulation W, which applied to credit in the form of charge accounts, instalment sales of a comprehensive list of consumer goods, and instalment and single-payment loans of $1,500 or less. The regulation applied, for example, to instalment sales of automobiles, radios, refrigerators, and loans for the purchase of, and charge accounts for, nearly all merchandise, the principal classes not covered being food and fuel. Generally speaking, with some variation from time to time and from one regulated article to another, the instalment terms prescribed by this regulation called for maturities of not more than 15 months and down payments of at least one-third.

Since 1934 the Federal Reserve authorities have had the responsibility of fixing margin requirements respecting the use of credit for purchasing and carrying stock exchange securities. Under this statutory provision, they have limited the amount that banks and brokers can advance on a given amount of stock exchange collateral, and the amount that banks can advance on stocks for purchasing or carrying stocks. During the war the Board was especially watchful of this use of credit, and the required margin was raised twice. The requirement was changed in February, 1945, from 40% to 50% of the value of the collateral, and in July, 1945, the Board increased the margin requirements to 75% and made a corresponding increase in the margin requirements for short sales. At the same time, the Board stiffened the regulations by requiring that funds released by liquidating transactions in an undermargined account should be used to bring the margin up to the standard 75% level before any of them could be used to finance new transactions. The Board's margin requirements apply to both brokers and banks.

Postwar Monetary Problem

As you are well aware, the monetary authority has had to cope with more or less continuous inflation ever since the end of the war. Until recently, the demand for automobiles, housing and many

(Continued on page 39)

*An address by Mr. Szymczak before the 10th Pacific Northwest Conference on Banking, State College of Washington, Pullman, Wash., April 7, 1949.

Ass'n of S. E. Firms Spring Meetings May 24-28

Governors and officers of the Association of Stock Exchange Firms from eighteen cities accompanied by Emil Schram, President New York Stock Exchange, will assemble in Chicago on May 23 enroute to their 1949 Spring meetings which will be held in Denver and Salt Lake City, May 24 to 28, it was announced today by Harold P. Goodbody, Goodbody & Co., Association President. James E. Hogle, managing partner of J. A. Hogle & Co. and Rocky Mountain Regional Governor of the Association, is in charge of arrangements.

While in Chicago the group will be the guests of the Bond Club of Chicago at a luncheon which will be addressed by Mr. Schram. In the afternoon they will be guests of the Stock Brokers Associates of Chicago at an off-the-record discussion on the trading floor of the Chicago Stock Exchange.

Business sessions for the consideration of industry problems will be held on each of the days the group is in Denver and Salt Lake City.

The Denver visit will be highlighted by a dinner meeting, May 24, sponsored by the Denver Chamber of Commerce and the Salt Lake City visit will be highlighted by a similar dinner meeting May 27th sponsored by the Salt Lake City Chamber of Commerce. Mr. Schram will address the former and Irving Olds, Chairman, U. S. Steel Corp., will address the latter.

The group will also tour scenic Denver and environs and will visit the Utah Copper mine at Bingham Canyon, Utah and Great Salt Lake, the latter as guests of the Kennecott Copper Co.

At the conclusion of the meetings a number of governors and their wives will leave Salt Lake City May 28 on the Denver and Rio Grande Railroad for a leisurely daylight trip over the beautiful route of the D. & H. G. back to Denver.

"This is the first time the Board of the Association has visited this great area," Mr. Goodbody said, "and we are delighted to have the opportunity to do so. One of the most serious objectives of the Association is to tie the stock exchange industry, primarily through mutual understanding, to the industry and commerce of the country. Holding our Board meetings in such important communities contributes to the accomplishment of our objective. We are all looking forward to these meetings."

Royal I. R. Poyton Is Reopening Inv. Firm

PROVIDENCE R. I.—Royal I. R. Poyton has opened offices in the Hospital Trust Building to engage in the securities business under the firm name of Royal I. R. Poyton & Co. In the past he conducted his own investment business in Providence and was with Miller & George.

Public Utility Securities

By OWEN ELY

Standard Gas & Electric

Standard Gas & Electric stocks have been fairly strong in recent weeks, reflecting general gains in the utility market and possible expectations of progress toward Standard Gas dissolution. Tangible progress has, however, been somewhat slow. The Company has made some reduction in its bank loan which as of Nov. 30 was $11.6 million. Since that time the company has realized about $3.4 million from the sale of its entire holdings of Northern States Power, and used $1.6 million to exercise its rights to subscribe for stock of Oklahoma Gas & Electric, leaving an estimated balance of $1.8 million applicable against the loan. Parent company earnings after payment of dividends on the prior preference stocks may approximate $2 million per annum. If estimated available cash were applied against the bank loan, it might approximate $9 million.

The Company's two prior preference stocks ($7 and $6) have a total claim against the holding company portfolio of $98 million ($100 plus arrears for each share) plus a possible $7 million claim for the redemption premiums. The $4 preferred has a second claim on assets amounting to $83 million (there is no call premium). The common stock was delisted from the New York Stock Exchange several years ago on the assumption that it could have little or no value in dissolution. However, since that time the situation has improved and the ideas of the SEC have broadened somewhat, so that with their potential "call" on future earnings the 2,163,000 shares of common stock might be able to participate in a future plan.

Standard's portfolio may be valued roughly at $100 million. By far the most important item is the 97% equity interest in Philadelphia Company (5,024,000 shares); based on the current Curb quotation of 13½ for the small amount of minority stock, this item might be worth $68 million. The Company has a 51% interest (500,000 shares) in Oklahoma Gas & Electric, currently quoted around 35, making the holdings worth $17.5 million. There is a 33% interest in Louisville Gas & Electric (383,000 shares) selling on the Big Board around 26, making the holding worth about $9.9 million. Standard holds the entire amount of Wisconsin Public Service common (1,375,000 shares); share earnings in 1948 were 96¢ and 1947 $1.07, which figures might support an estimated value of 9, making Standard's equity worth $12.4 million. The sum of these amounts is $107.8 million. Assuming that the bank loan is now in the neighborhood of $9 million (after applying net quick assets), its payment would leave a value of $98.8 million. Miscellaneous odds and ends in the portfolio might bring the net total to around $100 million.

Some analysts believe that breakup of Philadelphia Company (a big holding company in itself) would realize a larger value per share than the Curb quotation. However, these estimates seem to be based rather optimistically on increased future earnings and a very liberal dividend policy for Duquesne Light, Philadelphia's biggest subsidiary.

The former President of Standard Gas and Philadelphia Company, Leo Crowley, didn't want Philadelphia broken up, and the SEC dissolution order has been carried to the Federal courts. The case is currently being argued in the District of Columbia court, but the Company's case may have been weakened slightly by the stand taken by minority stockholders of Philadelphia Company in favor of dissolution. Strangely enough Standard Gas, without awaiting the outcome of the suit, some months ago filed a plan with the SEC to streamline the complicated capital structure of Philadelphia Company and thus prepare it for possible dissolution. Under this plan the $36 million funded debt would be paid off from "available resources" and a temporary bank loan. Then the four classes of preferred would be retired, one small non-callable issue being paid in cash, and the other three exchanged for shares of a new issue of Duquesne Light convertible preference $1 common stock. This new stock would be similar to the stocks issued by Philadelphia Company and Public Service Electric & Gas, and proposed for issuance by Niagara Hudson's merged operating subsidiary. The number of shares of Duquesne Light common stock would also be adjusted to permit share-for-share distribution to common stockholders of Philadelphia, thus facilitating the latter's dissolution. These recap plans for the two companies would, of course, have to be approved by the SEC and (so far as Philadelphia is concerned) by a Federal court.

Philadelphia Company also controls important natural gas producing and distributing companies and a large transit company, Pittsburgh Railways. The gas companies are being refinanced and streamlined, and negotiations have been rumored underway to sell part or all of them to some other large gas system, such as Columbia or Consolidated Natural Gas. While a separate article would be necessary to analyze the value of the gas properties, it is estimated that they might be worth almost enough to pay off the proposed bank loan (about $36 million). Some value might also be salvaged from Pittsburgh Railways, which has been in bankruptcy proceedings for some years, but this remains a little dubious. This situation, also, is highly complicated because of the unwieldy capital structure and innumerable details of the Railways setup. In general it seems a convenient assumption that nothing will be left for Philadelphia Company common stock except the Duquesne, and that one share of Philadelphia will be worth the same amount as a share of Duquesne. On its proposed new common shares Duquesne is earning about $1.30. If the stock paid $1 and sold to yield 7% it would be worth about 14¼ and the entire common stock issue would be worth $74 million; 3% of this would go to public holders of the Philadelphia stock, making Standard's holdings worth $72 million. Since this is only a little in excess of the $68 million valuation based on the current quotation of 13½, it seems unnecessary to disturb the $100 million estimate.

All former allocation plans for Standard Gas have now been scrapped, and it seems doubtful whether a new plan will be announced in the near future. If the $100 million were allocated according to a theoretical ratio such as 75-23-2, the results would work out about as follows:

	Estimated Value	Recent Price
$7 Prior Preference	$170	$131
$6 Prior Preference	150	116
$4 Preferred	31	27
Common	1	2

Regular dividends were resumed on the prior preference stock early this year, but arrears on $4 preferred will continue to increase.

Emerging Pattern of Wage Demand

By JOSEPH D. KEENAN*

Director, Labor's League for Political Education

Since the middle of 1946 when effective price controls were crippled, the wage earners of this country have been on a losing merry-go-round trying to keep up with rapidly rising prices. Even though prices have leveled off since last Fall, three years of inflation have resulted in re-distributing the national income in such a way that the wages and salaries of American workers provide insufficient consumer buying power to keep the economy going at full production and employment. On the price side alone, average weekly wages have increased only 14% since the war peak, from $45.50 to $54.25 a week, while prices jumped a third during the same period.

Joseph D. Keenan

During the same period corporate profits have increased 100% and the income of independent businessmen and farmers by approximately 50%.

Spending of wartime savings, plowing back excessive profits into the industry, and governmental expenditures for defense and foreign aid have thus far prevented a recession. But in the long run a proportionate increase in domestic consumer purchasing power must come about. Obviously the most important consumers of American industrial products are the workers who produce the products. Real wages and salaries must be increased. During the last three years organized labor has had no choice but to ask for cash increases to narrow the gap between wages and prices. Now that prices are actually declining, it is apparent that unions are making smaller cash demands in the hope that industrial leaders will lower prices further and settle for lower profit margins. What labor wants is an increasing standard of living in REAL terms.

If Labor had a choice of higher cash wages or lower prices, I am sure they would choose lower prices. After all, an inflated price level as a permanent institution means that insurance policies, savings bonds, and maximum unemployment and workmen's compensation payments are worth less when converted into groceries or work shirts.

Fringe Benefits

This brings us to the so-called "fringe" benefits asked by an increasing number of unions in collective agreements. In our large-scale, impersonal and dynamic economy the individual worker has become increasingly conscious of his personal security. This is a natural and healthy consciousness. The average worker in this country makes $54.25 a week when he has work. Obviously on such a wage it is difficult for the head of a family to lay aside an adequate reserve for loss of wages and medical expenses during extended illness, and for the support of himself and his dependents in old age.

There is nothing new about this concern for individual security either on the part of management or labor. Union benefit programs were outstanding features of early unions. The Union Labor Life Insurance Company was started and financed by AFL unions more than two decades ago because life insurance companies refused to insure many classes of workers.

*An address by Mr. Keenan before the American Management Association Production Conference, New York City, April 13, 1949.

Many companies, as a part of the open-shop drive during the twenties, used paternalistic welfare plans to wean worker loyality away from the unions.

I have never quite understood why management resists employer-employee arrangements to insure a minimum degree of security for their employees. After all management takes pride in providing jobs and wages for American workers. But, for some reason many employers find it easier to agree to a 15% cash increase than to a 5% contribution to a security program. Actually when an employer concurs in a collective bargaining agreement providing for the purchase of life insurance policies, old age annuities, and for disability, medical and hospitalization benefits for temporarily incapacitated employees it means much more both to the employer and employee than a comparable straight wage increase. Individually it is difficult for a worker to buy such security insurance, but it can be done at low cost for a group of employees. Increasing employee security means a healthier and happier work force, more respect for the employer, and consequently better productivity and industrial relations.

There is only one serious concern from organized labor's standpoint, and that is that such private security programs cover only the particular employees of individual employers. When an employee changes jobs he is no longer protected.

That is why organized labor is much more concerned about the development of an adequate and all-inclusive Federal social security program including health insurance. One of the reasons that union negotiators have sought to supplement social security benefits through collective barganing is that they have become embittered and discouraged with political conniving and continual sabotage of the Federal Social Security Program. Even today Federal Old Age benefits average only $25 a month while state old age charity programs average $50 a month. Adequate medical attention is still available only to the very rich or to the very poor on a charity basis. Workmen's compensation and unemployment insurance are under constant attack by certain business interests and their allies in political office. Actually, if employers are opposed to private security programs and feel that it is not the employers' legitimate responsibility, then they should join with organized labor in pressing for an adequate all inclusive social security program.

However, until Federal security programs have been vastly improved, employers may expect unions to ask for supplementary benefits directly through collective bargaining.

Wage-Price Question

To sum up the whole wage-price question from Labor's standpoint, it is our hope that management will not choose to bring about a recession by holding prices abnormally high while sales, production and employment drop off. Employers might well heed the advice in last week's Kiplinger "Letter":

"The production slide is not good, for it points to unemployment, which means lower mass buying power, consequently less demand for goods, consequently still less production and profits . . . around the vicious circle."

The National Health Insurance Plan

By J. DONALD KINGSLEY*
Acting Federal Security Administrator

Administration's spokesman on Federal Health Insurance, after describing growing complexities and costs in medical science, describes proposals for a national health insurance program. Says system can be financed by 3% payroll deduction on annual incomes up to $4,800, to be shared equally by employer and employee, representing a maximum deduction of $1.40 per employee. Estimates plan at outset will cover 85 million people, and benefits will be administered on state and local basis. Holds administrative costs will be less than under voluntary insurance, and decries attacks on plan as "socialism."

In the course of the development of labor legislation within this country, it has been necessary, at one time or another, to define what is termed "hazardous employment." I am not sure but that the definition should be extended to include a government official who seeks to talk on national health insurance before a group of future members of the American Medical Association. However, I have found this sort of thing less dangerous than one might suppose. Some of my physician-friends enjoy nothing better than to take me over the bumps for what they regard as my dangerous and heretical notions. But others admit confidentially they are with us on our proposal, but please don't let on to their colleagues. Still others, who from long, hard professional experience have come sincerely to believe there is no sound alternative to national health insurance, are quite willing to stand up in public and say so.

J. Donald Kingsley

I emphasize this diversity of opinion because it is germane to the subject under discussion. It is, I think, important for you to recognize that, in spite of some of the publicity—I wouldn't think of calling it propaganda—to which you may have been exposed, the medical profession itself is split wide open on this issue. And it is up to you, as individuals, to form your own independent judgments.

As prospective M.D.'s, you are facing a considerably different world than you did your predecessors of, say a generation ago—a world of enormous complexity, of rapidly shifting standards and ideas, and a world of deep social unrest. This phase of your problem I shall touch on later. For the moment I should like to focus on some of the changes which relate more immediately to your own profession.

For one thing, during the past few decades the science of medicine has made enormous progress. It is not so long ago, remember, that the medical profession was symbolized by the country doctor with his little black bag. The general practitioner—both rural and urban—was pretty much prepared to apply most of the known medical knowledge to whomever stood in need of that knowledge. And, for the most part, he applied it extraordinarily well.

Complexity of Medical Science

Today, however, medical science has far outstripped the little black bag. Modern medical science is a vastly complicated matter. It is symbolized far better, perhaps, by the medical center which is a truly amazing institution. The degree of specialization has reached unprecedented heights. As a nation, we have without question attained a level of scientific diagnosis and medical care that is the wonder of the whole world. We have, probably more to offer, in terms of the number of highly trained medical personnel and modern hospital facilities, than any other country on earth.

Unfortunately, much of this great progress has been very unevenly distributed throughout the land. Most of our modern hospitals and medical centers are located in, or near, our great urban centers of population where the concentration of wealth is the greatest. It is here also that the great majority of our doctors have chosen to reside—partly because "paying patients" are assembled in larger numbers in these areas, and partly because it is only in them that the hospital and other facilities necessary for the modern practice of their profession exist.

New York, for instance, is well stocked with doctors—many of whom, I might add, find the competition to be pretty tough going. On the other hand, the small towns and rural areas—particularly in the great South and Southwest—are starved for doctors and as far as medical care is concerned are getting very much the short end of the deal.

To point out that there is only one doctor for every 1,500 people in a State like Mississippi as against one for every 500 in New York State, is to tell but part of the story. For with a minimum of modern hospitals and clinical facilities at their disposal, far too many doctors are still practicing in the little black bag era of medicine. And when one learns, for instance that only 4% of the qualified pediatricians of this country are located in areas where 60% of our children are living, it seems high time that something be done.

All this is strictly non-controversial. Everyone agrees we need to build more good hospitals, especially in the small towns and rural areas. Everyone agrees we need to train more doctors and try to locate them in the areas where their services are so badly needed.

President Truman's health program, which is before the Congress this session, is firmly grounded in these assumptions. The report on the Nation's health, which was submitted to the President last September by the Federal Security Administrator, is devoted largely to an analysis of our health needs and methods by which our present health facilities can be expanded to meet these needs.

To establish more hospitals, for instance, the Ewing report suggests that we enlarge the scope of the present Hospital Construction Act and increase substantially the share the government will contribute to the construction of new voluntary hospitals — and where necessary, contribute to the cost of upkeep.

To train more doctors, dentists, nurses, and laboratory technicians —needed to staff these hospitals as well as for independent practice—the Ewing report suggests similar government aid. It recommends government assistance to medical schools in meeting costs of expansion, as well as the provision of loans or scholarships for qualified young men and women who otherwise might not be able to afford to undertake the long and expensive professional training.

The Ewing report also examines in considerable detail the weaknesses of our pitifully understaffed, under-equipped public health departments. It states clearly what must be done to expand our vitally important public health services so they will reach then millions of people whom they do not now even touch. And it also recommends a substantial increase in the funds available for medical research.

Problem of Financing

I could easily devote an hour to the recommendations of this nature contained in the report. But I am concerned today with a different question. It is the question which the Ewing report asks —and answers—in most incisive terms; the question how we, as a nation, are to pay for all these expanded services and facilities—how we can finance this effort to distribute the advantages of modern medical science more equitably among the entire population; indeed, how we can achieve the equitable distribution in the first place.

For the sad fact is that the reason we do not have enough doctors and hospitals at present is that there is no way to support them. And the reason those facilities and personnel we do have are inequitably distributed is that their distribution today naturally follows that of income. There is no point in building new hospitals unless there is a sufficient number of paying patients to meet operating expenses. And the same applies to the training of the doctors, dentists, and nurses whom we are so anxious to see established in our medically under-nourished areas.

This, then, is the crux of the situation. We cannot expect any substantial increase in facilities or personnel or any fundamental change in their distribution and utilization unless some method is found to enable more of our people to afford adequate medical care. Modern medical care costs a great deal of money. This is not because, as some people like to believe, the doctor is a money-grabbing individual who is out to milk a defenseless public. It is simply because, today, medical services are of far greater variety than ever before and involve far more expensive equipment. And even a doctor has to pay his rent and grocery bills—as you yourselves will soon be learning the hard way.

Nevertheless, the blunt fact is that only one out of five families in this country can today afford anything like adequate medical care. The American Medical Association itself is on record as stating that only 20% of our population can meet the cost of serious illness without some outside help.

What, then, about the remaining 80%—the four out of five families to whom the possible cost of medical care is a constant source of anxiety? Sickness and disease usually strike suddenly and relentlessly. There are few family budgets, outside those of the comparatively well-to-do, which can cope with the avalanche of doctors' and hospital bills. Savings vanish overnight. Debts are assumed which may take years to pay off. A really serious illness is only too often a first-class catastrophe under a system of payment where the total cost falls on the sick.

The further down the economic scale you go, the worse the situation becomes. And for nearly one-half of our population—the 70,000,000 people living in families whose total income is $60 a week or less—the situation is pretty desperate. In fact, I think, it can be fairly stated that the great majority of families in these income brackets cannot afford medical care at all. As a consequence, unless they are willing to ask for charity, they get little or no medical care—certainly, none that by any stretch of the imagination might be termed adequate.

Preventive Medicine

This is of particular importance when it comes to the matter of preventive medicine. I am sure your medical education has laid stress on the vital significance of preventive medicine. But I hope, if you intend to give much attention to it in your practice, you will first check to see that the minimum income of your patients is at least $5,000 a year. Otherwise, I am afraid you are not going to get very far.

The great majority of people today go to a doctor only as an emergency measure. With them, a periodic check-up—the most simple precaution for the maintenance of good health—is just out of the picture. Because of the expense—or what they fear the expense will be—they put off seeing a doctor during the early stages of an illness or disease when the doctor's services could be most effective. Instead, they wait until they are convinced they are really ill — a circumstance which not only adds to the doctors burden but also to the expense.

Even when the patient does manage to scrape together the money necessary for early diagnosis and treatment, the doctor is faced with a further dilemma. In far too many cases, he has to recognize that the treatments indicated are beyond the patient's ability to pay. To tell a patient, for instance, that he needs a thorough going-over in a modern hospital or clinic—with all the trimmings—is only too often like telling him he should go to Palm Beach for the winter. Where is a worker supporting a family on $40 or $50 a week to get the money? He just can't, and the doctor knows it. So the doctor gives him some medicine and warns him against over-working. For what else, in all honesty, can the doctor do?

There is a barrier of formidable proportions today between the doctor and his patient—a barrier which in many cases makes the best practice of medicine impossible. That barrier is a dollar barrier—the costs of medical care under an archaic system of payment.

There are today in this country some 25,000,000 victims of chronic diseases—over one-sixth of our entire population—the large majority of whom simply cannot afford to pay for the medical care they need. And of these 25,000,-

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*Address by Mr. Kingsley before the 4th Year Medical Students, College of Physicians and Surgeons, Columbia University, New York City, April 9, 1949.

Connecticut Brevities

An issue of 200,000 shares of $2.20 preferred stock, no par value, of **Connecticut Light & Power Co.**, was offered Wednesday (April 20) by a banking syndicate of 50 underwriters headed by Putnam & Co., Chas. D. Scranton & Co., and Estabrook & Co. The stock is priced at $52 a share, plus accrued dividend to yield 4.23%. Proceeds, together with approximately $7,947,121 raised in March by sale of debentures and common stock, will be added to treasury cash and used to help finance the company's extensive construction plan. The overall construction program from 1948 through 1951 is estimated to cost about $42,637,000.

* * *

Directors of the **Southern New England Telephone Company** recommended that the par value of the company's capital stock be reduced from $100 to $25 a share and that four new shares be issued for each of the 600,000 shares now outstanding. This proposal was approved by the stockholders at their annual meeting on April 5 and will be effective May 9. About 90% of the present 12,060 stockholders are Connecticut residents.

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Several changes have been made in the management of **Colt's Manufacturing Company** prior to the annual meeting. Graham H. Anthony, President, has become Chairman of the Board of Directors; B. Franklin Connor, Vice-President, has become President; and Richard S. Havourd, Secretary, has also become Vice-President. Three new directors have been appointed, William T. Golden, David A. Goodkind and Sylvan C. Coleman. The new directors represent a group of large stockholders who engaged in a proxy contest with the management at the annual meeting in 1948. The new composition of the board is believed to represent a friendly compromise and to be mutually agreeable.

* * *

Doman Helicopters, Incorporated of Danbury, announces that its new utility helicopter is expected to be flying by September. The new model, which is an unusual shape and will have a high weight to power ratio, has been designated as the L-2A "Pelican." The plane will accommodate five passengers in the after cabin and a pilot and co-pilot up front. The engine is in the nose of the helicopter below the pilot and co-pilot seats.

* * *

At the annual stockholders meeting of the **U. S. Finishing Company**, Grant A. McClatchie was removed from the office of President by the group of stockholders which gained control of the company in 1948 when 11 new directors were elected. Donald B. Derby was named President of the Board of Directors and Chairman of the Executive Committee. No new President was elected.

* * *

Stockholders of **Billings & Spencer** have adopted a resolution limiting the duration of the company to Dec. 31, 1954. The company presently is being operated as a subsidiary of Bingham-Herbrand Corporation, which acquired approximately 84% of the stock through its offer of $7.50 per share. The annual report of Billings & Spencer reveals that the company earned $0.29 per share in 1948 compared to $0.70 the previous year.

* * *

The Connecticut Public Utilities Commission has granted **Bridgeport Hydraulic Company** permission to issue 36,000 additional common shares, $20 par value. Proceeds are to be used to pay for improvements to its system and retire short-term bank loans.

* * *

Directors of **Greenwich Gas Company** failed to take any action on the preferred dividend usually paid April 1. The company recently received a rate increase, but the management did not feel that the increase was sufficient to pay expenses, bond interest and dividends. The commission claims the new rate will provide a return of 5.2% on the indicated rate base. The company plans to operate under the new rate schedule on a trial basis for the next few months.

* * *

Connecticut Power Company has called for payment on May 1, 1949 at 100 and interest $125,000 of its first and general mortgage series C 3¼s due Nov. 1, 1975 at Hartford National Bank & Trust Co., Hartford.

* * *

John J. Hopkins, President of **Electric Boat Company**, stated that it was anticipated that consolidated net income for 1948 before taxes would be over $4,300,000, including a non-recurring income of $2,700,000. Net after taxes should be over $2 million against $598,845 in 1947. Sales were about $54,500,000 compared with $26,925,037 in 1947. The 1948 figure includes some $20 million of aircraft and submarine work actually carried out in 1947. Unfilled orders at Dec. 31, 1948 were over $60 million.

Two With Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William L. Folds and Leo F. Garrity have become associated with Shields & Co., 135 South La Salle Street. Mr. Folds was formerly with Slayton & Co. and John A. Dawson. In the past he was with Paine, Webber & Co.

Our Aging Population

By LOUIS I. DUBLIN*

Second Vice-President and Statistician, Metropolitan Life Insurance Company, New York

Dr. Dublin classifies as factors which have increased aged in population as: (1) cessation of immigration; (2) reduction in birth rate; and (3) improved survival. Says foremost among problems of the aged are economic difficulties in which large numbers of them find themselves. Sees need for further old age assistance but warns against abuses. Says problem of increasing aged in population is becoming more acute and urges that it be met before intolerable conditions develop.

For the sake of clarity and precision, I propose first to define the topic I am to consider with you. What do we mean when we speak of the aged? I shall follow what has been sanctioned by usage, namely, to identify the aged with those who have attained their 65th birthday.

Dr. Louis I. Dublin

This is, of course, an arbitrary division, but it is a convenient one. Yet it is necessary at the very outset to point out that this does not carry with it any connotation of physical infirmity or of economic dependency. The so-called aged, that is, those who are 65 and over, are a diverse group. Some at 55, and even at younger ages, are clearly old by any standard; others at 80 are still fresh and spry and are doing a creative job. In other words, we must distinguish between chronologic and physiologic old age. They are very different. We all know examples in our own business and in other lines of commerce and industry of many extraordinarily able men who at 75 and 80 continue to carry large responsibility and do it well. They are anything but old men either physically or mentally. It will help us to keep this important distinction between chronologic age and physiologic age in mind in our later considerations.

The Aged Population

There is another basic fact that I must develop somewhat fully in order to lay the foundation for what I shall say further on, and that is the rapidly increasing proportion of those in the later age brackets. Until fairly recent decades, our country was characterized by the youth of its people. We had grown rapidly through the heavy immigration of relatively young men and women, and this, together with high birth rates, swelled the proportions at the younger ages. The effect, of course, was to diminish the relative importance of those 65 years of age and over. Thus, in 1900, in a total population of 76,000,000, only 4.1% were in the 65 and over age bracket, less than in the more stabilized countries of Europe. The old among us were then relatively few in number and they were readily absorbed into the normal family life of our people. No wonder they attracted relatively little attention. Certainly, there was little awareness of a serious economic or social problem arising from our old people. No special facilities were thought necessary for them outside of the poorhouse for those who could not provide for themselves or had no children or other relatives who could take care of them.

But conditions have changed materially in the last 50 years. Immigration was virtually cut off in the early '20s. Our birth rates have declined rapidly and, despite the wartime resurgence, the outlook is for further decreases. Then, to round out the picture, the advances of medicine and of public health work have saved progressively more and more young lives. You know how infant mortality has been sharply reduced. The children's diseases, which in the earlier years were devastating, have been virtually eliminated as factors in mortality. Typhoid fever has been practically wiped out. Even tuberculosis, pneumonia and influenza have been reduced by over 80% since the beginning of the century. The effect of all of this lifesaving at the earlier ages has, of course, been to bring more and more of the population into the older age brackets.

The chart which is before you illustrates in a dramatic fashion the changes in survivorship during the last 50 years as a result of the improvements which I have enumerated. These are survivorship curves which show what happens to two populations, each of 100,000 traced from birth to the end of life, one under conditions of mortality prevailing at the beginning of the century and the other under current mortality conditions. I have also projected the survivorship curve for another 100,000 on the basis of mortality conditions which will probably prevail about 1975. Observe how marked the shift has been in the age to which three-quarters of each group survive. At the beginning of the century, the age beyond which three-quarters continued to live was only 24 years; but, currently, it is 60 years, and according to the forecast for 1975, it will be 67 years. At the half-way survivorship mark, the figure advances from 58 years at the beginning of the century to 72 years currently, and the indications are that it will be about 76 years in 1975. Let us look at this in still another way. Mortality conditions in 1900 were such that a young man 18 years of age starting out on his productive career had a chance of one in two of reaching his 65th birthday. Today, the same chances of survival are two in three.

Taken together, the three factors I have mentioned—cessation of immigration, reduction in the birthrate, and improved survival—have radically changed the pattern of our age distribution in the past 50 years. The Census of 1950 will, according to latest estimates, show more than 11,000,000 people over 65 years of age, or 7.7% of our total population. In other words, the proportion of older persons has about doubled in the last half-century, and the absolute numbers have almost quadrupled. Not only are more people entering the threshold of old age, but the outlook for living beyond that age has also improved. For the average person now at 65, the expectation of life is 13⅔ years, about two years greater than in 1900. I hope you can now see more clearly how we have arrived at our present situation, in which people beyond age 65 loom large, both in numbers and in the importance of the challenge which they present to us for their welfare. Old age is a significant period of life and will be increasingly so in the future.

There are other considerations which bear on our problem. Since the turn of the century, our population has become increasingly urbanized and industrialized. In 1900, our cities and towns included only 40% of our people; in 1940, the figure was 57%, and by 1950, it undoubtedly will be considerably higher. Now it makes a lot of difference whether old people live on the farms or in the cities. In the good old days, when we were predominantly a rural and agricultural people, the old were still useful in the home and on the farm. They then found a ready acceptance in the large houses of their children and grandchildren. How different the situation is today when so many of them are concentrated in the cities and dependent for a living on a job in industry or trade! And with the housing problem acute as it is, the small flat is certainly no place where the aged parent can be absorbed by children raising their own family. Nor is it to be overlooked that the dependent aged parents of today have fewer children to share the burden of their support than was the case half a century ago.

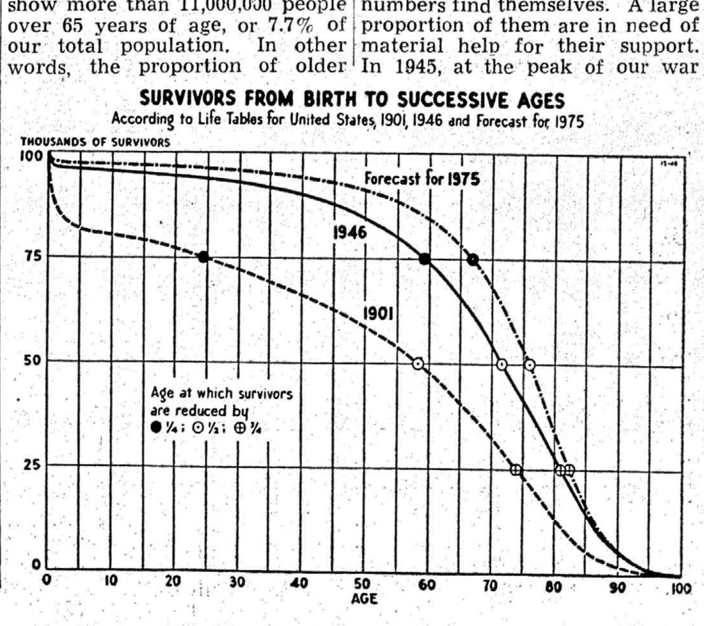
This, then, is the picture that confronts us. What are its social and economic implications, not only for the aged themselves, but also for the nation. Why all this discussion and concern about our aging population?

The Support of the Aged

Foremost among the problems of the aged are the patent economic difficulties in which large numbers find themselves. A large proportion of them are in need of material help for their support. In 1945, at the peak of our war

SURVIVORS FROM BIRTH TO SUCCESSIVE AGES

According to Life Tables for United States, 1901, 1946 and Forecast for 1975



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

effort, when every hand capable of work was called into the country's productive efforts, only one-third of those 65 and over were then either employed by others or self-employed. The latest available figures for this year show that only one-quarter of those 65 and over are employed. This is the situation at a time of virtually full employment and high national prosperity with a growing need for skilled workers. Among men at this stage of life, the picture is naturally better, the proportion employed being about 43%. It is interesting to note, however, that more than one-quarter of these employed men are in agriculture. Apparently, farmers stay on the job after age 65. Outside of agriculture, the large majority of the aged men are no longer in the productive forces of the country. Quite understandably, only a relatively small proportion of the women 65 years of age and over are still at remunerative work, namely about 9%, and we must not forget that women constitute the larger number of the aged in our population. Many of them are widowed and with only limited skills of commercial value, they constitute the more difficult part of the economic problem of the aged.

To be sure, the picture is not as dark as it appears at first blush. There are definite and encouraging offsets to these economic handicaps. First, there is the Old Age and Survivors Insurance feature of our Social Security program, under which one and a half million aged persons are now receiving benefits. This, however, is designed only to provide for minimum needs. Second, there is the ever-increasing number of private pension plans made available by commercial and industrial organizations, through which over a quarter-million of their retired employees are receiving support. Other pension schemes, including those in the railroad service, the governmental retirement plans, Federal, State and local, provide income to almost three-quarters of a million persons. In addition, approximately one and a half million at ages 65 and over, or about 13% in this age category, received their support from investments or from individual annuity contracts. Yet, in spite of these provisions made possible by official and private old-age plans and by personal thrift, a large fraction of older people, namely, close to 40%, suffer from economic hardship under present conditions of high living costs. About 2,000,000 persons receive their support from friends and relatives, and two and one-half million receive old-age assistance, made possible under the Social Security Act by grants from the Federal Government and the States. The latter is the modern equivalent of the old poor law and places the undesirable stigma of "indigence" on their recipients.

The provisions which exist for safeguarding the economic welfare of the aged leave much to be desired. The Federal old age and survivorship benefits, it is generally agreed, are defective on several counts. First, they do not cover about 25 million gainfully employed workers primarily in agriculture, the self-employed and those engaged in domestic service. Secondly, the benefits under Old-Age and Survivors Insurance are totally inadequate under present conditions, the average monthly payment per aged beneficiary being only a little more than $22. These facts are very much in the forefront of legislative discussion, and the present Congress may make important revisions in our old age and retirement program in the direction of meeting these and other inadequacies to some degree. It is hoped that the revised statute will permit those who have retired to receive their benefits even though they earn more than $15 monthly, the present limit. I believe that it would be desirable to increase this limit to some figure such as $35 monthly, and if the Social Security benefits were generally broadened, no limit need be imposed on persons over age 70. Furthermore, it has been suggested that State and Federal income tax laws be revised to encourage the extension of private pension plans by making income for such plans tax exempt. The tax loss from this source would be comparatively small but its effects on encouraging pension schemes might be considerable. These suggestions which have been made by those interested in the economic aspects of older people have sufficient merit to justify careful consideration.

Old age pensions sponsored by industry are growing apace and have become an important branch of the private life insurance business. The average benefit under these plans is currently at the rate of $48 monthly. When supplemented by the benefits from Social Security, they should meet the essential requirements of the large majority of those who reach the retirement age in those covered industries. The limitations are still very real, however, since the fraction of workers now protected under such private pensions plans is not large.

It is, therefore, not surprising under current conditions of small benefits under Old Age Insurance and of limited numbers of private pensions plans, that old age assistance under the Social Security provisions has come more and more into the foreground. As already indicated, the number (2½ million) receiving old age assistance is more than 1½ times that of the beneficiaries of the Federal old age insurance program, and they are receiving considerably larger sums from this source than are the insured under the Federal plan, namely $41.50 as against $22. In fact, the development of old age assistance has become a scramble for more and larger benefits in quite a number of States. Thus, in Louisiana, toward the end of 1948, more than three quarters of all persons 65 and over were receiving old age assistance. The trend in this direction is very different from the intention of those who instituted the Old Age and Survivorship Insurance program 15 years ago. At that time, it was hoped that the Federal program of old age benefits would be a sound scheme providing minimum subsistence for the aged. The trend in recent years has been altogether the other way. Unless this movement of more and larger old age assistance benefits is checked, it promises to become the primary source of support of older people in many parts of the country. It is already becoming a football of politics and an enormous financial burden in some areas. If we do not take care we may approach something akin to the ill-advised Townsend Plan which for a period at least held the stage of public discussion.

Personal and Social Considerations Among the Aged

The well-being of the aged among us involves much more than the correction of their economic difficulties. Those familiar with current conditions are well aware of the serious emotional and health disturbances that confront them. We have scarcely scratched the surface of this phase of the life of older people. Housing for elderly people is particularly distressing under present conditions. Few communities have done anything in particular to provide the kind of housing old people require. Living with children or relatives is no solution, although many are forced to do so with the consequences of much friction and unhappiness for all concerned. Few wish to live as boarders or in institutions. The great majority wish to have a home of their own away from their children. They wish to be close to friends and other people of their own age with whom they can spend their leisure.

In recent years, a strong movement has developed to have more adequate housing made available for old people, especially of the type adapted to their needs. In Cleveland, for example, the Rose Foundation has worked out an interesting program. This philanthropy has placed many of its clients in families where they can enjoy a wholesome environment. It has also acquired a number of apartment buildings which are open to old people, both couples and single. The elders have the privacy of their own quarters and enjoy common facilities for dining and recreation. They can thus spend their time pleasantly with others of their own age. A trained social worker is available to help them solve the various difficulties that arise. Medical and nursing care is provided. Many of the old people pay their own way; others meet only part of their costs, and some pay nothing at all. But all are on the same footing with respect to service and accommodations. How different from the old poorhouses where the normally alert aged were thrown together with the senile and where idleness dulled the senses.

This type of subsidized housing, especially designed for the care of older people, fortunately, is spreading to other cities. New York, for example, has made some progress in this direction. The waiting lists are long, however, and much is needed to meet the demand and to replace the institutions of the last generation where old people with limited or no funds were compelled to go.

As might be expected, old people are particularly prone to sickness and accident. About one in eight of those 65 years and over suffer from some form of disability, and the older they get, the higher the sickness rate. They suffer particularly from a variety of chronic diseases, such as heart disease, kidney disease, diabetes and cancer. Our few hospitals for chronic diseases are filled to overflowing, and many patients are kept waiting until beds are available.

There is, accordingly, need for much thought and action to meet the medical needs of old people. Some services can be rendered by the official health departments. But the largest measure of care must remain in the hands of private physicians and an increasing part should be left to the ministrations of the local voluntary health agencies. A pressing necessity is for a larger number of beds for aged invalids and semi-invalids. A special type of institution is evolving, different from the old custodial institution and the expensive general hospital. Many of the old people who are ill or disabled can also be cared for in their homes. But this will obviously call for a greatly expanded and better organized service of physicians, visiting nurses and housekeepers. A recent suggestion that may have merit in this connection is that the Federal Government, so long as it continues to subsidize State old-age assistance, remove the present prohibition of Federal grants with respect to otherwise eligible recipients who reside in accredited public nursing homes.

A serious difficulty which those who minister to the older people have observed is the boredom and sense of frustration from which so many of them suffer. A wider extension of remunerative work would help to solve this problem. But even when older persons are no longer capable of remunerative work, or when they do not wish to work for a living, it is desirable that they have some congenial avocation or activity to preserve their morale and thus have the feeling that they are still useful to themselves and to others. Old people can make a fine contribution when suitable arrangements are developed to utilize their abilities. Those who are qualified can engage in social or community services of one kind or another; some can help in the public libraries or in the hospitals; in the care of children at play; even their hobbies can often be utilized. Any work that is suited to their strength and skill will add greatly to their happiness and improve their health. The great desideratum is a community organization of public-spirited citizens which will be concerned with meeting the needs of the aged. They will inquire into the adequacy of the local facilities—facilities for recreation, for the development of hobbies or for the utilization of the talents of older people. Such an organization will see that old people are visited by kindly neighbors; that they are made much of on public occasions and given places of honor. All of this will help to encourage the feeling among oldsters that they are still useful and wanted.

Employers who have older people working for them can aid in this connection. Personnel departments can assist in preparing those who are about to retire to meet conditions that will confront them. They can arrange for classes and clubs where those who will retire in a few years may develop such hobbies and talents as will keep them interested and useful during the period of their retirement. Large plants can well afford to employ an old-age counsellor who, in conference with the individual employees, will help in their adjustment to the time when they will leave the plant. In like manner, larger communities may engage such counsellors in connection with their welfare services, to visit with and guide older people in retirement to bring out their capacities and to aid in their adjustments. Unfortunately, we have all too few representatives at present of this useful profession.

I have talked with you of the problems of the aged very much as I would to a group of sociologists or social workers. I am, not unmindful, however, of the fact that this is a conference of insurance men and that I have a special function to point up the part which you as underwriters can play in bringing order into a situation which is now far from orderly. What does the picture that I have painted of the aged suggest as a program for life underwriters? What can you do about it?

It seems to me that the present situation directs attention to the need for more adequate coverage through life insurance of the large number of the gainfully employed in our nation. We must more and more emphasize personal responsibility and individual thrift as a means of building up sufficient assets during productive years, to meet the requirements of old age. More adequate insurance will serve as a foundation for such a program. Secondly, you will, I am sure, wish to participate in spreading Group insurance and pension plans to cover more employees in commerce and industry. There is a large field to be developed, and as underwriters you can render a useful public service. Such group plans covering a larger section of our working population will provide an additional pillar of security for older people. Professional interest will also call for your active participating in the development of sounder policies in the extension of our Social Security program. Finally, as good citizens in your respective communities, I would urge you to be interested in aged persons and to act on community projects which are concerned with their welfare. It is logical that insurance men should play a part in such efforts, as you do in so many other local activities. Your participating along the general lines I have indicated should materially aid in the solution of the problem of the aged.

In closing, let me remind you again that we are concerned with a problem which is becoming increasingly acute. The number of older people will continue to grow to large proportions. Now is the time to meet the situation. Unless we do so, intolerable conditions may develop a decade or two hence, and it will then be much more difficult to make the necessary adjustments than it is at present.

Mutual Funds

By HENRY HUNT

Price-Dividend Ratio Lowest in Generation

"The current decline in business activity and the general uncertainty with respect to business prospects, coupled with the action of the Federal Reserve Board in lowering margin requirements, have brought forth a number of conflicting views as to what is in store for stock prices.

"It is, of course, impossible to arrive at any precise answer to this question; but in any attempt to evaluate common stocks, it has always proved helpful in the past to give careful consideration to the current price of stocks in relation to their probable dividend payments.

"In this connection we think readers will be interested in the following table which contains a historical record of stock prices and dividends since 1929:

Prices and Dividends (Dow-Jones Industrial-Stock List)

	High for Year*	Average Dividends	Price Div. Ratio**
1929	381.2	$12.75	29.9
1932	88.8	4.62	19.2
1933	108.7	3.40	32.0
1937	194.4	8.78	22.1
1938	158.4	4.98	31.8
1940	152.8	7.06	21.6
1941	133.6	7.59	17.6
1942	119.7	6.40	18.7
1943	145.8	6.30	23.1
1944	152.5	6.57	23.2
1945	195.8	6.69	29.3
1946	212.5	7.50	28.3
1947	186.9	9.21	20.3
1948	193.2	11.50	16.8

*Based on daily closing prices and not on high for the day.
**Represents the rate at which dividends have been paid in relation to the high point for stock prices in each year.

"A number of authorities estimate that even though corporate earnings may be somewhat less in 1949 than in 1948, dividend payments will be about the same; and on this basis, in relation to the current level of the Dow-Jones index of thirty industrial stocks, the price-dividend ratio would be about 15.3. This is at the lowest rate in the past generation."—From Vance, Sanders' "Brevits."

Outlook for Utility Stocks

Although the economic outlook for the utility industry appears fundamentally favorable, the possibility should not be overlooked that over the near term the price of utility stocks may be affected by the unprecedented amount of equity financing overhanging the market, according to the current issue of "Perspective" issued by **Calvin Bullock.**

"The magnitude of the problem of raising additional equity capital is indicated by the amount of new generating capacity added in recent years as compared with the budgeted increase for the near future," the booklet states. Figures quoted show that capacity added during the past three years totaled 6,550,087 kilowatts compared to a total of 18,479,520 kilowatts budgeted for the years 1949-51.

It is estimated that the expansion program as budgeted will increase expenditures to around $2 billion per year or an aggregate of $6 billion as compared to $3.4 billion for the past three years, the

(Continued on page 17)

Prominent Personalities

(Fifteenth of a Series)

HENRY T. VANCE

Senior Partner, Vance, Sanders & Co.

Still in his early forties, Henry Vance has put a lot of important milestones of solid accomplishment behind him. Going to Boston from Racine, Wis., via the University of Pennsylvania's Wharton School of Finance, with a nine-year stopover in New York City's highly competitive investment banking training ground, he not only has contributed most importantly to the development of the business he now heads but in addition he has won the high regard and sincere respect of many of Boston's most important financial and civic leaders. He has been active in Community Fund work and has held top positions of responsibility in this and other such civic projects. He is a director of the YMCA and a trustee of the Boys' and Girls' Camps, Inc.

Henry T. Vance

Henry, as he quickly becomes known to all who meet him, has two readily recognizable traits—a pleasant, engaging personality that responds understandingly to the other fellow's point of view and a prodigious capacity for high-speed, intelligent work. This doesn't mean that he either knows or pretends to know all the answers. In fact, one of the prime reasons for his success and for the high regard in which he is held is that he's quite aware that no one knows all the answers, especially in the investment business.

His attitude toward the business of managing investments is well expressed in his observation relating to the operation and management of Boston Fund, of which he is a director, appearing in one of that Fund's pieces of literature as follows:

"I have always been wary of spectacular success—the bold stroke and the rich reward—especially with respect to managing investments. Management should above all be dependable, and you cannot place dependence upon the achievement of spectacular results. In my opinion the qualities which dependable management should possess are those solid traits of character—integrity, courage, responsibility and patience. Given those traits, along with common sense and seasoned judgment, you will have a management that may be depended upon to produce satisfactory results."

That kind of careful approach is typical of Henry's business philosophy and of life generally. You can see it in his golf game, which is consistently good for the time he devotes to it, but he "doesn't drop the ball two feet from the pin on every approach shot."

He knows that sailing is an art requiring long years of experience and so you won't find him trying to outsmart the old salts, who race their crafts off the Manchester shore, north of Boston, where the Vance family resides. Instead, Henry's sailing is confined pretty much to in-shore excursions, frequently with all or some of the members of his attractive family, which includes Laurie, his wife, Susan and Sally, daughters, age 10 and 9, and son Tommy, 3.

Henry sees a great future for the mutual fund business but he also believes that if the industry is to realize its tremendous possibilities, it must avoid the mistakes of the past and it must follow sound selling methods. By sound methods he means for one thing avoidance of "over-selling," that is, giving an extravagant idea of what an investment company can do—and for another, avoidance of "comparative performance" selling—no fund can always be at the top of the list and as soon as it slips even a little way down, shareholders who bought on "comparative performance" become dissatisfied. He believes that any reputable fund will do a far better job than the average or even above average investor. So why gild a perfectly good lily in face of the sure knowledge that when the gilt wears off, it's not going to look as it was represented to be.

Henry ought to know what he's talking about inasmuch as his organization has distributed more mutual fund shares than any other in the business, and because the oldest members of the Vance, Sanders selling group are still among its largest producers and are also among Vance, Sanders & Company's best friends.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Mortimer W. Loewi to Charles H. Gross will be considered by the Exchange on April 28.

Major B. Einstein retired from partnership in Waldheim, Platt & Co. April 1.

Harold H. Woollard, Jr. will retire from partnership in Weston W. Adams & Co. May 1.

Paul Linz will withdraw from partnership in Carl M. Loeb, Rhoades & Co. April 30.

Lester J. Alexander will retire from Sartorius & Co. on April 30.

Mutual Funds

(Continued from page 16)

booklet says. Commissioner McEntire, of the SEC, is quoted as saying that a considerably greater proportion of new money raised in the future will have to come from the sale of common stock or the financial structure of the industry will deteriorate.

Competing with the operating properties for the limited amount of equity capital available are large aggregates of common stock that must be sold by holding companies to pay off bank loans and satisfy the need for working capital, the booklet states. In addition the market will be called upon to digest substantial holding company non-cash distributions which will take time to season, it added.

"Hence, from here on for some time to come the market will be called on to absorb not only a three-fold increase in the budgeted amount of equity financing by the operating companies but also a large amount of holding company sales for cash," the booklet said.

"Blue Chip Number 31"

In an attractive new folder, **Hugh W. Long & Co.** compares the performance record of Fundamental Investors, "Blue Chip Number 31," with that of the 30 blue chips comprising the "Dow."

It points out that only one listed stock in five out-performed the "Dow" during 1948. Yet, during the past 12 years, only one stock out of 7½ among the 30 "Dow" issues has out-performed Fundamental Investors.

With this folder, Hugh is giving dealers a souvenir blue chip, the size of a silver dollar with the numeral "31" on one side and "Fundamental Investors" on the other. Keep up the good work, Gene and Willie.

Analyzes Stock Price Drop in Terms of Yields

"Business Bulletin" of Cleveland Trust Company points out decline in ratio of stock prices to dividends since 1944 has about equalled that in 1929-1932 period, but earnings in latter period declined, while current earnings have risen.

The current issue of "The Business Bulletin," published by the Cleveland Trust Company, Cleveland, Ohio, furnishes an analysis of stock prices, based on dividend yields over the last 50 years. Commenting on the current situation as contrasted with past periods, the "Bulletin" states:

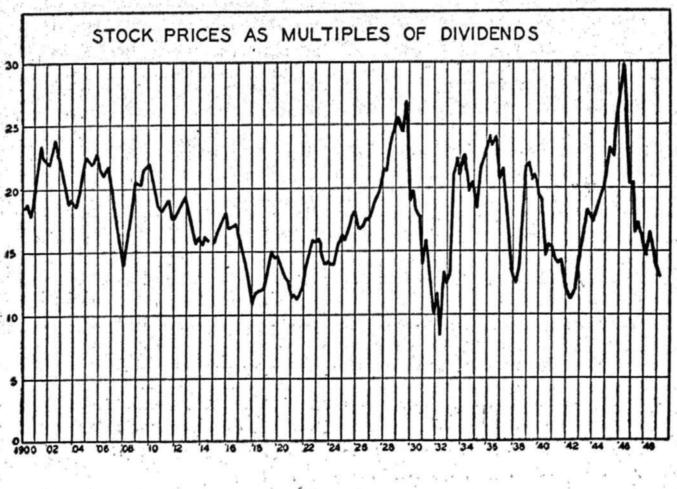
"In terms of their yields, common stock prices in March were below a year ago. The average price in March of all dividend-paying common stocks traded in on New York Stock Exchange was 13.2 times the average of their dividends, while a year ago these stocks were selling at 14.8 times their dividends. That ratio for March of 1949 was only fractionally higher than that for February, which was at the lowest point for more than six years. Over the past 50 years dividend-paying common stocks have sold on the average at 17.1 times dividends. The ratio has usually exceeded 15 times and has quite frequently been above 20 times. In only 11 of the past 50 years, however, has it dropped below the current level.

"In the diagram given below, the line shows at quarterly intervals, ended with February, 1949, during the 50 years from 1900 into 1949, the average price of all dividend-paying common stocks regularly traded on the New York Stock Exchange as multiples of the dividends paid. The computations were made by adding for each month total dividends paid in the previous 12 months on the common stocks and dividing that figure by the sum of quoted prices of the same stocks. That is, if the total dividends amounted to $4,000 and the total of the prices to $100,000, the result was entered as 25 since the prices are 25 miles as much as the dividends.

"At the beginning of the century common stocks sold to yield only a little more than 4%, which means that their average price was nearly 25 times their dividends. Then the ratio drifted downward for almost 20 years until during the war prosperity in 1917 stocks sold for only 11 times dividends. They rose after the war, dropped again to 11 times dividends in the depression of 1921, and then rose for about eight years until they reached the top in 1929. In 1939, at the beginning of World War II in Europe, stocks were selling for about 22 times dividends. They declined, as they did in World War I, until they were selling again for 11 times dividends in 1942. They made a rapid advance thereafter to the middle of 1946 when they were selling for almost 30 times dividends.

"The decline in the ratio since 1946 has been sharp, and has about equalled that from 1929-32. The difference is that the 1929-32 drop was accompanied by rapidly declining business to a level of deep depression, while the drop since 1946 has been accompanied by rising business activity which reached a new peacetime record in 1948. When this postwar business boom got under way early in 1946, the average yield of the common stocks used in the diagram was 3.62%. Last fall it was 6.93%, and in February, 1949, it was 7.63%—which compares with a 50-year average of 5.86%.

"The apathy of the stock market in the face of increased earnings and dividends has been a notable characteristic of this business boom. Some individual stocks have had wide price swings; but compared with past performances, the action of the market as a whole since the fall of 1946 might be described as a cautious crawl."



Yantis and Brailsford Combine Organizations

CHICAGO, ILL. — One of the largest moves in LaSalle Street in several years is disclosed in the announcement that the officers and members of the organization of Brailsford & Co., Chicago, joined F. S. Yantis & Co., Inc., April 18. The change followed the dissolution of Brailsford & Co. brought about by the recent death of their President, Walter R. Brailsford. The expanded organization will have offices in the present Yantis quarters at 135 South LaSalle Street. Larger quarters are planned later on when space becomes available.

F. S. Yantis

Roy Iverson, Hubert S. Conover and Edward M. Burke, formerly Vice-Presidents of Brailsford & Co., will hold similar positions in the Yantis firm. Frank O. Burleigh, a member of the Yantis organization since 1934, becomes a Vice-President. Garrett S. Church formerly with Brailsford, will head the sales department and Mr. Burke and Cecil O. Condit, will head the Trading Department.

"The facilities and services of the two firms complement each other," Mr. Yantis said in his announcement. F. S. Yantis & Co. has been primarily an underwriter of securities and has headed syndicates which have marketed numerous offerings in past years. Brailsford & Co., which is the outgrowth of a Chicago investment house established in 1910, has also been an active underwriter and has maintained an extensive sales organization both here and at various out-of-town points.

Mr. Yantis is a director of a number of companies including: Chase Candy Co., Atlas Film Corp., General Bottlers, Inc., Black, Sivalls & Bryson, Inc., and Chicago and Eastern Illinois Railroad.

K. W. Lineberry, Vice-President, is a director of Black, Sivalls & Bryson and Atlas Film Corp. Mr. Iverson is a director of Athey Products Corp., Chicago, and Culver Corporation, and Mr. Burke and Mr. Conover are directors of Harrison Wholesale Company, Chicago. Mr. Conover is a director of Portis Style Industries, Inc.

Joseph McManus to Admit Christian Hobbs

Joseph McManus & Co., 39 Broadway, New York City, members of the New York Stock Exchange will admit Christian H. Hobbs to partnership on April 28. Mr. Hobbs will acquire the stock exchange membership of Joseph V. McManus. An employee of the New York Stock Exchange since March 1920, Mr. Hobbs has been Assistant Manager of the Department of Floor Procedure for the past 11 years.

Eugene R. Farney Opens

MORRIS PLAINS, N. J.—Eugene R. Farney is engaging in a securities business.

Porteous Winds Up Fund Lectures

At course finale he gives selling techniques for meeting emotional wants of prospective buyers. Squier explains Finance Institute's objectives.

The curtain rang down on Tuesday, April 19, on a series of 10 lectures on the Retail Salesmanship of Mutual Investment Funds at the New York Institute of Finance. The speaker was Douglas K. Porteous, a retailer of funds, whose keynote expression, is "Time not spent in the presence of the prospective client is time wasted."

Douglas K. Porteous

At this finale of the series, great satisfaction was voiced that it has been most informative, as well as a constructive milestone in the expansion of the Fund field.

Mr. Porteous, in a stimulating lecture urged that salesmen not merely "offer" Funds, but instead make definite attempts to "sell" them through modern sales techniques.

The technique of selling Funds was likened by Mr. Porteous to an effective sales letter. Appreciation, interest, conviction, desire, and a "close" were each discussed from the standpoint of their application in a salesman's personal conversation with his prospect.

In initiating an interview with a prospect it was urged that the salesman make a brief comment of interest. "A worthless stock certificate, a newspaper reprint handed to the prospect, or some other item of interest is a good opener. The question-opener is, of course, the best for it gets the other man to disclose his thinking and objective," said Mr. Porteous

"In order to obtain interest it is desirable to talk in terms of benefits and advantages to the buyer, such as income every 90 days, peace of mind, a living annuity, etc.," the speaker continued

"The conviction phase of the interview is the appeal to reason through facts. This is not necessarily lengthy; in fact it must be concise and applicable. Diagrams are usable, for the average man remembers one-tenth of what he hears; three-tenths of what he sees, and five-tenths of what he sees and hears.

"To stimulate desire it is necessary to understand the buying motive — which is either 'greed' for gain, or 'fear' of loss. The salesman's objective is to make the buyer want your Fund and its results. Draw attention to a lack, a need, or a want; explain how a Fund will satisfy these desires; then picture your prospective buyer as enjoying the satisfactions. The desire step is the most important of the five steps of selling, yet it is the most neglected. The act of closing a sale is relatively unimportant if the first four steps have been adequately handled, especially desire."

Trial "closes" were suggested by Mr. Porteous, such as "Would you like to start your Trust Fund with an initial acquisition of $10,000, or would you prefer to make it $5,000?" "Do you have your certificates delivered at home or at the office?" The subject of comparisons and the subject of contrasts as closing techniques were explained.

"Never underestimate the power of a woman, in other words in selling men always consider they'll be influenced by the wife or by the women in the family; try to arrange joint interviews. Sell women direct, too," Porteous continued.

"It is necessary to like people and it is necessary to like to sell in order to be successful. A sincere smile is the first ticket to success. Salesmen should do about 50% as much talking as the prospect. Do not make more than three calls on a prospect. Use exhibits, use a pencil and paper in making your own diagrams. There is a marked difference between 'offering' and 'selling'; study 'The Five Great Rules of Selling' by Percy H. Whiting (McGraw Hill—1947)," he concluded.

* * *

Subsequent to Mr. Porteous' lecture, the aims and objectives of the New York Institute of Finance were discussed by Albert E. Squier, Director. He extended thanks to all on the success of this lecture course and stated this series of ten lectures will be distributed in printed form.

Thomson & McKinnon Opens Dallas Branch

DALLAS, TEX.—Thomson & McKinnon, members of the New York Stock Exchange and other leading exchanges, has opened a branch office in Dallas at 1312 Main Street. Owen Gassaway will be resident partner and Gus Rounsaville, Jr. will be resident manager. Mr. Gassaway was formerly in the firm's Jacksonville, Fla. office. Mr. Rounsaville was with the Dallas Union Trust Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The Hartford Fire Insurance Company is one of the oldest and largest fire insurance companies in the country. Its history dates back to 1810 and because it is one of the most influential and profitable companies in the industry, brief comments on the annual report to stockholders for the year just ended are made at this time.

The company was influenced by the general trends present in the industry. Written premiums continued to increase but at a slower rate than in 1947. The increase for 1948 amounted to 14% as against 24% a year earlier.

The loss and expense ratios showed improvement and with a gain in premiums earned of 17.6%, Hartford Fire reported a profit from underwriting equal to $8,404,045 as compared with a loss in the previous year of $1,575,981.

Investment results reflect the very conservative policies of the management. Investment income after expenses was moderately higher increasing over 1947 by 7.1%. A larger volume of funds and higher interest rates as well as some increases in dividend payments accounted for the gain.

These various factors are summarized in the following comparative operating statements for the Company. Results of Hartford Accident and Indemnity Company, the casualty subsidiary, are not included in the figures.

COMPARATIVE OPERATING STATEMENTS

	1948	1947	Change
Underwriting—	$	$	$
Premiums Written	115,436,885	101,206,071	+14,230,815
Increase in Reserve for Unearned Premiums	14,692,558	15,535,727	— 843,169
Premiums Earned	100,744,327	85,670,344	+15,073,983
Losses Incurred	45,131,206	46,177,451	— 1,046,245
Loss Adjustment Expenses	2,929,571	2,947,918	— 18,347
Underwriting Expense	44,279,504	38,120,955	+ 6,158,549
	92,340,282	87,246,324	+ 5,093,958
Underwriting Profit or Loss	8,404,045	—1,575,981	+ 9,980,026
Investment—			
Interest and Dividends	6,019,156	5,578,750	+ 440,406
Investment Expense	—742,264	—651,867	+ 90,397
*Net Investment Income	5,276,892	4,926,884	+ 350,008
†Net Operating Income	13.680,937	3,350,903	+10,330,034

*Before extraordinary adjustments. †Before Federal Income taxes.

After the unsatisfactory results of 1947, the above figures are indeed encouraging. With the fundamental factors continuing favorable, another good year is expected in 1949.

Of particular interest to investors is the use of new funds by the Hartford Group. Long known for its conservative investment policy, the company continued to use most of its available funds to buy government obligations. Of the $72,626,885 invested last year $61,229,313 or 84% was used for this purpose.

Preferred stocks having a value of $5,463,354, bank stocks of $1,247,096 and common and other securities of $4,687,123 were also purchased.

This distribution of purchases was similar to that of the previous year with government bonds and high grade preferred stocks predominating.

In the public utility preferred stock group some of the purchases for 1948 by Hartford Fire included Kansas City Power & Light Company 4%, Pacific Gas & Electric Company 5% first preferred, and Southern California Edison Company 4.88%. In the common stock group of public utility securities, transactions included the sale of part of the holdings of American Telephone and Telegraph, Philadelphia Electric and Pennsylvania Water & Power. Purchases included Peninsular Telephone and Potomac Electric.

Additions to the bank stock list were made in Chemical Bank & Trust, First National Bank of Chicago and J. P. Morgan.

Principal industrial preferred stock purchases included Armstrong Cork 4% convertible, Monsanto Chemical $4 convertible, Paraffine Companies 4% convertible, Reynolds Tobacco 4.50% and 3.60% and Sterling Drug 3½%.

Some of the more important common stock additions included American Chicle, du Pont, General Electric, Gulf Oil, Humble Oil, International Business Machines, Kennecott Copper, Phelps Dodge, Pittsburgh Plate Glass, Sherwin-Williams, Procter & Gamble, Standard Oil of California, Standard Oil of New Jersey and Texas Gulf Sulphur.

Gilder, Davidson With Shearson, Hammill Co.

Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exch., announce the association of Harwood Gilder and Thomas C. Davidson, Jr., with the firm's New York office. Mr. Gilder in the past was an officer of American Trusteed Funds.

J. A. Hogle Acquires E. J. Gibson & Co.

SPOKANE, WASH. — J. A. Hogle & Co., members of the New York Stock Exchange, announce that they have acquired and will continue the business of the firm of E. J. Gibson & Co., in Spokane, Washington. Alfred A. Larson and R. E. Nolting, each of whom have been associated with the Gibson organization for the past 20 years, will join the Hogle company and manage the Spokane office.

Gibson Associates, Inc., Great Falls, Montana, will continue as correspondents of J. A. Hogle & Co., and will be connected with the Spokane office through wires of the latter company.

With Amott, Baker Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Ernest P. Lombard is with Amott, Baker & Co., 10 Post Office Square.

Foreign Investments—One Key to Peace

By H. J. HEINZ II*
President, H. J. Heinz & Co.
Chairman, U. S. Associates, International Chamber of Commerce

Asserting "a dollar abroad is democracy in action," Mr. Heinz urges aiding world economic progress and U. S. investment abroad in support of peace. Discusses "Fair Treatment Code" for foreign investments as proposed by International Chamber of Commerce, and advocates as implementation of Truman "Point Four" proposal: (1) creation of business "climate" attractive to private investment in foreign countries; (2) sending U. S. technicians abroad; (3) using government loans to develop basic resources; (4) increasing output of strategic materials abroad; and (5) insuring U. S. business against foreign currency depreciation.

We have in common our working lives as businessmen. We have in common organizations dedicated to fostering some phase of business interests. And in my opinion we work for business interests because we believe that prosperous, profitable businesses are the best means of raising the world standard of living—and hence replacing the cold war with real peace.

H. J. Heinz, II

Let us begin our exploration of the job we have to do together by examining the kind of world we live in.

We live in a world of emergencies. We have temporary measures to handle these emergencies.

For 17 Western European Nations we have the European Recovery Plan—scheduled for four years, subject to annual approval.

As an effective step toward freer world trade we have the Reciprocal Trade Agreements Act—now before Congress for what amounts to a two-year renewal.

These are two American efforts at supporting world economic progress and therefore world trade, and world peace. The United States Associates of the International Chamber of Commerce is on record in favor of these two measures.

But these are not the only means by which we seek temporary solutions to our problems.

The Supreme Command of Allied Powers dominates the trade picture in Japan. No one knows how or when China will be effectively restored as a world trading power. Throughout the world today people are living in that sense of insecurity that stems from principles and practices whose roots are no deeper than "just for now."

In my opinion it is our job to work for those economic principles and practices which form the bed-rock of honest living. We do not have to settle for a hell of expediencies merely because Utopia is not to be had. If we fail to have the channels of world trade—which can contribute so much to world peace—functioning by 1952 we may perish.

We of the Western Hemisphere, particularly in the United States, are so much better off than our world neighbors that those of us who have not been abroad, have not seen first hand the struggle in which the peoples of the world are engaged, cannot realize the dangers of failure, nor the full part we play in thwarting those dangers.

A moment ago I said that if we fail, we perish. Let us see if we can quite simply analyze the case. Most people are agreed that if the free governments of the world do not succeed in establishing an environment in which prosperous communities can flourish and their peoples advance materially and spiritually—the peoples will turn to Communism, or some form of totalitarianism. Communism will move in. Communism will take over.

Economic Progress—Main Support of Peace

This fact, for it is a fact, however much its realization lies in the future, points up one thing: that economic progress is the main support of peace. Political collapse follows economic collapse. It does not precede it. That was true in Mussolini's Italy, in Hitler's Germany, and was certainly a major contributing cause in the case of Russia. Millions unemployed turn first to governmental controls, and, finally, in a counsel of despair to Communism or some form of statism. Therefore, sound world economic policies — not political agreements—are the foundations of peace.

Our real strength lies in the productive facilities and the free people who man those facilities. Political policies can be effective only to the extent that they are backed by resources of men and goods, and not by opinion alone.

If you doubt this, remember that the major political and diplomatic victories which Russia has achieved since war's end have been at the expense of nations economically smaller and weaker than herself.

The matter of standing up to Russia is not altogether dependent upon a governmental "get tough" attitude. It is certain that no single nation of Western Europe could successfully withstand the concerted onslaught of Soviet Russia. It is doubtful whether the 17 Western European nations could do so. Together with the United States they must do so. To bind that hope together we are now engaged in preparing the North Atlantic Defense Pact. It is this developing unity among the free nations of Western Europe and this free nation of ours that is making the Kremlin stop, look and listen now.

Advantages With Free Nations

The Kremlin knows that to succeed she must divide and conquer. All the advantages—material and spiritual—rest with the free nations. We have more people—450 million against 250 million for Russia and her satellites. We have 75% of the world's steel, more than 80% of the world's shipping, and most of the world's oil—more importantly, as a free people we have already proved we can outproduce and outfight any enslaved people. United, the free people are unconquerable.

I should like to mention one more element of the world we live in today, before suggesting steps we may take to make the picture brighter.

When Paul Hoffman took the job of Economic Cooperation Administrator, he referred to the program as "a bet on peace," and "a gamble we have got to take."

In other words, Soviet Russia seems to have three courses open to her: (1) to learn to live in peace with the rest of the world, accepting some of its premises of political and commercial freedom; (2) to play a waiting game and spread Communism in economically weak and tottering nations; (3) to precipitate World War III.

We are hoping for Number One, and betting on Number Two. We are betting that she is playing a waiting game, and that we, given this time, can aid in helping European nations so to build up their economies that their people will have no temptation to turn to Communism.

As for Number Three—nobody knows the answer to that. In spite of everything we can do to prevent it, the political needs of Russia may lead to World War III. But whether we do, or whether we don't have World War III—and we pray that we don't—the problems of achieving an economically sound world will remain. They will be the same after a third World War as they were after World War II, and after World War I. The resources we have to meet the problems will change and diminish, but not the problems themselves.

Every today had its yesterdays, and the problems we deal with today are the result of some mighty sorry yesterdays—yesterdays of isolationism, instead of world responsibility, of blinded selfishness instead of enlightened self-interest, of wishful thinking instead of informed action.

No Thriving Nation in Midst of World Poverty

Whoever believes that the United States can be a prosperous and thriving nation in the midst of an impoverished and hungry world has failed utterly to grasp any of the significance of our yesterdays.

Substantially, the organization I represent is asking you to cooperate in a program of world responsibility through enlightened self-interest and informed action.

Now, the United States Associates is the official representative of American business in the International Chamber of Commerce.

The International Chamber of Commerce is a world business organization. Its purpose is to be broadly representative of and to encourage better understanding between businessmen and business organizations of the world; to determine and express the considered judgment of world businessmen on international economic questions; and to secure effective and consistent action in improving world economic conditions, thereby promoting lasting peace.

The membership of the International Chamber is composed of thousands of businesses and associations in many countries. Its policies and recommendations on economic matters provide guidance for the governments of the world, either directly or through the United Nations. For the ICC as an organization of businessmen has been awarded top consultative status with the Economic and Social Council of the United Nations. It is in category A.

The U. S. Associates as a member of ICC cooperates with the international organization by expressing American views on inter-

(Continued on page 22)

*An address by Mr. Heinz before the Export Managers Club, New York City, March 22, 1949.

Sproul Stresses Need for New Investment

In Report of New York Federal Reserve Bank for 1948, he says growth of productivity and substantial volume of new investment are interrelated essentials for maintaining prosperity. Discounts business slump.

In the 34th Annual Report of the Federal Reserve Bank of New York, covering the year 1948, Allan Sproul, President of the institution, discusses the outlook for economic stability as well as the national economic trends. Commenting on the lessening of inflationary pressures through "roughly equated demand to available supply," Mr. Sproul expressed his views on current economic and business prospects thus:

Allan Sproul

"As surplus demand disappeared, it became increasingly important to examine the prospects for renewed growth in productivity and for sustaining a substantial volume of new investment. The two are necessarily interrelated. The basis for an optimistic outlook, linking both factors, has [already] been suggested in mentioning the inducement to cost reduction provided by a return of buyers' markets. For as cost competition becomes increasingly keen, investment for the manufacture of new products, and the imaginative exploitation of new and more efficient processes, should be stimulated. An interesting survey by a private research organization suggests that before the end of 1948 business was already planning ahead for an increased emphasis upon investment of this type. While investment for plant expansion, as such, was expected to fall off markedly over the five years from 1949 through 1953, according to the findings of this survey, cost-reducing investment appeared likely to take its place to a substantial degree.

"The slower growth of productivity (as distinguished from production) during the war and early postwar years left considerable room for additional cost-cutting investment, especially in the durable goods industries. While the necessity of using marginal labor and marginal plant and the delays in production caused by material bottlenecks or work stoppages also contributed to the lag in productivity, certainly part of the explanation lay in our inability to continue prewar rates of investment-per-man-employed (in terms of physical plant and equipment used for civilian production). The civilian labor force employed in manufacturing industries rose by more than 60% from 1939 to 1948; the physical growth of capital equipment, measured by any of the possible alternative methods, was considerably less. A sustained rate of growth in productivity, however, would presumably have required, short of revolutionary changes in technology, a rate of growth in 'real' investment at least equal to that of the employed labor force.

"If the subsidence of postwar excess demand should promote investment designed to cut costs, the prospects for peacetime economic stability in the United States would be materially strengthened. On the record, there was not yet any evidence of a decline in total capital outlays (i.e., including expansion *and* modernization) at the end of 1948. Anticipated expenditures for the first quarter of 1949, furthermore, were more than 5% greater in dollar volume than the actual disbursements made for plant and equipment in the first quarter of 1948, although forecasts for later in the year suggested a decline. Thus, there was also a pessimistic side. The spending plans of businesses and consumers are always subject to change, and if a pervading conviction should develop that tne end of inflation meant depression, it could swiftly lead to substantial curtailment, regardless of the underlying economic prospects. Unfortunately, the occurrence and the effects of an attitude of this kind are not susceptible to precise analysis or to prediction.

"The economic justification for such a state of mind was not apparent at the beginning of 1949. The scattered instances of layoffs and sales resistance frequently noted in the press late in 1948 and early in 1949 were newsworthy largely because such events had been a rarity through the years of surplus demand. They had not even reached a scale, which, before the war would have been considered evidence of normal adjustments and turnover in a robust competitive economy. And there were many new 'props' within the economy which, while in some instances creating rigidities that might obstruct corrective readjustments, also provided a considerable measure of assurance against repetition of the extremes of cumulative contraction reached in the early thirties. Price supports for agriculture, maintenance of orderly conditions in the government securities markets, the proportionately low volume of indebtedness in business and agriculture in relation to turnover, the existing balance in inventories, the availability of liquid reserves to the banking system, deposit and unemployment insurance, the likelihood of enlarged government spending if unemployment appeared to be reaching major proportions—were among the leading buttresses of an economy that was in itself essentially strong and resilient."

Ira Haupt Announces Additions to Staff

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, announce that Dr. Thatcher C. Jones, Gregory I. Harrington and Stephen Kovacs have joined the firm's institutional department. Walter E. Sullivan has joined the municipal bond department, and Richard M. Seidlitz, the mutual funds department. Eliot R. Frankel, James Goldsborough and Norman J. Lewis are associated in the stock department as registered representatives.

Marx & Co. to Admit Wineman & Weiss

Joseph M. Wineman, member of the New York Stock Exchange, and Benjamin Weiss will become partners in the New York Stock Exchange firm of Marx & Co., 44 Wall Street, New York City, on May 1. Both were partners in Wineman, Weiss & Co., which is being dissolved as of April 30.

Kalb, Voorhis to Admit

Kalb, Voorhis & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Abraham Beck and Caroline C. Towner to limited partnership on May 1.

The Gas Industry — 1949

By JAMES F. OATES, JR.*

Chairman, The Peoples Gas Light and Coke Co., Chicago

Discussing recent developments in gas industry, particularly as it affects his own company, Mr. Oates notes heavier demand for gas heating has outrun the vast increase in natural gas. Tells of difficulties in providing additional pipe lines and storage facilities and problems arising from unfavorable load factor in home heating. Points out need for rate increases as well as market for off-peak interruptible sales during warm seasons, and concludes solving these problems will determine whether public utilities as private enterprise can endure.

It has many times occurred to me that there is much similarity between the life led in these busy days of grace by the investment banker and the lawyer. They are both engaged in the implementation of vital business decisions and in the effort to make effective and profitable the new developments in our commercial and industrial life. The scene is constantly shifting. The investment banker, like the lawyer, must address himself to the study and understanding of changing business methods, ever expanding legal restrictions, and new and different industries which arise as the result of the advance of the natural sciences and the accompanying increased exploitation of the natural resources of the nation.

James F. Oates, Jr.

Having practiced law for some twenty-five years before joining the Peoples Gas Company on the first of January, 1948, I have found in the gas industry a vivid illustration of the principles I have just stated and once again, now as a lawyer in business, I find myself in constant and, I may say, agreeable association with the companion profession of investment banking as the gas industry and the investment fraternity join hands in seeking sound solutions for the current problems presented by the increasing discovery and production of natural gas and the mounting demand by the public for such gas as a fuel.

Natural gas is not a new product but its significance in the daily lives of large numbers of the American public is of most recent origin and is now of great current importance. Natural gas has been used to some extent in the Old World for more than two thousand years and was used in the United States for lighting more than one hundred years ago, but it has only been in the last 25 or 30 years that natural gas has been recognized as a fuel which can be made available in large quantities at far distances from its point of production.

Natural gas consumption in the United States has increased steadily in importance as a source of energy in the past 27 years. In 1920 it occupied only 4.3% of the distribution of total energy consumption in the United States and in 1947, this figure had already reached 13.7%. The utility sales of natural gas increased 225% between 1932 and 1947. The estimated reserves of recoverable natural gas have increased from 1925 to 1948 from 23 trillions of cubic feet to over 175 trillions, according to data published recently by the Federal Reserve Bank of Dallas, the authority for various statistics of national scope to which I shall have occasion to refer.

The American Gas Association in a release dated March 7, 1949, estimated the natural gas reserve as of Dec. 31, 1948, to be 173.87 trillion cubic feet as compared with 165.93 trillion cubic feet as of Dec. 31, 1947. In this connection, the release points out that the increase in reserves which took place in 1948 was accounted for by discoveries in the amount of 4.13 trillion cubic feet and by revision of previous estimates in the amount of 9.77 trillion cubic feet. These additions to reserves should be compared with the estimated net production of natural gas in 1948 in the amount of 6.01 trillion cubic feet.

In an address before the Investment Analysts Club of Chicago on Dec. 2, 1948, Ralph E. Davis, a nationally prominent consultant on petroleum and natural gas said:

"On a percentage basis the gas produced in 1947 represents only 3.4% of the current reserve as compared to an oil withdrawal of 8.6% of the current reserve. The rate at which gas is being found at present amply exceeds the rate of consumption and is expected under favorable economic conditions to exceed such rate for at least some years—possibly ten or twenty years."

It is, therefore, apparent that we are dealing with a commodity of some substance and one that will play a significant part in our economy for years to come.

Natural Gas Industry—a Growing Business

There is much glamour and romance attached to the natural gas industry. It is a growing business and its future has been accepted as promising by both investors and consumers. Although natura gas constitutes only a small percentage of the natural fuel reserves of the United States, the natural gas pipe line business, a relative infant in terms of age, has reached prodigious size. In 1948, 8,500 miles of natural gas pipe lines were authorized by the Federal Power Commission which will bring the total mileage of such lines in the United States to about 251,330 or 7% more than the total railroad mileage in the nation and about 67% more than the total oil pipe line mileage. The expenditures on gas pipe lines in 1948 totaled $650,000,000 and it is predicted that in the course of the next three years, $1,950,000,000 of like additional expenditures will be made.

The Peoples Gas Company, which operates within the city limits of the city of Chicago as a gas manufacturing and distributing public utility, has more than a normal interest in the growing natural gas industry. Since 1931, the Peoples Gas Company has been closely identified with the natural gas business. At that time, Natural Gas Pipeline Company of America completed its first pipe line between the Panhandle field in Texas and the Chicago area. This was the first long-distance high-pressure pipe line of large diameter ever built for the purpose of transmitting natural gas. On or about Jan. 1, 1949, Natural Gas Pipeline completed the construction of a completely powered dual pipe line system with the result that 484,000,000 cubic feet of gas can now be brought to the markets of Natural Gas Pipe line each day of the year.

Ever since the inception of the project, the Peoples Gas Company has had a very real interest in Natural Gas Pipeline both as a large purchaser of the natural gas transmitted in the line and as a substantial stockholder. On Dec. 16, 1948, the Peoples Gas Company increased its stock ownership in Natural Gas Pipeline from 27% to 100% and simultaneously acquired all of the outstanding stock which it did not then own of Texoma Natural Gas Company. Texoma is a natural gas producing company owning or controlling approximately 132,000 acres of gas acreage and leaseholds situated in the Panhandle field of Texas near Amarillo and purchasing some of its gas from other producers. Texoma provides approximately 50% of the 484,000,000 cubic feet of gas being transported daily by Natural Gas Pipeline. The remaining gas is acquired by Natural Gas Pipeline under contracts with other producers. Natural Gas Pipeline is now operating at virtually 100% capacity.

Typical Problems

In view of your interest as investment bankers in this great and growing industry, I thought that you would like to hear a comment respecting certain typical problems now faced by gas public utilities and interstate gas pipe lines incident to the economic and sound acquisition of additional supplies of natural gas for distribution in the great consuming markets. The situation of Peoples Gas Company may be in some respects typical and I, therefore, will undertake to outline briefly certain of the basic problems of this utility.

In the first place, the public utility companies—such as Peoples Gas—now find themselves with a demand for gas far exceeding the capacity of the utilities to deliver. The demand is largely for gas for heating residences. This situation has required the utilities to appeal to the state utility commissions, including the Illinois Commission, for orders limiting and prohibiting the acceptance of additional space-heating customers. Such orders are required in the public interest to avoid the serious consequence of curtailment of the send-out to the great body of general domestic customers and to avoid the shut down of industries, dependent upon gas, during the peak periods occasioned by severely cold winter weather. Because of inadequate supplies of gas the local utilities find themselves in the unwholesome position of being unable to provide to the public the service which the public demands. This situation cannot be tolerated and must and will be solved but its solution is not easy, as I will undertake to demonstrate.

It should be made clear initially that the plight of the utility companies is not of their own making. The great demand for gas for space heating, particularly of family residences in great metropolitan areas, has arisen during and since the war at a time of steel shortages when pipe has not been readily and economically available. This demand has been greatly aggravated by the anomalous fact that gas, long recognized as a superior fuel because of its efficiency, cleanliness, reliability, and ease of handling, is now selling pursuant to regulated rates at a price substantially less than the

(Continued on page 24)

*An address by Mr. Oates before the 13th Annual Conference of the Central States Group of the Investment Bankers Association of America, March 17, 1949.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Sterling National Bank and Trust Co. of New York announced on April 14 the election of Louis Katzman as Vice-President. Mr. Katzman, formerly a Vice-President of the Public National Bank, New York, will be at the Chanin Building Branch.

* * *

On the southeast corner of Second Avenue at 23rd Street, **The Bank for Savings in the City of New York** has begun the erection of a branch office to provide for community growth in that section. It will be a one story building with a frontage of 25 feet on Second Avenue and 100 feet on 23rd Street. It is anticipated that the new office will open for business this summer. Mr. Albert A. H. Bliss, Assistant Comptroller of the bank, will be in charge. The Bank for Savings is New York's oldest savings bank and has over 200,000 depositors.

* * *

Ralph C. Gensel has been elected a trustee of the **Queens County Savings Bank, New York.** Mr. Gensel is Vice-President of Arkwright, Inc., and President of Syndicate-Arkwright Trading Co., Inc.

* * *

Capital stock of the **Columbus National Bank, Providence, R. I.,** was increased 25% by unanimous vote of more than two-thirds of the outstanding shares at a special meeting of stockholders on April 12, Luigi Scala, President, announced, according to the Providence "Journal" of April 13, which added:

Authorized shares were increased from 40,000 at $10 par value to 50,000 at the same par. The new shares will be available to stockholders at $15.50, the current market value, on the basis of one share for each four shares held. Subscription rights were mailed out to stockholders on April 12. Directors of the bank have agreed to purchase all shares not sold under the rights.

The new capitalization of $500,000, with a surplus of about $265,000, will become effective June 23. Present capitalization is $400,000 with $210,000 in surplus.

* * *

Harry L. Derby has been elected to the board of the **Montclair Trust Co., Montclair, N. J.,** it was announced on April 14, said the New York "Times" of April 15, which added: Until his retirement in 1946, he was President of the American Cyanamid and Chemical Corp., New York.

* * *

The First National Bank of Butler, N. J., has reduced its common capital stock from $50,000 to $20,000 effective April 1, and the same day increased its common capital stock from $20,000 to $80,000 by the sale of new stock, according to the April 11 bulletion of the Office of the Comptroller of the Currency.

Riggs National Bank, Washington, D. C., announced on April 13 two additions to its advisory board of branches. They are E. Taylor Chewning, Jr., Vice-President of the United Clay Products Co., and Donald E. DeVeau, Secretary-Treasurer of Joseph H. DeVeau & Sons, Inc., construction firm, according to Washington "Post" of April 14.

* * *

Barnum L. Colton was elected President of the **National Bank of Washington, Washington, D. C.,** at a special meeting on April 14 of the board of directors, according to the Washington "Post" of April 15, from which the following was also taken:

Mr. Colton succeeds J. Frank White who was elevated to board Chairman.

In addition, Mr. Colton was elected to the bank's directorate as was James M. Johnston of the investment banking firm of Johnston, Lemon & Co.

Mr. Colton, the new President, formerly was a Vice-President and director of the National Savings & Trust Co.

A native of Washington, he is a veteran in the banking field and had been associated with National Savings & Trust since 1933.

Mr. White, the new board Chairman, has served as President of the Bank of Washington since 1936. In June he will mark his 64th year with the institution, having entered its service in 1885 as a clerk at the age of 18. He has served in many official capacities, from Assistant Cashier in 1920 to Vice-President in 1933. Under his leadership in the past 13 years, the bank has shown steady growth.

* * *

Thomas B. Butler, President of the **Safe Deposit and Trust Co., Baltimore, Md.,** announced on April 14 that R. S. Opie has been named by the board of directors as Vice-President in charge of the trust department, according to the Baltimore "Sun" of April 15, which went on to say:

Mr. Opie, a Vice-President of the company since 1932, succeeds in that position the late W. R. Hubner.

Mr. Butler also announced that the board has named four new Vice-Presidents, J. K. Brigstocke, C. C. Grasty and C. H. Peterman, who were formerly trust officers, and John E. Motz, who was formerly Assistant Vice-President.

Mr. Brigstocke has been connected with the company since 1923.

Mr. Grasty came with the company in 1920. In addition to his trust duties he is now directing the activities of the company's public-relations department.

Mr. Peterman, who began his association with the company in 1927, has been in the trust department for some years.

Mr. Motz has been with the Safe Deposit since 1930. He is now associated with the investment department.

* * *

It is learned from the April 11 Bulletin of the Office of the Comptroller of the Currency that **The First National Bank of Ripley, W. Va.,** has increased its common capital stock from $70,000 to $100,000 by a stock dividend on April 6.

* * *

James A. Weeks, personable lawyer and business executive, was elected on April 14 a director of **Central National Bank, Cleveland, O.,** it is learned from the Cleveland "Plain Dealer" of April 15, which also said: Mr. Weeks succeeds the veteran C. A. Wilkinson, who retired a year ago as head of the Central's United branch but continued on the board.

* * *

State Auditor Benjamin O. Cooper on April 17 at Springfield, Ill., issued a 99-year charter to the **Bank of Lyons,** 8011 West Ogden Avenue, Village of Lyons. The bank expects to be open late in May to serve a community which has been without banking facilities since 1931. It has a total capital structure of $75,000, which includes capital stock of $50,000, surplus of $10,000 and a reserve for operating expenses of $15,000.

Theofil Bulat, who is Mayor of Lyons, is Chairman of the board of directors. Jacob Stagman is the President and Carl Hummell is the Vice-President and Cashier of the bank.

* * *

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO. OF CHICAGO, ILL.

	April 11, '49	Dec. 31, '48
	$	$
Total resources	2,118,893,603	2,356,427,996
Deposits	1,919,952,947	2,159,926,637
Cash and due from banks	583,354,764	674,458,774
U. S. Govt. security hold'gs	1,076,869,865	1,132,234,194
Loans and bills discounted	358,103,789	458,734,636
Undiv'ed profits	19,839,942	19,052,614

* * *

NATIONAL BANK OF DETROIT, DETROIT, MICH.

	Apr. 11, '49	Dec. 31, '48
	$	$
Total resources	1,225,802,863	1,276,482,959
Deposits	1,157,531,329	1,208,312,934
Cash and due from banks	320,161,474	360,776,195
U. S. Govt. securities	591,228,272	600,518,487
Loans & disc'ts	219,791,302	231,508,406
Undiv'ed profits	8,458,037	7,712,432

* * *

The establishment of a complete trust department at **National Bank of Tulsa, Okla.,** under the executive direction of Roy M. Huff, attorney and widely recognized exponent of trust affairs, was announced on April 15 by President A. E. Bradshaw.

Mr. Huff has been elected Vice-President and trust officer by the bank's board of directors. He comes to the bank from the legal department of Sinclair-Prairie Oil Co.

* * *

The Mercantile-Home Bank and Trust Co., Kansas City, Mo., the outgrowth of a consolidation of four institutions here following the 1933 bank holiday, is to be called the **Mercantile Bank and Trust Co.,** directors voted on April 12, it is learned from the Kansas City "Star" of April 13, which also added:

The change is subject to a stockholders' meeting to be held June 14.

At the same time the $100 par value capital stock was reduced to $25 and a stock dividend of 25% was voted, payable June 14, also subject to stockholders' approval.

The bank will transfer $100,000 from undivided profits to the capital stock account. After the transaction, there will be $500,000 of capital, $300,000 of surplus and $250,000 of undivided profits.

The bank currently has deposits of $28,000,000. At the time of its organization, deposits were $4,500,000.

* * *

As a result of the sale of new stock the **Wichita National Bank of Wichita Falls, Texas,** has increased its common capital stock effective April 6, from $200,000 to $250,000, according to the April 11 Bulletin of the Office of the Comptroller of the Currency.

* * *

The Old & Third National Bank of Union City, Tenn., has increased its common capital stock effective April 1 from $117,000 to $136,500 by sale of new stock, it is learned from the April 11 Bulletin of the Office of the Comptroller of the Currency.

Insured Banks' Deposits Off $1 Billion in 1948

Maple T. Harl, Chairman of Federal Deposit Insurance Corporation, reports decline from all-time peak of Dec. 31, 1945, has been $5 billion. Banks' investment in U. S. bonds dropped $7 billion in 1948.

Total deposits of all insured commercial and mutual savings banks amounted to $153 billion at the close of 1948, Maple T. Harl, Chairman of the Federal Deposit Insurance Corporation, announced. This was about $1 billion below the total at the beginning of 1948 and $5 billion below the all-time peak of Dec. 31, 1945.

Insured Commercial Banks—Demand deposits (excluding savings and time deposits) of businesses and individuals reported by the 13,419 insured commercial banks declined in 1948 for the first time since 1937. These deposits amounted to $82,000,000,000 on Dec. 31, 1948, compared with $84,000,000,000 on Dec. 31, 1947. The contraction in business and personal demand deposits in both 1947 and 1948 was confined to the first part of the year. But unlike 1947, the seasonal rise in these deposits during the last half of 1948 did not offset the decline in the first half.

Maple T. Harl

"This decline in demand deposits and the reduction in currency in circulation occurring simultaneously with record levels of production by industry and agriculture, resulted in a better balance between the money supply and the supply of goods during 1948 than at any time since the beginning of the war," Mr. Harl pointed out.

Savings and time deposits of individuals and business amounted to $34,000,000,000 on Dec. 31, 1948, a rise of 1% during 1948. All of the growth took place during the first half of the year. United States Government deposits increased by about $1,000,000,000 during 1948 to $2,500,000,000 at the year-end, while interbank deposits declined from $13,000,000,000 to $12,000,000,000.

Total assets of the insured commercial banks amounted to $152,000,000,000 on Dec. 31, 1948, compared with less than $153,000,000,000 at the beginning of the year. "Although there was relatively little net change in total assets," Mr. Harl stated, "seasonal fluctuations during 1948 were wide, and important changes took place in the composition of these assets."

Insured commercial bank investments in United States Government obligations dropped almost $7,000,000,000 during 1948; these investments amounted to $61,000,000,000 on Dec. 31. Loans and discounts expanded more than $4,000,000,000, reaching an unprecedented total of $42,000,000,000 at the year-end. Relative to total assets, United States Government obligations receded from 44% to 40% during 1948, while loans increased from 25% to 28%.

Most of the contraction in holdings of United States Government obligations took place in the first half of the year, while most of the growth in loans took place in the second half of the year. Accordingly, total assets declined in the first half and rose again in the second half, as in 1947.

Three major types of loans expanded more slowly during 1948 than during 1947. Commercial and industrial loans, amounting to $19,000,000,000 on Dec. 31, 1948, reflected a rise of 4% during 1948, compared with 29% in 1947. Real estate loans of $11,000,000,000 at the year-end reflected an increase of 15% in 1948, compared with 31% in 1947. Consumer loans to individuals at $7,000,000,000 expanded 20% in 1948, compared with 40% in 1947. Agricultural loans, however, expanded more than 72% in 1948, compared with 19% in 1947. These loans reached almost $3,000,000,000 at the year-end. Most of this growth was accounted for by a sharp rise in loans guaranteed by the Commodity Credit Corporation. Loans on securities increased moderately in 1948, after having declined substantially in 1947.

Total capital accounts of the insured commercial banks exceeded $10,000,000,000 at the end of 1948. The ratio of capital to total assets improved during 1948 from 6.4% on Jan. 1 to 6.7% on Dec. 31. The ratio of capital to "risk assets," however, declined from 20.3% to 19.3% during the same period.

Insured Mutual Savings Banks—Total deposits of the 193 insured mutual savings banks rose 5% during 1948, reaching about $13,000,000,000 at the year-end. Total assets amounted to $14,000,000,000, of which $8,000,000,000 were United States Government obligations and $4,000,000,000 were loans. Investments in obligations of the United States Government declined 5% during the year, while loans and discounts, mostly real estate loans, rose 15%. The ratio of surplus and other capital accounts to total assets, which amounted to 9.4% on Dec. 31, showed little change during 1948; the ratio to "risk assets" declined from 27% to 24% during the year.

Mr. Harl reiterated that we are now in the fifth year without loss to any depositor of an insured bank. This, he pointed out, establishes a new record for depositor safety.

La Salle St. Women to Hear on Advertising

CHICAGO, ILL.—On Monday evening, April 25, at the Cordon Club, La Salle Street Women will hear Mr. Marshall B. Cutler tell "What You Get (and don't get) From Advertising" at their monthly dinner meeting at 6 p.m.

During his thirty-five years in advertising Mr. Cutler has covered every phase of the business, although his special promotional field is shoes. He believes, however that whatever the product, the basic principles of effective salesmanship through the printed word remain the same.

During his eight years selling shoes at retail on State Street Mr. Cutler learned to know and understand people, which, in his opinion, is the advertising man's master key to professional success. For four years he planned, created and placed all the retail advertising for the Cutler Shoe Company. From Cutler's, he moved to the J. P. Smith Shoe Co. where he was in full charge of advertising for twenty-five years.

His present connection is with Commercial Illustrators, Inc., an advertising agency, where he heads the advertising service department. His articles have appeared regularly in the leading publications of the advertising profession.

Sterling, Grace Admitting

Sterling, Grace & Co., 50 Broad Street, New York City, members of the New York Stock Exchange, will admit Morgan H. Grace, Jr., to partnership on May 1.

5-Point Program Urged to Manage National Debt

Committee on Public Debt Policy, concluding three-year study of problem, advocates: (1) control of budget; (2) debt reduction; (3) its wider distribution; (4) restoration of flexible interest rates, and (5) nourishing of a dynamic economy.

A stiff dose of sound American common sense is needed for successful management of the burdensome national debt and this can be translated into a five-point program for action, the Committee on Public Debt Policy has concluded after a three-year study of the problem.

W. R. Burgess

The Committee on Public Debt Policy is headed by W. Randolph Burgess, Chairman of the Executive Committee of the National City Bank of New York, and includes nationally recognized experts from business, insurance, banking and education. The Committee's studies of the national debt have been made possible by a grant from the Maurice and Laura Falk Foundation of Pittsburgh.

The five basic steps recommended by the Committee are: (1) control the budget; (2) reduce the debt; (3) distribute the debt more widely; (4) restore flexible interest rates; (5) nourish a dynamic economy.

Two recent economic developments are noted by the Committee: (1) the country's economy, measured in dollars, has been catching up with the wartime increase in the money supply, and (2) inflationary pressures are weakening. "If the inflation peak proves to have been passed, deflationary policies to force reduction in the money supply would be a mistake," the Committee states.

Pending a clearer view of the trend, the Committee expresses the opinion that because of the large powers the government already has, new grants of more drastic monetary powers for inflation control appear to be unwise.

"This country has the power, if wisely used, to meet its foreign and domestic obligations and at the same time master the debt," the Committee concludes. "The American people have time and again shown their ability and willingness to overcome difficulties if they understand what has to be done."

Impact of World Events

The Committee recognizes, however, that effective action has been made more difficult by world events since the studies were begun in 1946.

"The vision of 'One World' has vanished," it points out. "The threat of war is still with us and we are making huge expenditures for armament and for economic aid to other countries.

"Another adverse development has been price inflation. The great volume of money created for war purposes has affected the economy, as was feared, in the old familiar pattern of inflation.

"As against these unfavorable events, there is a brighter side. First, out of an inflated national income we have made a beginning at reducing the debt. It has been drawn down from $279 billion to $252 billion. Part of this was simply using accumulated balances to pay off debt. But the rest of it has been the solid excess of government receipts over expenditures.

"Again we can take satisfaction that the country's economy has come through the first postwar adjustment with far better production and employment than was expected. Our industrial machine turned promptly from war to peacetime output and has raised our standard of living to new heights. In addition, we have fed other countries from our surplus."

In its final summary, the Committee examines the President's 1950 Federal budget proposals submitted to Congress last January, with a view to suggesting where unnecessary spending might be trimmed down. It cites supporting evidence from the Hoover Commission "task force" reports pointing the way to substantial economies through improvements in governmental administrative organization and methods. It was estimated that, even assuming the continuation of all present governmental functions, annual savings of at least $3 billion could be effected.

"At a time like this, when national defense and international aid take so much," the Committee asserts, "every effort should be exerted to keep down Federal spending in other directions. Our vast current budgets offer great opportunities for economy if only government and the public are so minded."

Carrying out a comprehensive program to control the national debt will be neither easy nor popular, according to the Committee which has reviewed, revised and coordinated the findings of seven studies dealing with various phases of the question. These studies have been put together in a book published today (April 21) under the title "Our National Debt—Its History and Its Meaning Today."

Municipal Bond Club Of Chicago Election

CHICAGO, ILL.—The Annual Meeting of the Municipal Bond Club of Chicago will be held on Friday, April 29, 1949, in the Roosevelt Room in the Morrison Hotel at 4:00 p.m., at which time the Officers and Directors for the ensuing year will be elected and other business acted upon.

Chas. F. Hemenway

In accordance with the Constitution, the Board of Directors recently appointed a Committee-on-Nominations to propose a list of Officers and Directors for the fiscal year 1949-1950. This Committee, composed of Nathan S. Sharp, Central Republic Co., Chairman, and members Raymond V. Condon, B. J. Van Ingen & Co.; Floyd W. Sanders, Smith, Barry & Co.; John S. Weatherston, Stone & Webster Securities Corp., and George B. Wendt, First National Bank, announces the following nominees:

President, Charles F. Hemenway, the Illinois Co.; Secretary, Hugh W. Blair, Halsey, Stuart & Co. Inc.; Treasurer, Milton J. Hayes, American National Bank & Trust Co.

Directors: James P. Jamieson, Glore, Forgan & Co.; Walter C. Cleave, Blyth & Co., Inc.; Walter C. Lyklema, A. C. Allyn & Co.; Robert B. Pelton, F. S. Moseley & Co., and Arthur Tresch, B. J. Van Ingen & Co., Inc.

Big Business Needs Big Government

By HON. JOSEPH C. O'MAHONEY*

U. S. Senator from Wyoming

Holding it is not short-range picture that should give us concern, but long-range outlook, which is clouded by heavy national debt and prospect of change in level of production and employment when permanent peace comes, Sen. O'Mahoney Defends "Big Government" as a means of regulating "big business." Sees "no depression around the corner" and concludes capitalism must face challenege of maintaining stable economy.

Do not misunderstand the title of this talk. There is no depression just around the corner. On the contrary, all indications point to a continued high level of prosperity for several years to come. I shall undertake presently to make plain my reasons for believing that the recent slight decrease in the cost of living is not a signal that the inflationary pressures have been lifted from our economy, but rather a warning that we must not be content merely to let things drift.

Sen. J. C. O'Mahoney

I am talking tonight not about the near-future, but about the long-range outlook for our country and for the world. I am talking about peace and the preservation of the American system of free competitive enterprise. I am talking about the preservation of opportunity for the masses of men and about the stabilization of a high standard of living for all. I am talking about the individual and the growth of Big Government. I am talking about the appearance throughout the world of a new form of dictatorship and about the responsibility of business and political leaders with respect to it.

Moscow Wants Economic Chaos

Winston Churchill, speaking the other night in Boston, declared that if it had not been for the possession of the atom bomb by the United States, western Europe by this time would already have been taken over by Communists. Let me say that if the atom bomb is the secret weapon by which we have prevented military aggression from the Kremlin, the Russian secret weapon is the hope that a depression will develop in the United States. If we desire to stop the spread of Communism, our most important first step is to make certain that a depression shall not occur. Capitalism, to protect itself, must prevent another depression.

It seems to me clear that the policy of Moscow ever since the end of the shooting war has been directed primarily to the creation of economic chaos in the countries of western Europe and everywhere else their saboteurs can work. They have acted in the belief that the capitalist world is unwilling to take effective steps to prevent depression. They have thought, therefore, that by obstructing the processes of recovery they can hasten the economic collapse which, in their judgment would result in the triumph of Communism.

A depression here would render utterly fruitless everything that we have done abroad during and after the war in the defense of freedom and for the establishment of peace. Without us, western Europe would be an easy prey to Communism. Consider only the fact that in Italy, in France as well as in Germany there are already substantial communist minorities, tough and well disciplined, ready to take over with all the ruthlessness they have already exhibited in Czechoslavakia, Poland, Hungary and the other satellite nations. The hope of Russia is not based upon any plan of military aggression against us, but upon a deliberate plan of hastening by every means in their power the capitalistic collapse which they believe to be inevitable. Since a prosperous free economy in the United States is the essential key to the whole struggle for the maintenance of a free world, the supreme duty of our people and particularly of our leaders in business and in government is to devote every energy to the maintenance of prosperity here in the United States.

Depression Is Not Just Around The Corner

Let me now recite one or two of the reasons why we need not fear that a depression is just around the corner, why we should not mistake a little decrease in the cost of living as the beginning of a slide into recession. The Congress is presently planning the extension of the Economic Cooperation Administration Act. The only real debate now taking place in the Senate has been whether the authorization should be reduced 5 or 10 or 15%. Congress, like the country, is convinced that we must continue to support the economic basis of western Europe. That means that here in the United States we shall continue to produce food and fuel, raw materials, semi-finished products and machinery for export to Europe. According to the February report 62% of the total European Recovery Program authorizations of $3,707,000,000 was spent in the United States. Agricultural commodities and industrial commodities, raw materials and fabricated commodities totaling in value $2,300,000,000 were purchased here in the United States. That makes business. It will continue to make business throughout next year because it will continue to create the demand for United States products no matter what happens to the purely civilian economy.

Add to this the fact that here at home we shall spend $15 billion for national defense. Add to that the fact that other billions of public funds are being spent by the states for the construction of buildings and for public purposes of various kinds. Add, also, the fact that the civilian economy is running at a high level. Billions of private funds are being expended for expansion and development More than 57 million civilians are employed and are drawing compensation at better rates than before the war. This creates the purchasing power which, in turn, creates the market for all the goods and services which are produced by and distributed among the civilian population of the United States.

Industrial production in the United States in February, 1949, was still running at a higher level than in either 1946 or 1947. It is true that in 1948 we allowed prices to reach by far the highest peak in history whether measured in the wholesale market or in the consumer market. They have declined somewhat in 1949, but this decline has brought us only to a level which is still far above the levels of 1947 and early 1948 when we were all screaming about the high cost of living. This explains why Doctor Nourse, head of the Economic Advisers to the President, has coined a new word, "disinflation", to describe the present situation.

Significance and Effect of National Debt

No, it is not the short-range picture that should give us concern. We must think of the long-range outlook and of the sort of world in which we want to live when peace has been restored, when people once more are able to go about the ordinary and normal activities of living, when it will no longer be necessary for us to spend billions to maintain armament, billions for the occupation of foreign lands, billions for international cooperation, billions for the payment of the interest on the national debt.

War inflation resulted from the fact that we were producing goods and services for destructive purposes and paying for them, not with other goods, but with government IOU's. The government was buying up almost 50% of all the goods and services that were produced and hurling them into the bottomless pit of war. To do this we incurred the greatest debt in history. More than $252 billion it still is. It is a mortgage on all the future production of the United States. The very existence of this debt is the fact which should compel us to organize all of our forces now that we may maintain a civilian economy of high level production and employment when the peace comes. We must provide a substitute market among the people for the market which is now created in large part by the government in its effort to put the cap of permanent peace upon the figure of victory.

The furniture dealer or the dealer in consumer goods of any kind who sells upon the installment plan knows that the installment buyer is pledging his future income for whatever period within Regulation W the purchase contract may run. The dealer will not make the contract unless it is reasonably certain that the purchaser has the capacity of producing the income necessary to meet the installments. It is the task of government so to organize the economy that all of the people will be able to produce at a sufficiently high level so that the government, through taxation, may have the income necessary to carry and to reduce the national debt. More than that, it is necessary for the government to organize this production for peace just as it organized production for war. Only the government can provide the plan under which agriculture, labor and industry, working as partners, may develop a new permanent high standard of living, the necessary substitute for the false, unstable standard of living built up on the production of commodities to be destroyed in war.

Everyone agrees that modern mass production must have mass markets. Every business man, manufacturer or retailer, knows that prosperity requires purchasing power, but not everyone has learned yet that the biggest markets are in the low income brackets. There are so many people receiving less than $2,000 a year that they have three times more money to spend than all who receive over $25,000 a year. The

(Continued on page 34)

*An address by Senator O'Mahoney at a dinner of the National Retail Furniture Association, Washington, D. C., April 5, 1949.

Canadian Securities

By WILLIAM J. McKAY

Adamant unwillingness on the part of the Canadian and British authorities even to consider currency adjustment as a desirable alternative to loss of foreign markets has been bolstered by the ability to make reference to favorable statistics of the immediate past. Official figures covering the past era of the seller's market thus constituted a barometer that did not register the present deteriorating state of the economic atmosphere. However as soon as statistics are available which relate unquestionably to the new period of the buyer's market, there is likely to be an abrupt change of outlook.

Already the Canadian trade figures for February released by the Dominion Bureau of Statistics show an overall trade balance with 11 countries of only $1.2 millions as compared with $28.1 millions in February 1948 and $15.2 in January of this year. British exports of automobiles, previously the principal source of dollar revenue, are now meeting serious buyers' resistance. It is now quite clear also that Canadian exports during 1949 of grain, meat, forestry products, and base-metals will encounter increasingly competitive conditions. Thus in comparison with the trade figures of 1948, a year in which there appeared many exceptional non-recurrent export items, the present year's showing is likely to appear almost alarmingly inferior. Neither Canadian nor British costs can be pared to any appreciable degree. Indeed the gradual elimination of the wartime food subsidies in both countries is tending to offset the natural decline in the cost-of-living level caused by the world-wide trend towards lower prices. British competitive ability is further impaired by the throttling effects of socialization and nationalization of industry; Canadian freedom of action is likewise impeded by the continuance of the wartime system of artificial restrictions and controls.

The official case for the maintenance of the $4.03 pound will therefore ring increasingly hollow as the present economic trend exerts its inevitable influences. A year ago when there was strong pressure in the direction of a devaluation of sterling it did not require the cold logic of Sir Stafford Cripps to prove that conditions then did not justify such a move. In the British official denial of intent to devalue issued at that time it was mentioned however that a definite change from a seller's to a buyer's market which would cause resistence to the absorption of British exports would provoke reconsideration of the currency question in the light of the new circumstances.

The changed conditions to which reference was made now clearly exist. During 1948 exceptionally favorable economic conditions and the capable exercise of exchange controls gave sterling a veneer of respectability at its overvalued level. In the period ahead the artificiality of the $4.03 valuation will be increasingly apparent. The millstone of the huge total of blocked sterling balances will become increasingly burdensome; efforts to convert into hard currencies will be redoubled.

In order to relieve the natural pressure on the pound that is likely to develop as the present economic trend becomes more apparent, there would appear to be only one solution—devaluation of sterling to a realistic level. At a level in the neighborhood of slightly above $3 the pound should again as on past occasions regain its respectability as an international currency. The urge to convert into apparently harder currencies would disappear, the British competitive position in world markets would be immeasurably improved, and foreign willingness to invest freely in the Sterling area, although entirely lacking at the $4.03 level, could become a potent factor at $3.25.

With a sterling devaluation of 20% it is logical that the Canadian dollar would find its historical natural level midway between the pound and the U. S. dollar. At 90 cents to the dollar the Canadian dollar would again merit absolute international confidence; since July 1946 when the parity of the Dominion currency was raised to par with the U. S. dollar the foreign investor, as demonstrated by the behavior of the market in New York for free Canadian funds, at no time endorsed the official valuation. As in the case of Britain with the official valuation of the currency at a natural level, it would then be possible to remove wartime imposed exchange restrictions and bureaucratic controls that now constitute the greatest obstacle in the path of freer world trade and multilateral convertibility of currencies.

During the week the external section of the bond market was steady but inactive. Internal bonds were also in demand but offerings were conspicuous by their absence. Both the corporate-arbitrage rate and free funds were slightly easier. So far the weakness of sterling futures in the New York free market has had remarkably little sympathetic effect on the Canadian free dollar; the probable supply of free funds in connection with the imminent redemption of the Dominion 4½s of November 1959/49 will probably provide a more potent factor. Stocks with the exception of the golds were mostly dull and neglected. The senior golds continued in steady demand and mining issues with uranium prospects also attracted investor attention.

John Whitney Director

John Whitney has been elected a member of the Board of Directors of Bendix Home Appliances, Inc. Mr. Whitney is a general partner in the New York Stock Exchange firm of Riter & Co. He is a Director of United Cigar-Whelan Stores Corp. and of the Security Banknote Co., and formerly was a Governor of the New York Curb Exchange.

A Serious Situation

"Perhaps the outstanding example (of 'juggling of figures') is the agricultural appropriation bill, in which the majority presented a report indicating a savings of $25,000,000 below the budget estimate. The fact is that this bill took $216,000,000 out of the Treasury over and above the budget recommendations.

John Taber

"The unvarnished truth is that the present Administration is hitting an all-time high in peacetime spending, and the momentum is increasing. I have warned repeatedly that the trend is dangerous and unless it is reversed the American people can count on a tax increase this year.

"Total taxes—local, State and Federal—amount to over 37% of the total spendable income of the American people. The impending increase resulting from the Administration's spending policy will hoist the tax take to over 40%."
—Representative John Taber.

Whatever the details, here is a situation which must somehow be corrected if we are to prosper—not to say if we are to survive—as it is well within our power to do.

Foreign Investments—One Key to Peace

(Continued from page 18)

national economic questions. Over and above the program of the ICC, however, the American group has a program of its own based on the belief that Americans must take the initiative for the support of (a) the flow of private capital investments; (b) world trade as a two-way street—imports as well as exports; (c) the necessity of having expanding multilateral trade as the best means of insuring peace and (d) explaining the way in which a private competitive enterprise system fosters and safeguards all of our freedoms.

Toward Free Flow of Private Capital

There is no better way to explain the operation of these organizations than to discuss our efforts to bring about a free flow of private capital investment.

As exporters you are interested in markets. You will agree with me, I think, that if you are to have markets, capital investment must be back of those markets.

The ICC contribution to this effort will come next June when it holds its 12th Biennial Congress in Quebec. One of the most important items on the agenda will be the Code of Fair Treatment for Foreign Investments.

The procedure will be to seek agreement to the code on the part of the 32 national committees of ICC. Next, these national Committees will take the code to their respective governments for adoption in bilateral or limited multilateral treaties.

The importance of this action can be easily understood when one looks at the deadline of the Economic Recovery Program.

According to present plans—and it is to be hoped that they will materialize — the Economic Recovery Program will fade out of the picture in 1952. Before that time a substantial number of governments should have let down the barriers to foreign investments. If they don't, much of the accomplishment of the Marshall Plan will be temporary rather than permanent.

On the other hand, if an international climate prevails in which foreign investments are ready to take up the slack, then the Marshall Plan will have been a real creative force in history.

By the time this Code is submitted it will have been in preparation for two years, and will have been through several drafts. Investments covered by the code include the following types: (1) Direct investments in real property, natural resources, commercial, financial, agricultural or industrial enterprises as well as public utilities or enterprises connected therewith; (2) Equity investments in company shares and similar holdings; (3) Credits and advances to private and public borrowers and fixed interest investments in private and public loans.

When the American delegation returns from Quebec, one of our first acts will be to submit this code to the proper government officials and agencies. We shall be able to point out to them that this Code is being given simultaneously to the governments of 31 other nations, that it contains those provisions which business feels will be of most use in speeding up the flow of capital investment. And it goes without saying that if business is to be in a position to move in when the Marshall Plan goes out of the picture treaties to put foreign investments in the works must be concluded this year.

Implementation of Point Four

Now in addition to taking part in the ICC program, the U. S. Associates has another study underway regarding the implementation of Point Four of President Truman's Inaugural Address. In Point Four we have an economic policy in the making of international importance, but one which cannot properly come within the scope of an international organization since it is of purely American origin.

You will recall that the President said, "We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of under-developed areas."

We, at U. S. Associates, feel that opportunities for increased investment and higher production exist in the developed areas of the world as well.

Several government departments are now studying specific ways in which the President's proposal might be carried out in action. Some of the thinking is in the direction of a reliance upon government-to-government credits. In other official quarters there are high hopes for what can be achieved by sending American technicians abroad to help foreign peoples develop their own resources and skills. The need for private capital in the less-developed areas is recognized. So is the desirability of getting American business to participate in the long-term program. Just how all of this can be achieved in action is still unclear.

That is why the U. S. Associates feels that business can and should make a contribution to the planning and devising of this program. Many businessmen dislike seeing government go any further into programs touching business, while many government officials are wary of giving too much support to business abroad because of the charge of imperialism. It seems to us that both extremes can be avoided and that Point Four embodies a long-term objective of real worth which can best be realized through both government and private effort.

Recommendations

We have chosen five means for study and recommendation which we feel may lead to the achievement of President Truman's objective:

(1) By working to create a business "climate" in other countries more attractive to private investment. Adoption of the measures of ICC Code of Fair Treatment will make a big contribution here.

(2) By sending U. S. technicians abroad on carefully selected projects.

(3) By using government loans to develop basic resources in such a way as to increase the opportunities for private investment in the borrowing countries.

(4) By increasing the production of strategic materials in foreign countries.

(5) By selling some form of insurance to U. S. business to cover the *noncommercial risks* on private foreign investments, chiefly in the field of currency convertibility.

This report dealing with the implementation of Point Four will be made public next month.

In devoting so much time to foreign investments I have neglected to mention some 15 to 18 other fields of economic policy which also come within the scope of study by the International Chamber and the U. S. Associates.

But in my opinion any discussion of foreign investments is putting first things first. It is the base of the good things that can come.

What does a dollar do when it goes abroad? It creates customers, and customers are essential to our prosperity. Our continuing prosperity is essential to world peace.

What else does a dollar do when it goes abroad? It brings health, and skills, and hope to people. With a basis of security they can go on and find socially useful purposes for their lives—and psychologists tell us that social usefulness, the sense of producing needed goods is one of the real human instincts that needs fulfillment.

A dollar abroad is democracy in action. It goes beyond containing communism. It is an offensive against communism. We must—this year—get more of our dollars abroad. If we do, we may find that in a relatively short time our defense budget, our expensive measures of the cold war—can be turned to more productive uses.

It is either now that we seek to give our best capacities to the building of an economically strong world—or it is never. It is now that we begin an earnest support of the United Nations by creating economically sound members—or the opportunity may be forever lost.

It is now that we must pledge ourselves to go the long road, whatever its struggles and discouragements may be, that leads to prudent and creative use of our material and human resources for the benefit of the individual, wherever he may be.

Only by thinking together, working together, and taking the time to understand each other's efforts, can we arrive at and support a consistent body of policy and action which will at last achieve the peace we all desire . . . and which will restore world trade to the benefit of us all.

Bond Club of Phila. Committees for 1949

PHILADELPHIA, PA.—Loring Dam, of Eastman, Dillion & Co., President of the Bond Club of Philadelphia, announced the appointment of club committees for 1949-50 as follows:

Elective Committee: Raymund J. Kerner, Rambo, Close & Kerner Inc., Chairman; Arthur S. Burgess, Jr., Biddle, Whelen & Co.; C. Newbold Taylor, W. H. Newbold's Son & Co.; Raymond L. Talcott, Drexel & Co.; Osborne R. Roberts, Schmidt, Poole & Co.

Publicity Committee: R. Conover Miller, E. W. & R. C. Miller & Co., Chairman; Carl Necker, Moncure Biddle & Co.; Frank L. Newburger, Jr., Newburger & Co.; Raymond H. Gage, Jr., Paine, Webber, Jackson & Curtis.

Attendance Committee: Harry B. Snyder, Yarnall & Co., Chairman; John K. Acuff, Brooke & Co.; John C. Bogan, Jr., Sheridan Bogan Paul & Co., Inc.; John H. Derickson, Jr., E. H. Rollins & Sons, Inc.; John E. Fricke, Thayer, Baker & Co.; Freeman G. Grant, Dolphin & Co.; George L. Morris, Hornblower & Weeks; Samuel K. Phillips, Jr., S. K. Phillips & Co.; Lawrence M. Stevens, Graham, Parsons & Co.

Committee on Arrangements: Edward M. Fitch, Jr., A. W. Benkert & Co., Inc., Chairman; William H. Arnold, Eastman, Dillon & Co.; William D. Buzby, Jr., Butcher & Sherrerd; L. Paul Close, Rambo, Close & Kerner, Inc.; Paul Denckla, Stone & Webster Securities Corp.; Russell M. Ergood, Jr., Stroud & Co., Inc.; Raymond H. Gage, Jr., Paine, Webber, Jackson & Curtis; Jacob Halzbaur, Jr., Halsey, Stuart & Co., Inc.; Arthur Horton, Penington, Colket & Co.; Samuel K. Phillips, S. K. Phillips & Co.

Outing Committee: Gordon Crouter, DeHaven & Townsend, Crouter & Bodine, Chairman.

Anthony J. Miller With Trust Co. of Georgia

Anthony J. Miller has become associated with the Trust Co. of Georgia in the office of the New York representative, 15 Broad Street, New York City. Mr. Miller was formerly an officer of W. H. Morton & Co., Inc.

Detroit Bond Club to Hold Annual Outing

DETROIT, MICH.—The annual outing of the Bond Club of Detroit will be held on Friday, June 17, at the Grosse Ile Golf and Country Club. Frank P. Meyer, of First of Michigan Corp., is the Committee Chairman.

Geo. V. Yates Co. Opens

(Special to THE FINANCIAL CHRONICLE)

CARMEL, CALIF.—George V. Yates has formed George V. Yates & Co. to engage in a securities business.

NAM President Urges Industry Demonstrate Interest in Employees' Security

Wallace F. Bennett urges employers to plan as carefully for workers' economic security as for their physical productivity. Says security is not product of political power.

The challenge of increased government intervention and control can be met by leaders of industry only if they demonstrate "security in action" to their employees, Wallace F. Bennett, President of the National Association of Manufacturers, declared in Buffalo on April 5.

Wallace F. Bennett

Mr. Bennett spoke at a dinner meeting of the Western New York Industrial Conference. The meeting was co-sponsored by the Associated Industries of New York State, Inc., the Manufacturers Association of Jamestown, the Buffalo Committee, the Niagara Falls Committee and the NAM.

The question of whether the free individual enterprise system can provide security is uppermost in the minds of many men and women in American industry, the NAM President pointed out.

"Only if we, who are the leaders of industry, can clearly demonstrate an affirmative answer to that question can we meet the challenge of the alternative, which is increased government intervention and control," he said.

"We must plan carefully and constantly to have our plants demonstrate security in action for the men and women who work there, as we do to maintain their physical productivity."

When this is done, continued Mr. Bennett, who also is President of the paint and varnish manufacturing firm of Bennett's, Salt Lake City, business leaders will be "truly demonstrating the American individual enterprise system at its best. No one who feels himself a part of it and senses its power to provide security for him will ever desert it or oppose it."

"The most vicious definition of security is that it resides in political power," he said. "The candidate says 'vote for me and I will see that you are taken care of, no matter how it hurts someone else.' But tomorrow there are other elections, other candidates, other promises. Security is not the product of political power."

It is futile for either individuals or nations to expect to find security in laws, money, contracts, political power or atomic weapons, Mr. Bennett said.

"Men once thought of security as a wall or fort; a Maginot Line," he observed. "Men like that today think security is an airplane, a guided missile, an atomic bomb. But security is not physical.

"Security is not a law. We once had a law relating our currency to gold, and men thought that was a sound foundation for security. But the law was repealed.

"Others say security is money, forgetting that money is not a valid thing, but only a symbol that can be manipulated and changed. Inflation, which weakens or destroy the value of money, is to much a factor in our lives to be denied. It proves that security is not money."

Still others, Mr. Bennett said, promise that security can be written into a contract. But a contract is only an agreeement between men, he added, asking, "Who among us can even guarantee that we will be alive tomorrow? You cannot contract for security."

The NAM President told the conference that in a world "ravaged by terror and confusion" it is no wonder that the basic need for security is the most important thing in the minds of most people.

He explained that the NAM's fundamental objective is to preserve the traditional American way of life by strengthening free individual enterprise.

"In order to do this," Mr. Bennett continued, "we must prove to all the men and women in industry that ours is the best system, not only theoretically or historically, but the system in which they can find the greatest happiness and satisfaction in their own lives. They cannot be expected to trust it except on the basis of their own experience with it."

As in everything else in life, he said, the question of security has two answers: one physical and the other spiritual.

"The physical answer lies in the ability of our plants, under our management, to maintain the rate and variety of production that will always keep pace with the expanding number and demands of our people," he explained.

"The responsibility for spiritual leadership offers security and is more difficult since security, after all, is a spiritual experience. If we are to provide it, we must have the capacity for spiritual leadership that also is constantly expanding.

"It is not only necessary that we come to understand the spiritual basis for security; we must examine our own policies to determine whether the necessary spiritual atmosphere already exists in our plants—the atmosphere in which an employee working for us can feel spiritually secure."

$238,000 Belgium Bonds Called for Redemption

J. P. Morgan & Co. Incorporated and Guaranty Trust Company of New York, as Sinking Fund Administrators, are notifying holders of Kingdom of Belgium External Loan 30-Year Sinking Fund 7% Gold Bonds due June 1, 1955, that, through the sinking fund, $238,000 principal amount of these bonds have been drawn by lot for redemption on June 1, 1949 at 107½%. Subject to the provisions of Executive Order No 8389, as amended, the drawn bonds will be paid at the office of J. P. Morgan & Co. Incorporated, or at the principal office of Guaranty Trust Company of New York.

Detroit Stock Exchange To Open Hour Earlier After April 25

DETROIT, MICH. — Trading sessions on the Detroit Stock Exchange will start one hour earlier, commencing Monday, April 25, 1949. Hours will be 9 a.m. to 2:15 p.m., except Saturdays, when hours will be 9 to 11:15 a.m. Change of time is due to daylight saving time becoming effective in New York Stock Exchange operations.

Starting May 28, the Detroit Stock Exchange will adopt a five-day week for the Summer months.

Kenneth Robertson, Jr. Opens Office in Boston

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Kenneth D. Robertson, Jr. has opened offices at 60 State Street to engage in a securities business. Mr. Robertson was formerly associated with H. C. Wainwright & Co. for many years.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Heavy war loan calls have again temporarily tightened the money markets and this has caused some selling of Treasury obligations, especially the shorts. . . . Activity has been slowed and volume is not heavy, although there has been a lowering of quotations of the longer maturities. . . . The next month will, no doubt, bring important developments in the money markets and this is creating some caution in the government bond market. . . . Action of the authorities in keeping pressure on the money markets has tended to put the government bond market through minor trading flurries. . . . Nonetheless, the feeling seems to be that prices of Treasury obligations will not move too far in either direction, although the technical position of the market is considered strong. . . . Buying opportunities are being watched for by many institutions that still have sizable funds to put to work. . . .

"Open Mouth Operations" are very much in the forefront again with reports of what will be done to change the status of the restricted bonds being the focal point of attack at this time. . . . Business remains on the defensive and this leads many money market operators to look for the lapsing of legislation on June 30 that upped reserves of the member banks. . . . Continued ease in the money markets seems to be in the cards to help cushion and support a wavering economy. . . .

RUMORS AND PROFIT-TAKING

Rumors and reports that the 2¼s due 1959/62 will be made eligible for purchase by commercial banks in the near future seems to have put a temporary roof on the longer eligible taxables and partially-exempts. . . . These securities came down from their highs of the year, under some selling pressure as holders, made jittery by "Open Mouth Operations," decided to take profits or moved to the sidelines pending developments which are expected to be clarified by at least the time of the June financing. . . .

As a result of these stories that either specific issues or the entire group of restricted bonds will be made eligible in limited amounts, the government securities market now seems to be divided into three parts. . . .

MARKET MOVEMENTS

The short- and intermediate-term eligibles, those up to and including the 1952/54s, constitute one segment of the list. . . . Another group is the long eligibles, both taxables and partially-exempts, which takes in all the obligations maturing from 1952/54 on. . . . The other classification puts together all of the restricted bonds, from the 2¼s due 1959/62 up to and including the 2½s due 12/15/1967/72. . . .

The short and intermediate maturities of the eligibles are getting some buying from institutions that have either taken profits or stepped aside temporarily from the longer bank issues pending clarification of rumors about changes in the eligibility status of the restricted obligations. . . . The longer maturities of the bank bonds appear to be on the defensive for the time being until something definite is done to confirm or deny rumors and reports that the restricted issues will be made available to the deposit banks. . . .

UNCERTAINTY NOURISHED

It could be that the authorities will just let these rumors continue and do nothing to bring them to a head, because they have a fairly effective market control measure in these "Open Mouth Operations" which has been used rather successfully in the past. . . . By creating uncertainty about the longer eligible taxables, which the powers that be do not have too many of, they can for a time at least keep these issues from getting out of hand. . . .

If there is some question about the future price trend of the taxables, this has an influence upon the partially-exempts, because these bonds have a price and yield relationship with those of the taxables. . . . If prices of the longer eligible taxables are to be knocked down, because certain or all of the restricted bonds are to be made eligible for purchase by commercial banks, the partially-exempts will no doubt move in a sympathetic trend with prices of the taxable bonds. . . .

RESTRICTED IN FAVORED SPOT

The restricted bonds, especially the 2¼s due 1959/62 and the other issues that become eligible in 1952, are in the favored spot because of rumors that eligibility of these securities will be changed soon with the deposit banks to be allowed to purchase these ineligible obligations. . . . Demand for the 2¼s has been and continues to be sizable with many non-banking institutions shifting from the eligible 2¼s and 2½s into the shortest restricted issues. . . . The 2½s due 1962/67 are also being used for swaps from the longest eligible issue. . . .

For the time being it seems as though the earlier restricted bonds are going to be well bought by institutions, dealers and traders because of the possibilities of quick price appreciation. . . . To be sure, it is an "iffy" proposition because if there is no change in the eligibility of all or certain of the restricted bonds, there will probably be less demand for these obligations. . . .

JUNE FINANCING IN LIMELIGHT

June financing continues to be in the limelight, with some money market followers looking for short securities to be used to take care of these maturities. . . . On the other hand, there are many who now believe that four-to-seven-year obligations will be used for the June 2s. . . . Loans are still on the skids and this means that bank funds seeking investment will continue to be sizable but most of these will probably be put into the near-term maturities at least until rumors about the restricted bonds have been cleared up one way or the other. . . .

The 2s due 1952/54 have been under accumulation by midwest banks, which have large amounts of funds that must be put to work. . . . Switches from the bank 2½s due 9/15/67/72 into the 2½s due 6/15/62/67 helped to knock the longest bank-eligible out of its high and mighty position. . . . Profit-taking has been in evidence in the taxable 2¼s due 1956/58 and the 2¼s due 1956/59 with the proceeds going temporarily into shorts.

Railroad Securities

Gulf, Mobile & Ohio

There has been considerable favorable comment recently over the continued good operating performance of the Gulf, Mobile & Ohio. The uninspiring background of the properties making up the system makes the showing particularly commendable. The present system represents the consolidation through lease and merger of four relatively small roads, three of which had been in bankruptcy or receivership. The only one of the constituent properties that did not succumb to financial difficulties during the depression was the old Gulf, Mobile & Northern. Despite this background, the various elements have been welded into an important and highly efficient railroad property.

The various consolidations, which were largely end-to-end, resulted in the creation of a new mid-continent through north-south route from Chicago to the Gulf of Mexico at Mobile and New Orleans. The last segment, the old Alton, was acquired just about two years ago. One of the major benefits has been the increase in revenue and the reduction in costs incident to the substantial increase in the length of haul over system lines. There have naturally also been administrative and maintenance economies through consolidation. Finally, and perhaps most important, there has been the sharp improvement in operations through dieselization.

As of the end of last year approximately 97% of freight ton-miles and virtually all of the passenger mileage was being operated with diesels or motor cars. More than 75% of yard switching was being handled by diesels. With delivery of additional units now on order, virtually all services will be fully dieselized. The benefits from this diesel program are best illustrated by the ability of the company now to handle heavy tonnage trains at high speeds. Last year the company handled 54,855 gross ton-miles per freight train hour, compared with 48,586 a year earlier. Comparable figures for all Class I carriers were 39,905 in 1948 and 38,462 in 1947.

Gulf, Mobile & Ohio's transportation costs are quite low, which is a highly important factor under present conditions. It affords a cushion against any further increase in unit expenses and the inevitable eventual decline in traffic. Last year the road's transportation ratio was 32.1% and in 1947 it had been 32.7% on a pro forma basis. The ratio for all Class I carriers was 39.5% last year and in 1947 it was 40.0%. Aside from being well below the industry average, Gulf's ratio was among the lowest for any of the major Class I carriers. Only a few of the heavy duty coal roads and Kansas City Southern have had lower ratios of transportation expenses to gross.

The favorable showing has continued in the current year. Traffic has been running below the level of a year ago. Despite the higher freight rates and the fact that passenger business held up well, there was a modest decline in gross revenues for the first two months—from $12,642,254 to $12,333,354. Maintenance outlays were reduced just about in line with the drop in gross. Transportation costs, however, were more rigidly controlled. The transportation ratio was cut from 34.3% to 33.6%. It is this ability to keep the transportation expenses under strict control that makes many rail analysts so optimistic over the outlook for the road and its securities.

In the face of the modest decline in revenues the company reported net income of $625,097 for the two months through February 1949 compared with $535,604 a year earlier. Common share earnings were up from $0.33 to $0.42. For the full year 1948 common share earnings were $4.92 and in 1947 they had been $2.66. With the start that has been made this year, and on current general traffic prospects, it seems likely that earnings again this year will be in the neighborhood of $5.00 a common share. Maintenance of a $0.50 annual dividend distribution also appears likely. Equipment and serial bond maturities will continue to dictate conservative financial policies.

The Gas Industry—1949

(Continued from page 19)

unregulated costs of competing fuels — oil and reasonably good grades of coal.

In the city of Chicago it now costs approximately $119.00 per year to heat a six-room house with gas, while with No. 3 fuel oil it would cost $185.00 and with a reasonably good grade of coal $142.00. Under these circumstances you can readily imagine that the daily life of the officials of the Gas Company is not a happy one. There must be 25,000 citizens of the city of Chicago, each of whom states he is an intimate friend of the Mayor, or a prominent Judge, or the Chairman of the Illinois Commerce Commission—and each of whom has heart trouble and must have gas, yesterday, to heat his home. We have, however, religiously held the line and daily are subjected to the unpleasant experience of declining to do business with the American public, which public is the public utilities' boss.

An Aggravated Demand

The anomaly to which I referred, is the fact that gas, the superior fuel, is now in aggravated demand since its price has been held low because of regulation, on the theory that the Gas Company is a monopoly, whereas the competitive fuels, being unregulated, have increased in price in accordance with general economic conditions to a point where gas is by no means a "luxury" in terms of price. This anomaly not only encourages an unwise over-expansion in good times of the natural gas business by efforts to meet the demand of the public for gas for space heating, but also carries with it the risk that the best interests of the public may be placed in jeopardy because of the characteristic low load factor of the space-heating requirements. The American Gas Association is now engaged in a careful study of the economic effect of this disparity in cost between gas and other fuels.

It is necessary to have available on the coldest day of the winter an adequate quantity of gas for use on that coldest day by the space-heating customers attached to the system. This means that this quantity is available, if supplied entirely by pipe line capacity, each of the 365 days of the year. In our Chicago climate only 25% of this aggregate annual amount is actually used during the year. Space-heating gas, therefore, has only a 25% load factor. In other words, if pipe line capacity were built sufficient in size to meet a given space-heating demand on the coldest day, 75% of the annual capacity thus provided would not be used during the year by the space-heating customers. This means that either the space-heating customers must pay in rates for their gas an amount sufficient to include amortization of the construction cost of the entire pipe line capacity, or the 75% of the gas not used by the space-heating customers must be profitably sold for other purposes. The problem of such other sales is obviously complicated by the fact that the gas constituting the unneeded 75% will not be available during the heating season.

The Peoples Gas Company has in excess of 900,000 customers in the city of Chicago. Of this number, somewhat less than 50,000 use gas for space heating. To further illustrate, approximately 470,000 Chicago families live in one, two and three family dwellings. We thus have an enormous potential space-heating market but one which cannot be economically supplied by new pipe line capacity alone. Our computations indicate that if we were to saturate the space-heating load in Chicago, it would be necessary to build 10 additional pipe lines. When you consider the cost of these 10 additional lines, and a minimum would be one billion dollars, it is perfectly obvious that the problem cannot be solved by the mere construction of additional pipe lines. Certainly the public could not be expected to pay rates for the gas needed for heating in an amount sufficient to amortize any such gigantic investment and it seems highly improbable that a market could be found for any great portion of the gas during the non-heating season.

Solving The Problem

The problem must be solved, in addition to the construction of further pipe line capacity, by three concomitant procedures:

First: Serious consideration must be given by the operating utilities and the regulatory agencies to the possible increase of the rate for space heating in order to protect the financial integrity of utility companies, to further the welfare of the consuming public, and to prevent the untoward exhaustion of natural gas because of rates which are uneconomically low. When the current high cost of incremental flow gas is considered, the basis for this adjustment in rates becomes quite apparent.

Second: The utility companies should provide other means by storage or otherwise to meet peak winter heating requirements and thereby lessen the enormous investment in pipe line capacity which would otherwise be required if the undesirable limitation orders are to be lifted; and

Third: Markets for off-peak and interruptible sales of the so-called valley gas must be developed and encouraged.

Before referring to the efforts now being made by Peoples Gas in these directions, I should like to refer briefly to the problems presented at the source of the pipe line. The producers of natural gas have their problems, too. In view of the questions raised incident to the interpretation of the Natural Gas Act and the jurisdiction and power of the Federal Power Commission, the owners of gas reserves have been timid and reluctant to dispose by contract of natural gas for fear of price regulation even of arm's length transactions under which gas is sold by the producers in the field to pipe line companies in which they have no interest. Certain of the major oil companies have preferred to retain their reserves for later use or have returned the gas to the formation after extracting gasoline and other condensates. Others have sold only under short-term contracts containing "most favored nation" clauses and other devices designed to protect the necessary interests of the producers.

Producer-Distributor Relationships

Much of the natural gas which is produced comes to the surface in wet form containing many condensates such as butane, propane, and gasoline of great value to the producers. In order that these products may be recovered, the producers are required to erect gasoline extraction plants, which, by the way, are not inexpensive. A plant capable of handling 50,000,000 cubic feet per day costs approximately, $1,500,000. Because of the necessity of regularly operating such extraction plants to provide for the amortization of the investment represented thereby, the purchaser pipe line companies have in certain instances been asked by the producer not only to agree to pay for minimum quantities of gas but to agree to penalty provisions pursuant to which the dedicated gas reserves will be lost to the purchaser pipe line company unless the same or other minimum quantities are actually taken each day. This type of a request may be absolutely unacceptible because it means, of course, that the pipe line company is required to exact comparable commitments to pay and to take from the distributing utility purchaser at the other end of the pipe line. The utility company is thereby placed in the position where in order to retain the all important reserves needed to meet the demands of the space-heating customers during many future winters, it must agree not only to pay for, but also actually to take gas during the off-peak season. This means that the gas so taken must either be sold or stored. It should be observed in passing that all contracts made by a public utility must of necessity be subject to the proper exercise of regulatory authority, that no utility can contract contrary to the public interest and that all utilities must be protected against the enforcement of engagements later forbidden by law or made prohibitive by the subsequent imposition of taxes.

The tremendous present interest in the development of the natural gas industry and the current construction of numerous large pipe lines to the consuming markets has, of course, resulted in rapidly mounting prices being asked by the producers. It wasn't so very long ago when gas could be bought in the field for relatively little—3 cents a thousand cubic feet or less. Now the asking prices of the producing companies in the great undedicated producing reserves in Texas and Louisiana run from 8 cents to 12 cents. When these prices are coupled with demands for contract provisions of the type just described, it is readily seen that the utility customer at the market end of the pipe line is required to face man-sized economic questions and do some heavy head-scratching.

To illustrate: Recent estimates indicate that, on a 100% load factor basis, natural gas transported through a new pipe line will cost delivered in this area about 2.5 cents per therm (25 cents per MCF). This price, being on a 100% load factor basis, does not furnish a measure of the problem presented by the space heating load factor of 25%. Assuming a reasonable combination of capacity and commodity charges in the light of current pipe line costs, ($3.80 per month per thousand cubic feet of capacity and 12.5 cents per MCF commodity charge) the average price on a 100% load factor basis would consist of 1.25 cents as the capacity charge element, and 1.25 cents as the commodity charge element, per therm, or a total of 2.5 cents. On a 25% load factor basis the capacity charge element is multiplied by four and hence becomes 5 cents per therm, the commodity charge element continues at 1.25 cents per therm, an aggregate of 6.25 cents per therm for gas purchased on the basis of the space heating load factor. Our present space heating rate to domestic consumers is 7 cents per therm. Over and above the price to be paid for additional natural gas on such a basis would be the increments to be added by the distributing company for transporting the gas from the point of delivery to the consuming public.

Need of Adequate Rate Policy

These problems are accentuated where there are a number of utility company customers each being served by the same pipe line and where each of these companies wishes to share in a proposed incremental additional supply. The Federal Power Commission has not determined what its rate policy will be in such circumstances. Traditional concepts of rate principles might result in the view that costs resulting from the incremental supply should be reflected in increased average rates for the entire supply for all customers rather than to permit block rates which reflect the higher incremental cost in higher rates applicable to sales of the incremental supply.

To illustrate: If Companies A, B, and C are taking gas from the X pipe line on the basis of rates fixed some years ago by the Federal Power Commission and paying 11½ cents per MCF for that gas upon delivery, a very serious problem arises if those three companies each now wish to obtain additional gas to be procured and transported by the same pipe line at a delivered cost of 25 cents per MCF of the additional gas. The seriousness of the problem arises because it would be merely accidental if companies A, B, and C each wanted the same percentage of the new high cost gas as they are now taking, respectively, of the present low cost gas. If company A is taking 50% of the low cost gas dedicated 15 years ago and only wants 25% of the new high cost gas, it is obvious that the public in the community served by company A would be paying a part of the cost of the new high priced gas going to companies B and C if the overall price of the old gas and the new gas was sold to company A at an average rate. This subsidy of the communities served by companies B and C can be extremely prejudicial to the public relying upon company A. It is hoped that the regulatory authorities will recognize the equity in these situations and permit block rates so that each of the utility customers will pay only the new high price for the new gas delivered to it.

Returning now to the steps being taken by the Peoples Gas Company, an operating utility serving a consuming market, to solve the problems here indicated, I would like to quote a significant statement recently made by Commissioner Leland Olds of the Federal Power Commission in connection with the order entered in the matter of a Texas Eastern application for a Certificate of Convenience and Necessity. The Commissioner in this statement emphasized the need for better planning in the natural gas industry to obtain "the optimum coordination in the use of transportation, storage, and gas manufacturing facilities to meet the requirements of regions as a whole." He added:

"The increasing space heating requirements of the Appalachian area are producing a demand for Southwestern gas which is growing faster than it can be supplied by the expanding capacity of three of the country's major pipe lines. . . . Specifically applied to the decision in the instant proceeding, this means that the New Jersey companies now receiving natural gas for the first time should not rely upon the service herein authorized as a first step toward a changeover to all natural gas service with the eventual abandonment of the use of manufactured gas. On the contrary, they should plan for an efficient and economical combined natural gas and manufactured gas service, with manufactured gas plant consistently maintained and modernized to assist the interstate pipeline in carrying the expanding load, particularly in winter. Similarly, it means that future requests for shares of additional pipe line deliveries on the part of all existing customers, not only of Texas Eastern but of other pipe line companies as well, should be considered by the Commission in the light of the extent to which such distributors have developed manufactured gas facilities and, where available, underground storage to assist in carrying the growing peak loads."

The philosophy and policies thus stated make considerable sense in appropriate cases. It is believed that the Peoples Gas Company by historical fact as well as current planning is in basic conformity with this philosophy, both in connection with our operating practices and in respect to our plans for the future. The policy stated by the Commissioner cannot in fairness be applied to those companies who are without adequate manufactured gas facilities and have therefore been required to convert to straight natural gas in order to serve economically the growing public demand. Nor should the policy be applied to require the addition of manufactured gas facilities, which characteristically involve high costs, in order to meet future demands.

In the first place, every effort is now being made by Peoples Gas and its affiliated corporations to obtain an incremental supply of additional natural gas through the vehicle of a new pipe line which, it is hoped, will be constructed from the producing reserves in the southwest to the Chicago area. While progress is being made, no program has been agreed upon and no Certificate has been issued by the Federal Power Commission. While the reserves which it is hoped will be dedicated to the proposed line will be adequate to supply, perhaps, as much as 500,000,000 cubic feet a day for a period of 20 years, only approximately 77% of this quantity can be expected to be made available for the markets in the Chicago area now supplied by Natural Gas Pipeline.

Storage Problems

Since even with higher rates for space heating gas the peak day need of these markets is far in excess of the quantities to be supplied by the proposed new pipe line to the Chicago area, other plans must be made to meet the anticipated requirements. These plans include the development of natural gas storage facilities. In several areas of this country the gas utility companies are blessed by the convenient location of exhausted natural gas fields available for storage in the summer of the off-peak or valley gas where it is available for use in the winter to meet the peak house-heating load. Such is not the case for Chicago. We have no conveniently located exhausted natural gas field in good condition. We have, however, developed in our laboratory on a pilot model scale, a newly designed and improved liquefaction storage plant which works. Our Company has embarked on a project which, unless delayed by the countless technical problems continuously arising, should be in operation by the fall of 1950 providing for the storage in liquid form in a first unit of approximately 400,000,000 cubic feet of natural gas kept at approximately 250 degrees below zero. This gas is mostly pure methane, nearly all other components having been removed in a fractionating still. It is stored at a space ratio of approximately 600 to 1. That is one cubic foot of liquid is equal to nearly 600 cubic feet of gas. This initial unit will take care of the extreme peak loads on approximately 11 days in the winter. It also provides in its 400,000,000 cubic feet of storage a much-needed and excellent insurance reserve against the consequences of pipe line failure of short duration.

The feasibility of high pressure (steel bottle) natural gas storage has been carefully considered by the Peoples Gas Co. The high cost of such capacity in the quantities that would be required in order to be of material significance seems to render this procedure unsatisfactory. It is estimated that 100 million cubic feet of high pressure natural gas storage capacity would cost $4½ to $5 million whereas the contemplated 400 million cubic feet of liquid storage plant capacity is estimated to cost $6 million.

During the past few years the Peoples Gas Co. has augmented its capacity for the storage and use of liquefied petroleum gases, particularly butane and propane, to the point where it now has capacity for storage of approximately 682,000 gallons of butane and 738,000 gallons of propane. The usefulness of these gases is limited because their introduction into the gas mixture cannot go beyond a certain point without adversely affecting the quality of the gas from the standpoint of customer utilization. For Peoples Gas Co., liquid petroleum gas storage capacity, therefore, cannot be relied upon to meet increasing peak demands. An increase in such capacity would merely make the liquid petroleum gases useful on a greater number of days in a year because increased quantities cannot be used in any one day.

The Problem of Gas Mixture

Peoples Gas for many years prior to 1931, distributed to the public of Chicago solely manufactured gas. It now distributes mixed gas of which approximately 80% in thermal or heating value is natural gas obtained from Natural Gas Pipeline Co. and the remaining 20% is manufactured gas, although in the future, with increased quantities of natural gas available, the natural gas percentage will increase and the manufactured gas percentage will decrease. The manufactured gas consists primarily of coke oven gas and water gas. The coke oven gas is manufactured continuously by the company in its coke oven batteries at Crawford Station and also is purchased from the steel companies in the South Chicago area. The carburetted water gas of from 550 Btu to 800 Btu is produced during the peak load season in winter. Peoples Gas is now engaged in the construction at its Crawford Station of a new battery consisting of 51 coke ovens. The cost of this plant, which is in effect a replacement of ovens which have been in operation for over 20 years, will be approximately $4½ million. It is expected that the new ovens will begin operation during the summer of 1949.

In this connection it is interesting to note that the ovens replaced by the new battery at a cost of $4½ million cost the Company in the 1920's something less than $2,000,000. This fact vividly illustrates the inadequacy of depreciation reserves accumulated on the basis of original cost to replace currently retired plant but this is a whole new subject and time does not permit its discussion here. Suffice it to say that the illustration reveals the great importance of retained earnings.

Mixed gas is favored by our Company for several reasons. In addition to the fact that our Company, by serving manufactured gas in substantial quantities, is thereby reducing the drain on natural gas and limiting the pipe line facilities required to supply natural gas, all in accordance with the philosophy expressed by Commissioner Olds, Peoples serves other objectives in the maintenance of its manufactured gas facilities and in its service of mixed gas to the public of Chicago. In the first place, in addition to continuous use of our coke ovens, we maintain in good operating condition and actually use during part of each year our other gas production facilities which represent a very substantial investment and which should be used during their useful life in the service of the public. We retain flexibility which cannot exist if entire dependence is placed upon pipe line gas. We keep our personnel alert and up to date in the changing and improving techniques of manufacturing gas. We have facilities available which would help substantially in the event of a pipe line failure and which will be available if and when the day should come when the natural gas reserves of the nation are inadequate to supply this heretofore increasing flow of reliable energy. We also, through the supply of mixed gas, maintain the quality and characteristics of the gas upon which the consuming public in this city has come to depend and for which the more than one million appliances are now adjusted. Incidentally, we estimate that it would cost somewhere in the neighborhood of fifteen million dollars if Peoples Gas should go to the distribution of straight natural gas and be thereby required to readjust all of these appliances for the economic and efficient use of this fuel having different burning characteristics.

Leveling Off-Peaks and Valleys

The Peoples Gas Company through its sales organization will continue every effort to develop off-peak and interruptible markets. Various gas use classifications have been developed in the industry which are of real assistance. First there are the so-called interruptible sales which are made at a low rate to large industrial consumers at times during the year when gas is not needed by the Company's general customers. These sales in the large volume industrial fields produce revenues which operate to reduce the ultimate charge to the general customer who uses gas as a fuel for space heating, cooking, or water heating. Somewhat similar in nature to this type of sale is the off-peak sale made to commercial and industrial customers during the spring, summer, and fall months which has been most successfully used by our Company. In this connection, it seems obvious that substantial quantities of valley gas must be sold on an interruptible basis for large volume use as fuel by industry. Such use is essential if the public is to have the convenience and comfort of gas, at reasonable rates, for heating more homes in this community. The progress of the business is a constant effort in the direction of leveling off-peaks and valleys to counteract the vagaries of temperatures and the weather man.

By providing storage facilities and by the maintenance and continued development of our manufacturing gas facilities, we believe that we are serving the public interest and reducing to the minimum the high investments that must, in any event, be made in additional pipe line facilities. It would be unfortunate and we believe unfair if the existence of storage and manufactured gas facilities should be prejudiced or delay the ability of our Company to obtain now and in the future the minimum of additional natural gas which is and will be needed.

In April of 1947 the Illinois Commission wisely acted in the public interest by entering an order restricting the attachment of additional space heating business beyond the limits expressed therein. We are proud of the fact that during 1948 Peoples Gas made gas available to all of the remaining single-family residence customers entitled to be served under the 1947 order. These customers numbered 6,233. On Dec. 29, 1948 the Company obtained a supplemental order from the Commission permitting the attachment after April 30, 1949 of 8,000 additional like residential heating customers. These numbers are not overwhelmingly impressive by they represent substantial progress.

Study of Rate Structure

Peoples Gas is now engaged in a very careful study of its rate structure to the end that entirely proper revisions in the space heating rate may be suggested, if necessary, to take into account the higher prices incident to the delivery of an incremental new supply of natural gas. In this connection the earnings of Peoples Gas in recent years and anticipated for 1949 are well within proper limits of a rate of return as applied to the gas utility business in this and other states and are certainly not exorbitant, having in mind the financial needs of the Company. It, of course, goes without saying that we will never seek authority to charge rates one cent more than the amount necessary to maintain an efficient operation, sufficiently profitable to attract the necessary capital needed for the expansion and development of our business to meet the public need.

We live for the day when by a combination of the methods, above discussed, our area can be supplied with gas at reasonable rates for any purpose demanded by the public. The achievement of this result will not be reached tomorrow. It presents financial, legal, and business problems of considerable stature. It is my belief that the American public, through the good offices of you gentlemen, will provide the necessary capital which is needed to construct the new pipe line, the new storage facilities, and to maintain and develop the manufactured gas plants. We trust that you approve our philosophy and will bless our endeavors. We are willing and anxious to compete for the investors' dollar and we pledge the soundest and most efficient management of which we are capable.

Future Capital Needs

While it is obvious that Peoples Gas will be required to obtain additional capital funds in connection with the expansion and development just mentioned, no financing program has been prepared or approved by the Board of Directors. Until plans for a third pipe line are further developed, any program of financing must be kept sufficiently flexible to raise the capital required in the markets existing at the time the additional funds are needed.

Our great satisfaction comes, of course, from two sources: first, the knowledge that a great and daily human need is being supplied to a large segment of the American population, and second, from the knowledge that as we succeed in our endeavors, the privately owned, privately operated public utility will be recognized and accepted as a vital and permanent feature of American life. You gentlemen will recognize that a public utility privately owned and subject to public regulation is a typically American enterprise.

I have been in the gas industry but little more than one year. The experience to date has been fascinating. The industry does a great work in its public service and this feature brings satisfaction beyond all others. It is fortunate that this is so because the operation of public utilities by private enterprise must stand firm, not only for the benefit of the large number of stockholders and security holders to whom the utility managements are responsible but because if free enterprise succeeds in operating efficiently and acceptably the public utilities of our nation, the vast unregulated industry which has made America great, is safe from the successful encroachment of collectivism.

I would like to quote what has been correctly advertised as the greatest, shortest book which has ever been written. It reads in its entirety as follows:

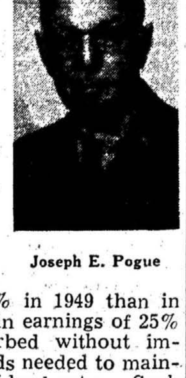
"Democracy makes a fairly equitable distribution of the goods and wealth that it creates. Communism makes unequal distribution of the poverty and misery it creates."

We in the gas business, at this important juncture in our affairs when we face problems which sometimes appear insoluble, feel like the prophet of old who, while repairing the walls of Jerusalem was subjected to the efforts of his enemies who sought to beguile and seduce him from his task, and to whom he sent the reply which has rung in the ears of men down through the ages, "I am doing a great work and I have not time to come down."

Predicts Reduced Earnings of Oil Companies

Joseph E. Pogue, Vice-President of Chase National Bank, holds, however, because of reduced capital expenditures, dividend rates can be maintained.

Speaking at a luncheon meeting of the Investment Association in New York on April 14, Joseph E. Pogue, Vice-President of the Chase National Bank and an expert on petroleum developments, stated that the earnings of oil companies in 1949 may be 20 to 25% below those of 1948. But the high earnings of 1948 are not an economic necessity, Mr. Pogue pointed out, now that shortages have been surmounted and urgent construction requirements have been met. Mr. Pogue stated that if capital expenditures are less by 20% in 1949 than in 1948, a decline in earnings of 25% could be absorbed without impairing the funds needed to maintain recent dividend rates. Such a relationship would result merely in reducing the percentages of earnings retained in the business from 73 to 64%.



Joseph E. Pogue

Mr. Pogue cited Canada's appearance on the scene as a rising source of oil supply, but declared that a substantial entry of Canadian oil into the world markets must await further drilling and the development of major pipe lines to distant markets. Production of Venezuelan oil, which he said will meet growing competition in Europe from Middle Eastern oil, has been curtailed by about 15%.

Mr. Pogue cited the petroleum industry for displaying remarkable adaptability to changed conditions. He said that oil, like our economy in general, apparently is undergoing a serial or piecemeal adjustment instead of suffering from an acute recession. Residual fuel oil has undergone such a sharp decline in both demand and price that its adjustment should be nearly complete. Middle distillates such as Diesel oil and heating oils are in an intermediate position in the cycle. The demand for gasoline has been well sustained and the rate of supply is ample for all anticipated needs, he said.

Securities Salesman's Corner

By JOHN DUTTON

The other day I was talking with a successful salesman of many years experience in the field of intangibles. He told me he was sure that the one thing that he got out of being a salesman which meant almost as much to him as the good living he was making, was that only through his work did he find the secret of self mastery. There have been a good many lectures, and also articles written, on this idea of how a salesman must master himself. You know how they go—you are your own boss, if you want to work you can do so, or you can knock off. If you have a good week you can loaf through the next, etc., etc. These things are true. And most of us are human. We have all been lazy at times, diligent at others, optimistic and pessimistic, and so it goes.

But the point that my friend made about this self mastery business that appealed to me was that I believe that he has the secret to success in the securities business today. He put it this way. Most of us will admit that we do not put in enough work, both in the field seeing people and in following up our calls by the proper mailings, and second and third approaches if necessary, on new customers. He brought out the fact that successful selling becomes a matter of CONSISTENT work habits. Keeping at it—constantly following up new leads as well as old customers, and continually developing ideas that FIT EACH ONE OF THEM.

If you will look back on your own personal experience you will find out that this is what will happen if you work consistently at least five full days a week. First, your mind will become keen and your ability to convert interviews into sales will improve. Selling is like any other art—the more you do it the better you become, and the easier it is to make sales. Secondly, you will stop worrying about bad business, because first of all, when you are out creating business your mind is constructively occupied, and secondly you have the satisfaction of knowing that you are not quitting and that you are doing your best. That is the best builder of morale and self confidence that any man can find.

The next thing that will happen is that you will begin to build up a backlog of potential customers. The securities business roughly can be divided into three major categories as far as prospects are concerned. The investor for income—the investor who also takes an occasional flyer—and the speculator. When you meet people and keep on meeting them you are bound to find some who like you—who take to you and you to them. You find out what they own because they will tell you. You *catalogue* their securities. You start to keep them posted by mail (news items, etc.) or by a telephone call. You wait for a spot. A new situation comes along. A bargain in a good bond, a new issue, a low-priced stock that looks better than some dog they are stuck with, where you can make a trade-out. You call them for an appointment, you see them, you PRESENT AN IDEA TO BETTER THEIR POSITION and you make a sale. You keep this up, five days a week. You pick out an evening to make some calls on the telephone from your office when you can find them home. You work like this and you will succeed. You cannot fail. I believe that there are few experienced men in the securities business who would disagree with me on this program and its effectiveness.

But as my friend said, "It means at least five full days a week, in good weeks, in big weeks, in weeks that are slow and disappointing. It means at least this much we should give to our job—eight full hours a day five days a week. That isn't too much to ask if today, a man could go out and make real money selling securities. And this is possible, making good money today, I know it for a fact. I have letters from men that are doing it right now. In small towns, too, as well as large. But they are working intelligently and regularly—they like it, too—and they are not knocking themselves out. You don't have to do that either. Just get the HABIT and watch it grow. Three solid months of it will put any security salesman so far out in front today that he wouldn't quit doing it under any circumstances. It is easy to get the habit of loafing—of making BELIEVE that we are working—of going through the motions. How do I know? I've done it many times and so has practically everyone who has ever been in the selling game. And I've tried the other way, too, and I know that it works."

Urges More Reports of Stockholders' Meetings

Federation of Women Shareholders in American Business, Inc., says women, as owners of 70% of privately held wealth, should be kept informed of happenings at stockholders' meetings as means of better stockholder relations.

The Federation of Women Shareholders in American Business, Inc., released to its members and the press a review of corporation post meeting reports to stockholders, together with the "historical edition" of its own first post meeting report, giving the history of its organization. FWSAB is a non-profit, nonpolitical membership association of women.

"Women, as owners of 70% of the privately held wealth, must be informed stockholders and better corporate citizens if private enterprise is to survive," the report states, with the FWSAB credo: "We do not need more government control. We do need more stockholder interest."

Wilma Soss, President of FWSAB, was a former associate of the late Harry Reichenbach who instituted the motion picture review, says she believes that annual reviews of post meeting reports will result in better stockholder relations.

Commenting on the "woman's angle" of annual meeting coverage, the report notes the tendency has been to treat the woman's angle humorously and that "some women resent this type of coverage," but reminds them that "humor sells and industry uses the comics to educate."

The eight-page newsletter, titled "Women and Wealth—What Every Stockholder Should Know About the Post Meeting Report," calls the post meeting report of the annual meeting "required reading for the modern woman investor." It gives the history of the post meeting report and some instructions as to what the stockholder should look for in a good post meeting report, pointing out that it would show "economic democracy at work."

John Carriero Opens

MECHANICSVILLE, N. Y.—John Carriero has opened offices to engage in the securities business.

What's Ahead for Business and Banking?

(Continued from page 2)

the first quarter of 1949 has continued at an extremely high rate, the decline by the end of the year will presumably be at a considerably faster rate than 6%.

Housing starts for 1949 appear to be reduced by from 10% to 12% from 1948, according to estimates of the Department of Commerce. The cost of construction, happily, is expected to decline this year sufficiently to lower housing costs by 8% or 10%. At the same time the value of the average house to be built this year will be somewhat lower than last year. This is because houses built after the war satisfied the "high priced demand." Thus, there are three factors which may be expected to reduce housing expenditures this year by almost 25%. Once the decline in the cost of houses has become fully realized, there can be every expectation that demand will thereafter expand.

Against these declines in the amount spent for new housing construction, in the expenditures of producers for plant and equipment, and in the expenditures for increased inventory, there is to be placed the increased expenditures of the Federal Government (as its budget outlays expand) to cover increased cost of rearmament, and other enlarged outlays. These increases in government expenditures in the calendar year 1949 will occur precisely as receipts of the Federal Government decline, both from the heavy payments of the first quarter and decline as the result of the tax reduction bill of 1948.

It is necessary for banking, business and government to come upon new components of expenditure. Only in this way can we offset declines in the older "investment expenditure components." It is necessary even to expand the total volume of output and the total volume of investment for two very important reasons:

(1) An expansion of the investment component for private industry is required in order that industry may continue to invest the average of about $7,000 per worker to provide tools and equipment for the annual net addition to the labor force which in turn now reaches almost 700,000 net new workers per year. Insofar as industry is responsible for the improvement of wages of all workers, additional investment in plant and equipment is needed to increase the productivity of the worker. His productivity depends in part on his personal efficiency and willingness to work. But it depends even more in recent years upon automatic mechanizations of our modern industrial processes. These are costly. There is required of businesses an element we may call "capital use intensification" which adds further to the investment component needed for the maintenance of high level productive employment in the United States.

(2) Each year there is an advance in the number of workers and in the levels of efficiency and productivity of all workers. Recently Prof. Sumner H. Slichter placed at $10 billion the expansion of output at today's prices needed to avoid increases in unemployment. In other words, $10 billion more goods must be produced and sold each year **to avoid a rise in unemployment.** This is because there are 600-700,000 new workers each year coming into the labor market. Their contribution to the economy, if they are to be usefully employed, would be about $2.5 billion. The total economy increases its productivity annually by an amount that now can be expected to be at least 3%. Applying this 3% to the total production of society indicates that the same number of workers will produce about $7.5 billion increased output, and that much, too, must be sold if they are all to remain employed.

III

A Resume of Problems

Here, then, are the problems confronting the American economy. What are some of the things we should do about them if we are to continue in 1949-50 as smart as we were from 1945 to 1948?

(1) The present readjustment of prices should be welcome. As the downward readjustment of prices takes place, it practically is a repeal of inflation. The downward readjustment of prices **brings large additional groups of consumers into the markets.** That broadens markets, enlarges output and is the most desirable way to expand output to maintain high level employment.

(2) We should steadily search for new investment expenditure components to take the place of old. As new plants are completed, consumers' goods output increases in many lines. A part of this increase may represent genuine "catching-up" so that consumers' demands, even at their new high income levels and in relation to their high holdings of liquid assets, may be fully satisfied. In such a case, the industrial plant capacity in place for production may be called "adequate" and "complete." Therefore, no additional investment component expenditure is likely to be found in such fields. Holding our industrial and particularly our construction workers fully employed then requires finding new components of expenditure to take the place of the old which, so to speak, have "run down." Those new components of expenditure can come from private industry if we lower corporate, business and excise taxes, or if we arrange more liberal, widespread credit and if we make advances in technological developments.

As I see it, what the American society is determined about is that the resources which can produce the magnificent industrial plant, which the United States has today, and which has been the salvation of Western Europe, shall not in the future, for any extended period of time at all, run idle nor be wasted, or wither and decay.

For those of us in agricultural areas this non-waste of resources of our great plants and of our ability to add new plants, construction and public works, is important for a very special reason. In our Northwest area we produce substantial amounts of animal products. From that comes a large supply of meat. The abilities of agriculture's consumers to purchase that meat and, as well, other high-grade agricultural products such as poultry, Washington quality of fruits and vegetables, and dairy products, is almost wholly a question of the level of income of the consumer we expect to buy them.

If that consumer is engaged in a "low-wage" enterprise, in a low-wage service, or in a "soft goods" industry—with all these typically paying wages of about $40 a week—then he has a low consumption of these animal products which make up 55% of all farm incomes in the United States. On the other hand, maintaining investment expenditures, construction, the building of plants and equipment, and also constructing public works in large amounts provides many high wage jobs in the United States. Such high wage jobs rather typically pay not $40 a week, but $70 a week. At this latter high wage level, the consumption of animal products by workers' families is two-thirds greater than the meat consumption of the low wage workers' families.

Here, indeed, is a most important reason why our high, productive agriculture must insist on high productive industrial and business employment. We in the United States cannot stand past hard cores of unemployment, and we in agricultural areas similarly cannot stand a great hard core of unemployment in the construction and machine-making industries which are the high wage industries of the nation, and therefore the most important of agriculture's customers.

IV

Conclusion

In conclusion, I would like to point out that in an earlier day I thought economists, such as myself, should find the answers to the question of how we can bring in new components of investment expenditures to hold both the economy and the number of high wage jobs at high levels. I am much more modest is my appraisal of what the economists can do to find answers to this question.

Next, I thought that the businessman, for example through the field organization of the Committee for Economic Development in which I was active for more than three years, could find the answer. Much as I think the businessman can help, today I believe the crucial work for solving this problem must be done by bankers with the aid and advice of both businessmen and economists. That is because it is my view that the crucial issue in the task is whether or not a sound financial plan can be devised. That is work for bankers. So I charge today the banking community in America, directly for the welfare of themselves and their own institutions and indirectly through their advice to all others and consultation with all who invest money: to devise sound financial plans to give us a fair and reasonable share of new public housing, which can be as well-financed as has public housing in England, to find new plans to bring forth very greatly increased amounts of private housing (which may consist of the residential part of the task of urban redevelopment we have ahead of us in the United States for all the remainder of this century). This residential part of urban redevelopment, I think, should all be done with private capital, and that emphasizes once again the important role of bankers and the financial community.

Next, I think new sound financial plans for the construction of new, fine highways is badly needed. These should be as soundly financed, where heavy traffic makes that possible, as the Pennsylvania turnpike which is covering almost two times all interest on its debt and upon the amount of money that was granted in the public interest to make possible its construction. Where there is less traffic and less cost as well, bankers should study the great gains of improved transportation and devise plans and proof which will bring support to its construction as a public improvement. With the high wage rates we have today, there is no waste which is so costly as the running to waste of American labor-power which can create these fine improvements for all of us.

The task I lay before you this evening is how to bring forth these new investment components to maintain full employment, to increase the efficiency and therefore wages of labor, and how these investment components may be safely financed at a steady rate to achieve the great objective of the American people — a high standard of living, a high level of useful productive employment and an ability to continue assistance to the rest of the world.

Price Fluctuations of High-Priced and Low-Priced Stocks

(Continued from first page)

industry. These two companies differ principally in their capital structures. Armour has a large proportion of senior securities ahead of the common while Swift has a much more conservative structure. The stock of Armour & Co. has shown much more price variability than has that of Swift & Co., but it would be absurd to attribute this to the fact that Armour common stock traded at a lower price level than did that of Swift.

Size is perhaps a factor in stock price variability, at least up to a certain point. This would be difficult to demonstrate in a statistical fashion, and there are undeniably exceptions to the general rule. Moreover, the critical size would be difficult to determine. For example, in electrical manufacturing, it would be high; but in operating utilities, where service is supplied to an area of diversified industry, it might well be low. It is not the purpose of this inquiry to measure the effect of size on the stock of a company. It is sufficient merely to point out that there is some degree of relationship.

Another factor which is related to stock price variability is the degree of marginality, the extent to which a company is or is not the "marginal producer" within its industry. In boom times there is business and profits for high-cost as well as low-cost companies, but under conditions of normal competition the high-cost operation shows little or no profit. Thus, profit variability is much greater in the case of high-cost, or marginal companies. This greater profit variability of the marginal concerns makes inevitable a greater price variability of their common stock. The Chicago & Eastern Illinois Railroad Co. is chiefly a carrier of bituminous coal; and so is the Virginian Railway Co. The capital structures of the two roads are generally similar, although there are some operating differences. However, the 1947-1948 price range of the common stock of the Virginian Railway was 28¼-45, while the range for Chicago & Eastern Illinois common was 3½-9. This difference in price variability may, of course, have been partly associated with the differences in the price levels of the two issues. However, since the earnings record of the Chicago & Eastern Illinois is decidedly more erratic than that of the Virginian, it is much more likely that the difference in variability is due to the differences in the marginal nature of the business. The Virginian serves the relatively low-cost West Virginia fields while the Chicago & Eastern Illinois operates in the relatively high-cost Illinois fields.

During boom times demand is sufficiently great to provide profitable business for all units in an industry, but as competition is intensified the marginal units must operate at greatly reduced profits, or even at a loss. This is clearly evident in the automobile industry. Both General Motors and Chrysler have demonstrated a greater price stability than have such "independents" as Studebaker, Willys, Kaiser-Frazer, Packard or Hudson. This cannot be due to capital structure differences, for capital structures in the automobile industry are remarkably alike. It is unlikely that this difference is associated with size except insofar as size is a factor in marginality.

It is the purpose of this inquiry to measure the relative price variability of high-priced stocks and low-priced stocks so far as variability is related to the level of prices, and excluding such other factors as differences in size, capital structures, and marginal nature of operation. In other words, it is the purpose of this study to measure the price variability of low-priced and high-priced stocks that arises from their "low-pricedness" or "high-pricedness" alone, and excluding other factors which may be related to price variability. It is entirely possible, for example, that in general, low-priced stocks, for reasons that have nothing to do with the relative level of prices, show greater price variability than do high-priced issues. We are seeking an answer to the question of whether or not there is a difference in price variability between low-priced and high-priced stocks that is related solely to the price factor.

The Method of Pairing

The measurement of the relative price variability of these two groups of stocks without reference to cause would, of course, be simple. The measurement of that variability presumably due to one cause only, and excluding other causes, is not as simple. The only method that appears to be suitable is that of "pairing." This is a method widely used in educational statistics, but rarely employed in economics or business studies. It involves the selection of "pairs" of items, each pair being essentially alike in all particulars except the one characteristic under review. By this method, it is possible to have reasonable assurance that all factors remain constant except the one being studied.

The application of the method to this study involved the selection of nine pairs of stocks. These pairs were selected so as to be essentially similar in all respects except the price of stocks. An attempt was made to attain essential similarity in the pairs on the following points:

Capital structure.
Size.
Nature of industry.
Marginality of operation.
Listing on a major exchange.

It is not possible, of course, to attain perfection in pairing. In the matter of size, for example, there appeared to be some tendency for the largest unit in an industry to have stock outstanding of high unit value. It would have been desirable to have the largest company represented by the low-priced stock in half of the pairs and by the high-priced stock in the other half. This could not be accomplished, and in nearly all cases the high-priced stock in the pair is that of a larger company than that represented by the low-priced issue. In all cases, however, the companies represented are larger than what might be termed "critical size."

The pairs selected are listed below:

Industry	Group	Company	*Leverage	†Size
Oil	Low	Socony-Vacuum Oil Co.	19%	600
	High	Standard Oil Co. (N. J.)	15%	2,000
Paint & Oils	Low	Glidden Company	21%	40
	High	Sherwin-Williams Co. (Can.)	19%	9
Tobacco	Low	Lorillard (P.) Company	18%	80
	High	Liggett & Myers Tobacco	16%	400
Farm	Low	Deere & Company	29%	140
Machinery	High	International Harvester	24%	375
Aircraft	Low	Lockheed Aircraft	None	28
Manufacturing	High	Douglas Aircraft	None	32
Building	Low	Certain-teed Products Corp.	15%	27
Materials	High	Masonite Corp.	15%	31
Containers	Low	Continental Can Co.	30%	205
	High	American Can Co.	25%	260
Steel	Low	Republic Steel Corp.	35%	250
	High	Youngstown Sheet & Tube	20%	200
Chemical	Low	American Cyanamid Co.	50%	200
	High	Dow Chemical Co.	42%	320

*Percentage of preferred stock and bonds or long-term debt to total book capitalization.

†Size expressed in millions of dollars of assets.

Period Studied and Arrangement of Data

The period covered by the study was that from July 1937 to June 1947. Two full price cycles are included in this ten-year period.

Stocks were classified as high-priced or low-priced according to the prices at the beginning of the period. Stocks that were subject to major split-ups or stock dividends during the period were excluded for the reason that such a split-up serves to change the price range of the stock. No precise standard of low-pricedness or high-pricedness was established. In all cases the stocks selected as high-priced stocks were substantially higher than their related pairs. The July 1937 prices of low-priced stocks ranged from 12½ to 53⅛, and averaged 29. The July 1937 prices of high-priced stocks ranged from 50 to 137, and averaged 90¾.

An investment of $100 in each stock was assumed at the beginning of the period. The number of shares of each stock purchasable by $100 in July 1937 was determined and these figures were used as constant multipliers and applied to subsequent quotations. The market value of the two groups on the first market session of each month for the ten-year period was then calculated. The accompanying graph reflects the changing market values of the two groups of stocks on the basis of an initial investment of $100 in each issue. In order to express the data in terms of 100 the total monthly value of each group was divided by nine, the number of stocks in each group.

Conclusions

Except for the bull market of 1946 there appears to be very little difference in volatility between the high-priced group and low-priced group. It is true that in the period up to 1945-1946 it was the low-priced group that demonstrated a consistently greater degree of variability. But, however consistent, the variability of the low-priced group was only slightly greater than that of the high-priced group.

It is certainly questionable whether the difference in variability in the period up to 1945-1946 is statistically significant. Except for the 1945-46 period in every case where the lines seem to diverge the difference can be accounted for by the behavior of one of the nine pairs. In September 1941 where the lines show a wide divergence the actual averages are:

Low-priced group	86.14
High-priced group	75.90

But if one group (aircraft manufacturing) is eliminated and an average taken of the eight remaining groups the averages become:

Low-priced group	67.40
High-priced group	68.86

It is even doubtful whether or not there is any significance in the wide divergence of the lines in 1945-1946. At the point of greatest divergence in May 1946 the graph appears to indicate a much more greater variability for the low-priced group. As a matter of fact this divergence is almost entirely accounted for by three of the nine pairs. The following tabulation shows the average of the two groups with nine, eight, seven, six, and five pairs. The pairs eliminated in the order of elimination are:

Aircraft manufacturing.
Farm machinery.
Chemicals.
Tobacco.

Averages With Various Numbers of Pairs, May 1946

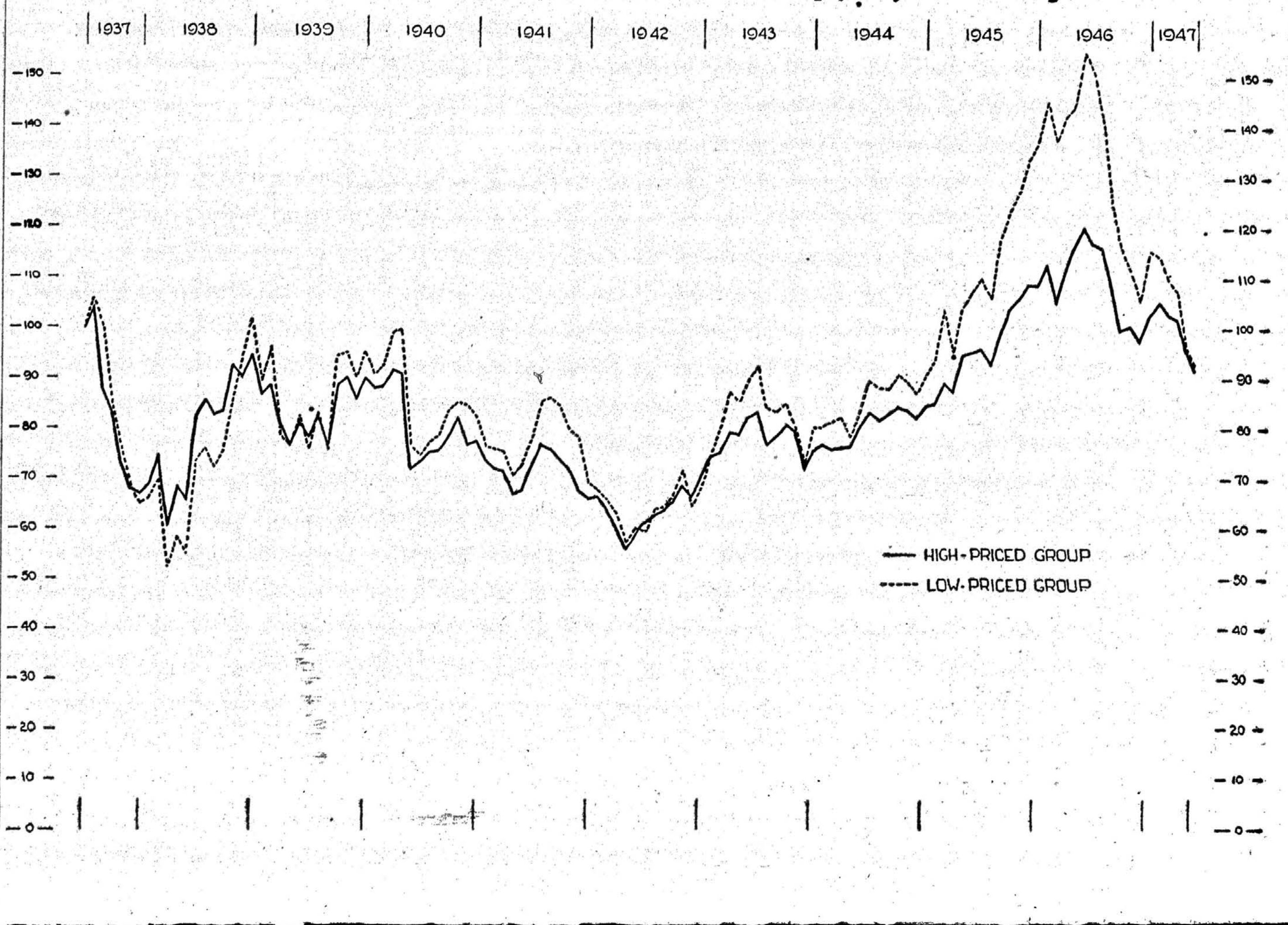
	9 Pairs	8 Pairs	7 Pairs	6 Pairs	5 Pairs
High-priced	116.46	111.90	115.25	112.55	114.88
Low-priced	144.46	130.51	126.72	115.61	110.06

The following conclusions can now be stated, subject, of course, to the adequacy of the sample.

(1) Except in boom periods such as mid-1946 low-priced stocks *because of their low-pricedness* are not more volatile pricewise than high-priced stocks.

(2) Even in such a boom period as mid-1946 there is considerable doubt as to whether low-priced stocks are *because of their low-pricedness* more volatile pricewise than high-priced stocks.

Computed Averages of High-Priced and Low-Priced Stock Groups, July 1937 Through June 1947



What's Ahead in Television?

(Continued from first page)

opments in the country's economic history.

In television we have the ultimate in communications, just as flying is the ultimate in transportation.

It is not surprising, therefore, to observe that tremendous excitement and public enthusiasm have been aroused in many parts of the country because television is already an accomplished fact. When we think back to the early automobile, vacuum cleaners, refrigerators and other electrical appliances, we realize that television was much more highly perfected than any of them when it was first offered to the public.

Television was ready in the summer of 1941, but before many sets could be made and sold the Japanese attacked Pearl Harbor.

While the war held up all direct work on television, it indirectly advanced the art a great deal. Cathode ray tubes, on the face of which you see the television picture in all direct-view sets, were required in great quantities by the Army and Navy, and the industry learned how to turn them out, on a mass production basis, for the first time. As a result, whereas 10-inch tubes cost between $50 and $60 before the war, they are now down to about $25 and over the next year or two should decline even further.

Also, because of the large volume of radar apparatus manufactured during the war, great strides were made in reducing production costs of some of the complex electronic components which are very similar in both television and radar equipments.

Therefore, although the television industry was out of peacetime production for four years, the television art was tremendously advanced during that period.

Problems of Postwar Development

When the war ended, television was ready and the industry was anxious to get commercial production started. Before this could be done, however, one group in the industry requested the FCC to set standards for color television right away. Most of us in the industry believed that color television was still at about the same point that black-and-white television was in the '30s. A great deal of work remained to be done on it before it would be ready to provide a dependable, high-quality service under average home conditions. **That is still the situation today.** On the basis of the best technical information, it will take between three and four years to develop the transmitter tubes with many times as much power as those in common use today to provide color T. V. broadcast service and then to build transmitters that can use those new tubes. So it will be at least another three or four years before there is color T. V. broadcast service in this country.

Recently you have probably seen references to the possibility of having television in the ultra high frequency band (475-890 MC) at some future date.

Today we are using the very high frequency band. All the T. V. stations in operation today are in this band.

Extensive field tests made by the Philco engineering organization indicate that commercial ultra high frequency television broadcast service, now under consideration by the FCC, is unlikely for several years, and when it does come it will not obsolete present-day television sets. **These tests, in the opinion of our technical people, also indicate that the present television frequencies and stations will continue to be the mainstay of television service to the public for many years to come.**

Commercial Television

Commercial television and the modern television industry really started as recently as March, 1947, when the FCC, after very thorough study, decided that color television was not ready and that much development work still remained to be done in order to perfect it.

That cleared the way for black-and-white television to get started, and the progress in the past two years has been little short of amazing.

The television industry produced about 180,000 receivers in 1947—the first year of real commercial production. Those receivers had a retail value of nearly $100 million.

Last year, there was more than a five-fold increase in receiver output and the industry produced and sold approximately 1 million television sets, with a retail value of about $350 million in 1948.

This year, the industry expects to step up production to over 2 million receivers, valued at $600 million—if the supply of cathode ray tubes is available—and by 1950 production and sales should increase to 3 million or more receivers, so that by the end of next year there will be over 6 million television sets in daily use in American homes.

No other industry in the history of America has ever grown with this amazing speed.

Some of you may remember the early days of radio as I do. Radio gave the people of this country something in the way of entertainment that they wanted very much. They had never had it before, and radio, because of the wants it satisfied, was a tremendous success. A great many families insisted on getting a radio receiver even before they had all their furniture and housekeeping equipment.

Today we sense that same excitement and urgency, but even more intensified, in the case of television. To people who are not wealthy, who cannot afford to leave home whenever they want entertainment, or shows, or sports, television is opening doors that they never dreamed would open for them. It is enabling them to participate in the great events of our day and age in truly remarkable fashion.

The great appeal of television is not for the wealthy—but for people of low and moderate incomes.

Because the average family is so anxious to have a television receiver as soon as programs are available in their area—and because once the set is in the home, they will move heaven and earth to keep it there—I believe that the financing of time payment purchases of television sets offers great opportunities for you gentlemen in the banking profession. The average unit of sale is substantial, and the purchaser will make sure he keeps his account in good standing with you so that he will be able to see all his favorite programs. In Philadelphia, for example, where we have had television service for several years, one of the smaller banks has already financed 2,500 television receivers for consumers with very gratifying results. It is most enthusiastic about this business. Other banks in other television communities are doing a similar job and having similar experiences. It is a good business and a growing business, and it was very interesting to learn from the data presented by Mr. Roger Steffan, Vice-President of The National City Bank of New York, that over 50% of all their appliance paper in New York was for television set financing. (See "Chronicle" of March 31, page 11.—Editor)

Television Receiver Prices

Prices of television receivers range from less than $200 for a set with a seven-inch cathode ray tube giving a 26-square inch picture up to more than $1,000 for some radio-phonograph-television combinations.

The most popular sets are those giving from 61 to 52 square inch pictures for about $350 plus installation, and those with larger tubes giving from 90 to 74 square inch pictures for about $440 plus installation.

Just as the number of cylinders in a motor car usually determines its price, the size of the television picture determines about what the receiver will cost.

Up to certain limits, where the picture gets too big for the room, most people want as large a television picture as they can get with their available income.

We are often asked why television receivers cost as much as they do, and when and if prices are coming down.

Basically, the price of the receiver is determined by what goes into it. An average table-model radio set needs 87 mechanical components, 37 electrical components and six tubes. Contrast this with what it takes to produce a table model television set, which contains 692 mechanical components, including hardware, 280 electrical components, 27 tubes (including CR tube), and 10,392 feet (almost two miles) of wire.

Prices will come down over a period of time, as we all want them to do to broaden our markets and make receivers available to more and more families, but there are no shortcuts to achieving this, for we are already enjoying the economies of large-volume, mass production techniques.

A television receiver is a highly complex instrument, and one of the major problems in getting television started has been to provide adequate installation and service facilities to meet the requirements of the industry's growth.

Realizing the importance of this phase of its operations, Philco trained approximately 7,000 independent dealers and servicemen to handle television installation and service yast year.

It is important for the consumer, when he purchases his T. V. receiver, to obtain it from a company that he knows will be able to provide replacement parts when and as needed over the useful life of that instrument.

The progress of television broadcasting has been no less spectacular than the manufacture of receivers.

A year ago only a limited number of television stations were on the air. Most of them were operating on a pretty restricted basis.

Today there are 60 stations serving 33 major cities with several hours of good programs almost every day. In addition to these stations, there are 65 more for which construction permits have been issued and which are in various stages of progress. Applications for 322 additional stations are pending but were frozen temporarily by the FCC last year.

At the present time, over 60 million people—40% of the country's population—are within reach of television service. If we take four people as an average family, that means there is an immediate potential market for about 14 million television receivers over and above the 1.5 million now in use.

By the beginning of 1950, we believe that there will be about 115 stations in operation serving 80 million or over half of the nation's population, and the potential market for receivers will increase by several million more families.

One of the important milestones in T. V. history was the linking of the Middle Western network with the Eastern one in January, 1949. Now there are chain T. V. programs all the way from Boston to St. Louis. That is a tremendous step forward, and the reports from Buffalo, Cleveland, Toledo, Detroit, and Milwaukee, as well as Chicago and St. Louis, all indicate that the network hook-up has greatly increased interest in those cities.

We believe that within three years there will be a connection with the Pacific Coast so that the entire country will be linked together for outstanding programs.

Programming

The value of a television receiver will depend on the kinds and types of programs that are broadcast by the stations within your reception range.

In the art of programming, tremendous strides have been made in the last year.

Most sports programs are excellent. In football, for example, you can follow the ball better by television than you can from a seat on the 50-yard line. Boxing and wrestling are both outstanding on television.

Beauty Queen contests are of course a natural for television, and a Philadelphia merchant combined such a beauty contest with a campaign to sell expensive fur coats on our station during the summer to the edification of the T. V. audience, and with very gratifying sales results.

Then we have the Tuesday Night MUST—Milton Berle of the Texaco Star Theatre—the increasingly popular Arthur Godfrey, with a Monday and Wednesday showing for Lipton's Tea and Chesterfield Cigarettes—and the all too infrequent televising of the Metropolitan Opera performances and Toscanini and the NBC Symphony. Then there's the Howdy Doody Show—with its appeal to the youngsters—literally, thousands upon thousands of letters were received in a short three-week period after its inception.

Ten million people saw President Truman inaugurated by television—more than the total number who witnessed all previous inaugurations.

In addition, 51,000 feet of special films were made and flown from New York the night of the inauguration for stations that could not be served by the networks—and television audiences as far away as the Pacific Coast saw the inauguration by T. V. only 24 hours after it happened.

Advertising

Television programs, like radio, cost the set owner nothing. Their cost is borne by the station as T. V. gets under way, and then by the sponsor, who provides the entertainment so that he may have a few minutes in your home to dramatize his product and explain why you should buy it.

Advertising interest in T. V. has grown by leaps and bounds in the past 12 months. Last year, we estimate that about $10 million was spent on T. V. time and program talent by advertisers.

This year, we believe that T. V. advertising expenditures will show a three-fold increase. While still small compared to newspapers, magazines, and radio, T. V. advertising is showing a very strong growth curve.

There are now about 1,000 advertisers using T. V., as compared with only a small fraction of this number a year ago.

The sales effectiveness of T. V. is about 10 times as great as radio, and it represents an incomparable advertising medium, combining as it does the sound appeal of radio broadcasting and the eye appeal of the printed page and motion pictures.

Television today directly employs 50,000 men and women, and a great many other thousands are employed in glass factories, tube plants, etc., and this number will grow rapidly as new stations go on the air and receiver production is stepped up. By 1952, it would not be surprising to see direct employment in television exceed 100,000 people and perhaps 200,000 others will have jobs producing component parts or providing programs—so television seems certain to become an important new source of employment opportunities.

Conclusion

All of us living today have the unusual privilege of participating in the growth and development of this wonderful new invention—the ultimate in communications. Beyond any question, television is going to have a great effect on our culture, our art, our politics, and our ways of living. We still have much to learn about television and the uses to which it can best be put, but we can be sure that it offers unequalled opportunities for the enjoyment of sports, drama, news, and many other exciting programs, and it brings the great events of the world into your own home at the very moment they are taking place.

The engineers and scientists have given us this wonderful new discovery, and it is up to us to make the most of it and realize to the fullest extent the rich promise it holds out to us.

New Fortnightly Magazine Appears

"The Reporter," edited and published by Max Ascoli, issued to fill "serious and dangerous gap between news magazines and magazines of opinion."

Under publication date of April 26, a new magazine, "The Reporter," edited and published by Max Ascoli, made its appearance. According to Mr. Ascoli, the purpose of the publication is to fill "a serious and dangerous gap between the news magazines and the magazines of opinion." The first issue of quarto size contains 36 pages comprising 14 short unsigned articles and an editorial. Among the editorial and contributing staff are listed Llewellyn White as managing editor; Leland Stowe, as European editor; also, Richard Donovan, William Harlan Hale, James M. Minifie, Claire Neikind, Gouverneur Paulding, Theodore A. Sumberg, and David Wills. According to the prospectus "The Reporter" is going to be quite principled when it comes to political fundamentals, and quite pragmatic when it comes to economics. The greatest effort will be made to take the sting out of the eternal debate, socialism versus economic liberalism, or planned economy versus laissez-faire. In every concrete situation about our own country, or foreign countries, we shall try to see how much economic planning political freedom can bear and how much economic planning is needed to make political freedom effective. About planning, we shall always try to see how the planning is done, at what levels, for what and by whom. Planning can mean anything and lead to anything. It can be the necessary condition for both honest accounting of national resources and for the madness of economic self-sufficiency. Much planning done at the national level in some European countries (with accompanying socialization) means simply that the profit system has been replaced with the loss system. On the other hand, one of the greatest guarantees of political freedom everywhere is in planning done at the international or intercontinental level—like, for instance, the Economic Commission for Europe or the ERP.

"Built-In" Salesmanship in Securities

(Continued from page 4)
your customer will not buy without **hope** you can't sell unless you have the ability and determination to inspire **hope.**

REMEMBER, no man is too big to put all he has, and all that he may acquire, into salesmanship.

Oliver Wendell Holmes once said, "Every now and then a man's mind is stretched by a new idea and never shrinks back to its former dimensions."

TRY THIS ONE: There is no such thing as no sale—when you face a customer, one of you two—either you or the customer—is going to sell.

Either you will sell the customer what you are supposed to sell; or he will sell you the idea that you just don't have enough sales potential to sell him.

And the customer is the better salesman if you have let him sell you the idea that he will not buy.

THINK THIS OVER: The customer had nothing to sell except an idea—and yet you bought!

Hereafter when analyzing the significance of sales resistance, make sure you have enough of it so that **you** and not the customer will do the selling!

Here is another "stretcher": Before you were hired, you, no doubt, were required to answer a list of seemingly irrelevant questions—an aptitude test. You did well with this quiz, stood high and received a good rating in aptitude.

But how would you have rated, had you been given an **attitude** test? This is the difference: A suitable aptitude means **can do**; but a correct attitude means **will do!**

There is perhaps no better concept for **will do** than the George M. Cohan philosophy: "Live a clean, honest, extrovert life; get your work done." The extrovert is in direct touch with his surroundings and understands the enormous influence that environment exerts on the mental, moral and physical responses of a people. He is prepared to meet them on common ground. Being clean he is fit to meet them and they will be willing to meet him. And begin honest, he will do an honest day's work, so **of course** he will get his work done. I endorse that kind of philosophy. Extrovert salesmen seem to have a gift for handling personal relationships. Probably it is because they see and analyze their customer's personality, instead of seeing and analyzing their own.

Reconciling Differences With Customers

Traders are extroverts; and traders can reconcile the differences between themselves and their customers. They know how to get together and make a sale. The extrovert sees the customer braced in the doorway, and he knows what to do about it because he **sees** the customer. The customer takes a firmer grip on the door-casing and says, "No, I'm not interested"; but being an extrovert, the salesman **sees** him saying it—he has seen many others saying the same thing—and has gone ahead and sold them. Of course all experienced salesmen know that the time to **sell** is when the customer says, "No." We are not in the realm of opinion now but in the region of fact—the fact being that if the customer had not said No, he would have bought without any "selling." The experienced salesman is not at all surprised when a customer says "No," but he would be **amazed** if anybody thought he intended to let the customer get away with it. **Nerve** you say? Not absolutely—perhaps just a fixation in the salesman's mind that the one and only thing that is final in salesmanship is the **sale.** What makes successful salesmen? One reason they are a success is because instead of **leaving results** to chance, **they take a chance.** Fate offers to us the same chance which the big man takes—a chance to do our best.

Another reason why some men become successful salesmen is that they are always on the spot when something good happens; and the reason why they are always there when something happens, is because they make it happen! The "built-in" type of salesmanship automatically proceeds with the action of persuading someone to buy.

Having won attention, the "built-in" salesman describes or shows what he is selling and tells something interesting about it; then directs attention to just what the customer will gain by owning the particular article he is demonstrating. He gives the customer a chance to ask questions and to voice his objections (the louder the objection the greater the interest often times).

The salesman never needs to argue because he has a reasonable or diplomatic answer prepared for each and every objection—although he does save the customer's face by saying, "That's a good question"—"Yes, that is one way to look at it," or something of the sort.

Playing on Customer's Emotion

Being a student of human nature, he knows that the customer is more or less logical and potentially emotional. The salesman also knows that while he is convincing or after he has convinced the customer by appealing to his reason (logic), he must, to close the sale, do or say something to push the customer off his emotional dead center sufficiently to cause him to decide to act.

This may take the form of any of the recognized closes:

"Assumed consent."

"Choice of Alternatives."

"Factual narrative emotionalized."

"Decision Assist."

"Relax and Recommence."

and finally

"Last Chance."

In closing how stubborn should the salesman be? Karl Bach, of the Penn Mutual's Forrest J. Currey Agency, San Francisco, says:

"Based on my selling experience, the most important part of a sale is the **"close."** I have found that the entire interview may run smoothly until the last few minutes and then the prospect wants to push you off and forget the whole thing.

"I am always agreeable in any selling interview until the closing; I may agree on all that a prospect says; but when it comes to the close, I am as stubborn as a mule. I am determined to have him see things my way.

"It is worth all of my effort, for if I do not succeed, my next call will be more difficult for me."

Saleman's "No-Man's Land"

Sales **management** has definitely determined through careful surveys by the best research and testing devices that many salesmen are bogged down in a "No Man's Land" between the point where the customer is admittedly convinced and the spot where he is actually motivated to buy.

A scientific study of this problem has resulted in the conclusion that, rather than attempting to devise ways and means to help the salesman through this bog, it is better all around to bridge the "No Man's Land."

This has been achieved by combining adroit sales engineering with an element of old-fashioned common sense.

Sales talk is now constructed so the first, or convincing, section overlaps the final, or activating section.

Or put it this way. The salesman begins to prepare the customer to buy before telling all of the good points about what he is trying to sell. Call it bridging the weak link in the psychological chain—the idea is the same. This will require practical or applied psychology. Psychology in the near past was defined as a study of the science of the mind, and fortunate indeed was the student who did not find himself hopelessly bewildered in a maze of metaphysics and theoretical concepts. There is a tendency of late, however, among practical psychologists, to get out into the open, and instead of giving us more and more of less and less about what we already know, they are really trying to help us to a better understanding of what we want to know. Practical instructors define psychology as a "scientific study of human behavior." Many experts in the field of thought term it social science.

The Psychological Moment

The most important part of psychology for the salesman is the significance of the psychological moment—that is the time when sales are made. When you see a man with his coattails on fire, that is the psychological moment to sell him a "fire extinguisher." Remember, a salesman creates his own psychological moments. Of course he doesn't set fire to the customers' clothing. There is a law against that, but there is no law to prevent him from setting their imaginations on fire. He does just that when he creates his own psychological moment. The strategy of psychology in salesmanship is the **orientation of emotional response.**

Built-in salesmen have an infixed sense of timing which enables them to close a sale or to make instantaneous changes in their selling tactics at the best possible moment. An exact coordination of time with emotional response is necessary. Emotional response actuates the customer's will to buy. Likewise emotional response may actuate the customer to refuse to buy. The causes of the alternative depend on which emotion (feeling) responds to you; to your appearance, your voice, your logic and your knowhow.

What do you suppose the average customer's emotional reaction is when he first sees you? Think this over—but first take a good look at yourself. Stand before a well lighted mirror and see how many different ways you can say "good morning." Also I might tell you what to wear and how to wear it, but how much more good it will do you if **you** tell **me** why you should dress like a banker if you happen to be selling investment securities.

Having dressed the built-in salesman, we must give him the "good word." If someone were to ask me, what's the "good word," I probably would say **originality** or perhaps **organic**; anyhow, the word would stand for something in which **the pulse of life was beating!** There are a number of books on salesmanship, that are good; and many others which are **no** good because the author failed to **vitalize** the substance of which they are composed. When the material and composition of a salestalk is without vitality, it is as uninspiring as—and often achieves the same designation as—defunct stomach tissues of a cow; just tripe!

Value of Originality

An irresistible leadership has drawn many men along the road that we are traveling, and some have kicked up a lot of dust, while the others were beating their sales route into a landing field for success. It has been said that the men who win, profit by finding out what other men have done and how they did it; following in the footsteps of those who have gone before. I **don't** like **that.** I believe in making **new tracks.** Stake out a new claim, even though you do have to prospect a little. Don't follow the tailings of a worked out mine. The salesman who develops his own ideas and thesis is artistic; the one who works according to others is archaic.

Get some originality into your work; generally speaking, it is the unusual that attracts attention. There is always a curiosity concerning the mystery of something new; and a world-weary indifference to motives which do not motivate. You have to go all out—to get an all-out response. And obviously you must be **impressive** in order to **impress** anyone. Knowledge is all right, but don't try to know everything; particularly avoid knowing a lot that **isn't** so, such as old mildewed ideas. One thing you can never know too well—because it **is** so; what people want most of all is someone who will help them to build or maintain a good opinion of themselves. Deliver me from the type of salesman who confronts you at the door with "I represent." Why doesn't he comb that out of his whiskers and say "You are the fourth lady that I've interviewed today"—get the implication? The outstanding fault with sales talks today is lack of originality—get at least one new idea and an original aphorism into each 500 words. It isn't the size of the business with the idea—it's the size of the idea with the business that counts. If I were selling securities, I'd sell only the highest grade; but to accommodate the fellow who had a yen for speculation, I'd **sell** him nothing but the best likewise—to take care of his money; but to take care of his speculative itch, I'd **let** him buy a few low priced shares in a prospective uranium mine, the sort with possibilities which-stagger-the-imagination!

"Paved With Knowledge"

The road to salesmanship is paved with knowledge—the blocks are square, the way is straight and the course is level. But salesmanship must be vocational, because success in salesmanship depends to a far greater extent than most people realize on the salesman's **attitude** toward his job. If a man takes the "I'll try it" attitude, he has just about struck out without swinging. He is afflicted with a complex worse than wallflower-itis at his college dance. If a man takes the "I'll try it" attitude, he has purposely left the gate to failure open; and before he may realize it all the reactionary forces of his undisciplined subconscious mind will have sneaked out through the opening (which he prepared). These reactionary forces shout "You can't sell—you don't want to sell—let's quit this selling job."

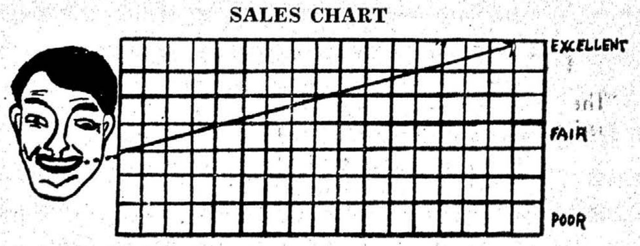
How different the start when a man takes the "I'll do it or die" position or bearing—he therefore serves notice on his subconscious mind that he is going to go through with this choice to a definite end. Thus he establishes the difference between his eventually arriving at Success Metropolis or winding up at Hobby Corners.

Importance of Working Personality

A built-in salesman has a working personality. You have personality — we all have — but the built-in salesman has a **working personality**—he has put his personality to **work.** How did he do this? Just by **giving expression** to the many appealing qualities with which we are all endowed. Many occasions arise in business in which the old expression "build up your personality" is strongly emphasized. Go ahead! Build it up! But don't forget during your construction to work that which you **already possess.** You may ask rightly enough, "Does personality play a big part in salesmanship?" Our answer is "Yes, it does" in fact some sales authorities say it rates as high as 75%. How does this compare with that required in other industries? A recent report from a rather unexpected source explains the significance of ethical, social and industrial habits. A committee of the Society for the Promotion of Engineering Education estimated the relative importance of the various factors that make for success in engineering. Over 5,000 practicing engineers participated in the investigation and they rated knowledge of fundamentals and technique about 25%. The remaining 75% was accorded to various qualities of good social habits. When young graduates are being interviewed today they are asked first about their s.b. (social behavior) and second about their i.q. or technical competence. Develop the habit of using a good personality. After the habit is set s.b. will come naturally. As Rousseau said, "No one, not even a child, likes to take unnecessary trouble." Therefore, if the habit is established, good personality will come naturally and easily.

(Continued on page 30)

SALES CHART



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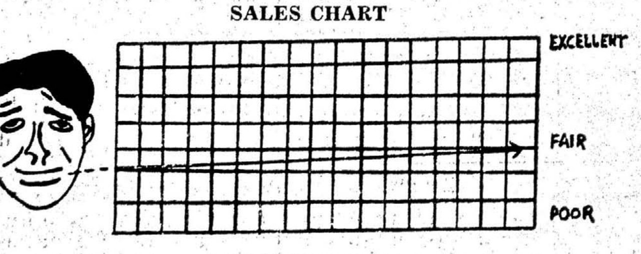

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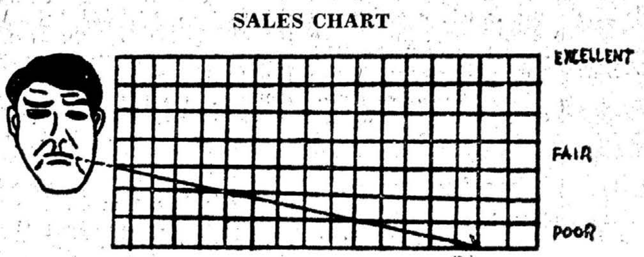

SALESMANSHIP IN A NUTSHELL

When the corners of the salesman's mouth point downward his salesline goes in the same direction.

"Built-In" Salesmanship in Securities

(Continued from page 29)

The Sales Talk

A good personality helps us to get across a good sales talk. A sales talk to fit the **product** is in general terms a preconceived idea to sell the customer by a line of exact reasoning and clear logic expressed in correct language. There we have it, pure and undoubtedly simple, much — very much—too simple, because **timing**, a most important factor, has been omitted; we just can't throw this sales talk at the customer, we must feed it to him.

Of course we will tell him what we are handling and what it is for, but to sell, a salesman must have the time sense of a grandfather's clock. Furthermore, if selling is persuading someone to buy, then we must have a clear understanding of what persuasion consists of. Technically persuasion means two things as we look at the word from two different areas.

(a) First viewpoint — to cause someone to believe something or

(b) to cause someone to **do** something.

By stressing the word "or" the implication becomes clear; that you **can** convince someone to **believe**, without having persuaded him to **do**.

We used to hear a lot about "sales resistance." The better schools of salesmanship have long since concluded that if a salesman frequently encounters sales resistance **he rates** it. If a saleman encounters sales resistance, he deserves it. What happens is that the salesman confuses convince and persuade—he doesn't know **how** to handle the two lines of persuasion (convincing and actuating) at one and the same time, the result being that the salesman has the prospect believing but not acting; this is customer inertia; and will, unless the salesman is possessed of a nice discernment of what is appropriate to do, become sales resistance.

Contrast this with the securities salesman who caused his customers to motivate themselves by implications which angered them (not at him but at conditions which affected them). While explaining the many desirable features of his securities, he continually referred to men who worked hard, deposited their salaries in their checking accounts every week, only to have the surplus, over and above that which went for necessities, vanish. And to dramatize the disappearance he would make the motion of throwing and say "out the window"; when it got to the point where the customer was mentally accompanying him in the throwing motion, at the mention of vanishing wages, this salesman would close the sale. In other words this salesman treated the customer as a real person with emotional response mechanisms, rather than a listening post. As H. A. Overstreet explains it in "Influencing Human Behavior," "The very essence of all power to influence lies in the ability to get the other person to participate." This can be done either physically or mentally. Politicians know this power and employ it frequently with their "causes."

Now it is understood that you will have to have a prepared sales talk to fit your product—all salesmen do—but many make the strategic blunder of preparing a sales talk to fit the customer—customers whom they have never seen. The general idea apparently is "Give 'em the works!" This is something like the woman who, being unfamiliar with firearms, just shuts her eyes and shoots! What would you think of a doctor who prepared a jug of medicine composed of a little bit of this and a little bit of that, and then dosed all his patients alike?

The salesman has most likely often thought and studied and perhaps worried about **his personality**; but we wonder if it didn't ever occur to him that the **customer** might have a bit of **personality**, too?

Sizing Up Your Customer

I particularly dislike "how-to-sell" articles which give a salesman general advice on selling to some class of prospect—the farmer, for example. My point is we don't want general advice on selling the farmer. We **do** want specific instruction on how to sell the individual in his or her particular environment. Give yourself the advantage of dealing with the realities of the individual customer's buying power and resources. The biggest part of selling is to sell your customer the idea that he can buy—easily—**safely**. You won't have to worry too much about creating **desire**—most people desire everything their neighbors have or may get and then some. Your job is to convince your individual customer how easy it is to buy. Certain premises are beyond dispute. And there are psychological factors which influence customers in making decisions; but ideas, no matter how interesting, will not make sales if they don't make sense. That old bugaboo, buyer reluctance (sales resistance), will give you less concern if you **know** that often the resistance is to the idea of agents in general rather than to you or to what you are offering. Generally the term "agent" or "salesman" is associated in so many people's minds with peddler, vendor, etc., that the **wall goes up** too high immediately. The tip-off is to be different—don't be typical—be different. One way is to study language—which in its widest sense means expression of thought **by any means**. But don't forget that it isn't what you **express** by any means that pays off, but what the customer **understands** by any means which brings you nearer a sale.

Should the salesman illustrate his sales talk with metaphor and simile? The answer is "Yes" for the very good reason that simile provides an easy way to explain technicalities by comparing them to something which is well and generally known.

It is paradoxical that a salesman is a promoter of dissatisfaction and knows that his greatest opportunities stem from sales resistance. You will find this logical enough when you think it over. If the customer is satisfied with his present circumstances he will not be moved to buy; and had he not developed a certain amount of sales resistance he would not have anything left to **buy** with.

The basic principle underlying all successful salesmanship is practically the same whether you are handling high grade securities or hawking mouse traps. You must show the customer how one or the other is supposed to work and convince him it **will** work. You show him the set of the trap or the asset behind the security—but the principle is the same in either case. You show something and proceed to make him dissatisfied because he does not possess that particular article. At this point, the sale is **about** to be made or broken and the salesman will either make a sale or make a noise, depending, of course, on the type of salesman he happens to be. He doesn't concentrate on building up his own ego—instead he realizes at once that what most people want above all is a good opinion of themselves. He knows that if he can sincerely give the impression that he knows they rate it, he will have gone a long way toward selling his product.

The Elocution Aspect

Also let's bear in mind that "seeing is believing" and that is why showing is more convincing than telling. Elocution embraces not only style and grace of voice but that too of gesture. Show by gesture. Suppose you are selling an airplane motor built with a rotary motion instead of a reciprocating movement. An engineer would know the physical and mechanical superiority of the rotary, but most people would not. So you demonstrate the rotary motion by moving your hand in a **circular** path. Then by moving the hand to and fro in a **lineate** path you call attention to the waste of power at the end of each stroke. The built-in salesman practices gestures so they automatically help him make plain what he tries to explain.

Does the "Yes Mood" psychology help get action? Yes, thinking follows definite pathways, and therefore if the mind set follows the habit pattern "Yes," it is easier to elicit another "Yes" response. This is explained in an article taken from "Equitable Items" published in "Life Underwriter News," June 1948:

"When the time comes to make the summarization your job will be made easier if it has been preceded by a series of affirmative nods or 'yesses' from the prospect. You can get him in the 'yes' mood by throwing in his direction small logical decisions that don't commit him as yet, but will win his agreement.

"From that point, you can more readily get a favorable closing decision, helping him to make it by encouraging him to realize that he's buying rather than being sold. Being human, he will naturally exhibit some resistance to involving himself in future obligations. But if you have won his confidence, you give him a subconscious desire to make the favorable decision you're aiming at."

The implication is quite clear that there are necessarily two kinds of salesmen; those who do and those who do not succeed; depending upon whether their salesmanship potential is merely brushed on or consists of the type which is "built-in."

The brushed-on salesman starts many things and finishes none. He reads much but understands little, knows a lot but can't apply it—then hems and haws for lack of efficiency. He is in fact a confused and bewildered fellow, and finally winds up by making insufficient effort to prevent the deterioration of his character.

The built-in salesman is all of this in **reverse**. He took one line and stayed with it until it became a habit. He had learned that when an act becomes a habit, that act (selling in his case) is largely taken care of by the subconscious mind. So he put that power to work—built it in—and used his thinking mind to think with. And when his mind was freed to think, he began to reduce abstract selling problems to human terms.

A Fine Art

Built-in salesmanship can be made a fine art—by doing one's best at the moment, then persistently trying to improve that best as a man goes along—because in the human equation nothing is final.

William James said:

"Let no man have anxiety about the upshot of his education, whatever its line may be. If he

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The Best Sales Talk Will Forever Be Factual Narrative Emotionalized Because Emotion Is Timeless in the Nature of Man

1 Smile
- Personality is three-quarters of selling.
- You can't over-do sincere friendliness.
- Build personality by adopting friendly habits of prospecting and selling.
- Don't try to be terrific.

2 Arrest Attention
- Ask, say, do or show something novel, new and interesting.
- Offer early to enhance prospect's well being.
- Observe type of customer and act accordingly.
- Be impressive.

3 Latch on to Interest
- Learn *his* needs and wants.
- Describe and tell interesting facts about the product.
- Use human interest pointers.
- Portray benefits to be enjoyed from its purchase.
- Be sincere.

4 Endeavor to Close
- Assume consent.
- "Shall we have the fitter measure you?"
- Suppose you take my pen and put your name right along here.

5 Strengthen Desire
- Stress the central selling point. Use logic and/or emotional appeal.
- Keep prospect in "Yes" mood.
- Use three "You's" to every "I."

6 Make Try for Close
- Give choice of two alternatives.
- "Will you charge it or do you prefer a cash plan?"
- "Will you wear them or shall I wrap them for you?"

7 Ask Questions
- Get him to talk.
- A sales talk is not a monologue.
- Air his views and opinions.
- Learn his objections.
- Look for the Achilles heel.

8 Now Review Answers
- "Yes, but"—use his answers as the very reason for buying.
- Too busy? That's why I called. The busy executives are turning more and more to this plan.

9 Strive to Close
- Make action easy.
- Special inducement.
- Give strong reasons and proofs.
- Show points of superiority.
- Show wisdom of purpose.
- Exhibit testimonials.

10 Help Customer Decide
- Help the customer select for his own special needs.
- Let him feel he is deciding himself.
- Admit he knows his own requirements best.

11 Institute Final Close
- Review main selling pointers.
- Refer to possible loss if he does not buy now. Show how he will gain by buying now.
- Appeal to basic needs.
- Relax and recommence.
- Last chance.

12 Part Friends
- Plan for satisfaction if sale is made.
- Get reference names.
- Plan for repeat business.
- Don't be a hit-and-run salesman.
- If sale is not made, lose gracefully. Let prospect save face.
- Pave way for next call.

keeps faithfully busy each hour of the working day, he may safely leave the final result to itself. He can with perfect certainty count on waking up some fine morning to find himself one of the competent ones of his generation in whatever pursuit he may have singled out."

Think of it—no anxiety, perfect certainty—one of the competent. Isn't this just what we are striving for? And the best of it all is: James tells us exactly what to do. Your pursuit must be "singled out." Single means one, one pursuit. Keep faithfully busy each hour of the working day; and you will wake up competent. Why of course you will — anybody would—there is enough inspiration in these few lines of the philosopher to wake up an army. If selling is the pursuit you choose, single it out and pursue it; follow it up, "keep faithfully busy and you will with perfect certainty become one of the competent." And, on the other hand, if you do not have a single purpose you will wake up some not-so-fine morning to find out that you have been but window shopping in the treasure house of life.

A salesman will be following the rules of built-in salesmanship if he practices daily the summarization reproduced below.

(This is the material used on the Emery rule of "Built-in Salesmanship.")

The Rule of Built-in Salesmanship is reproduced here as the conclusion of this article. The formula is printed first and the final paragraphs are as shown below.

The Rule of Built-in Salesmanship

Salesmanship is the action of persuading someone to buy. The Built-in Salesman first secures favorable attention by asking, saying, doing or showing something new and interesting. He then builds interest by describing the product (even though the prospect is looking at it). He makes interesting human interest statements about it and portrays the benefits to be derived from its purchase. He handles objections with "Yes," but with technique and tact and diplomacy. He builds desire by convincing the more logical customer with reason. With the more emotional type he uses suggestion. He knows his product and adheres to the policy and traditions of his company. He studies human nature. He knows that the customer's desire to feel important is a most powerful urge. So he sincerely tries to give the prospect Ego Recognition with a Big U and little I. He does not prolong the sale unduly but tries to close early. He knows that pocketbook protection causes people to say "No" instinctively. So he is not surprised at first refusals. He knows that "No plus No, plus No, plus Yes equals Yes." He plans to turn No's into Yes's by offering a complete series of proofs and evidence or claims and suggestions. He gets action by helping the prospect sell himself. The Built-in Salesman is mature, **ethically, emotionally** and **intellectually.** He tries to increase his knowledge, understanding and wisdom. He is a man of action. He develops friendliness, dependability and integrity. He employs tact and has good work habits. He wears well because he sells to benefit the buyer. He never tries to be "Terrific." He knows that "he profits most who serves best."

Ed. Doherty Opens in NYC

Edwin Doherty has opened offices at 40 Wall Street, New York City, to engage in the securities business.

John R. Marple Co. Formed

John R. Marple has formed John R. Marple & Co. with offices at 25 Broad Street, New York City to engage in a securities business.

More Dealer Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

(Continued from page 8)

others—lost interest—limited market. Stopped Offering Individual Issues—99% in investment trusts—6% and no censure.

5% Mark-Up o.k. on stocks selling at $200 better. Often client buys $200 to $500 securities selling between $1 to $7.50 a share; cost of operation higher than 5% mark-up. What other business operates on a 5% mark-up over cost? The State Corporation Dept. can still have jurisdiction by reprimanding any dealer who takes advantage of his clients—after the NASD is abolished.*

LOS ANGELES, CALIF.

Has killed the markets.*

DENVER, COLO.

It undoubtedly hinders them—even though it is not enforced.

DENVER, COLO.

Probably hurts in some cases.*

DENVER, COLO.

A very good effect—5% is ample pay. We would be delighted if we could approach 5% on our volume—most of it is far below 5%. I don't think the 5% "Rule" has done any harm at all to any legitimate dealer; it has of course been an obstacle to the "fly by nights" who were and would be again—if they could—the curse of the business.

Why don't you try and do something constructive for the business instead of harping away on a theme song which has become very tiresome to a great many of your readers. Don't you realize that the industry has the choice of regulating itself via the NASD or of letting the SEC do it for us? Personally and without any expressed or implied criticism of the SEC—I prefer to have the industry via the NASD do the job.

DENVER, COLO.

Ruins all sponsorship.*

DENVER, COLO.

We don't use this rule!*

DENVER, COLO.

Probably very restrictive in this type of financing.*

DENVER, COLO.

Makes it impossible for them to finance.

DENVER, COLO.

Mark-Up does not apply to the underwriting of securities so should not hurt smaller corporation. We think 5% is ample on riskless transactions.

The only dealers hurt (or complaining about the 5% policy) are the long shot boys whom we don't need in this business.

If some dealer charged you more than 5% on a riskless trade we might see some real headlines in the "Chronicle."

FORT LAUDERDALE, FLA

Creates a very limited work out market—in fact a "no market" situation.

MIAMI, FLA

I believe it prevents promotion stock and additional issues from being marketed profitably.

ST. PETERSBURG, FLA.

I am firmly convinced that the 5% rule has and will continue to drive more security houses into the Mutual Fund business—thus leaving the smaller corporation of the country without any sponsorship. This all means no dealer support of smaller corporation markets. If additional capital requirements are needed the dealer interest may not be found by reason of their being no supported secondary. No dealer interest—No underwritings—No additional capital for small corporations—No more small corporation.

ATLANTA, GA.

Very detimental.*

COLUMBUS, GA.

Encourages long-term funded debt financing rather than to seek equity capital. Large underwriters are not interested in placing small issues, yet the small security dealer is hampered by the rule. Incidentally, the smaller dealers have consistently done a better selling job than the big boys, because they have moved a good portion of the offerings of the large dealers. For this the small dealers have had to be content with such crumbs as fell from the "first table." A real selling job can't be maintained on such a basis.

NASD operates to the benefit of the large firms, squeezes the smaller.

SAVANNAH, GA.

Adverse.*

CHICAGO, ILL.

Naturally not helping them.*

CHICAGO, ILL.

Should not apply on the small issues.

CHICAGO, ILL.

Just no market for them.*

CHICAGO, ILL.

Limits market unquestionably. In business in Chicago 25 years, member Chicago Stock Exchange and afraid to sign firm name. Nice Situation! !*

CHICAGO, ILL.

Lessens the scope of the market.*

***Commented anonymously.**

PEORIA, ILL.

I am specializing in regulated investment company shares. I was forced to do this because of the lack of offerings and the fear of over profit in some cases. The NASD does not provide a thing constructive. When a message arrives from them it is something of a critical nature with the usual admonition that there is a penalty of 10 years in jail and a $10,000 fine if the rule is violated. I feel that some provision should be made where listed business could provide (at least a nuisance profit) without the stipulation of how much your profit. The Exchanges are neglectful in this. I would not miss the NASD if they disappeared from the picture.*

ROCKFORD, ILL.

A very damaging effect.*

ROCKFORD, ILL.

Very little—Too much talk about taxes on corporations.

ROCKFORD, ILL.

Not much.*

SOUTH BEND, IND.

A very stifling effect.*

CEDAR RAPIDS, IOWA

The 5% restricts the investment to the cream only. Think that over. There is more nourishment in the milk part of a bottle of milk than there is in the cream. There is much more milk, but who can afford to go after it?

The farmer definitely has idle funds now, and is a good prospect for securities in limited amounts, but he must be cultivated. Whether the metropolitan boys know it or not he is a pretty good business man and knows the meaning of risk and is willing to take it, but he is cautious.

Much business in the city is done on the telephone, but not with the farmer. To begin with he is on a party line, and so not accustomed to discussing his personal affairs there. That means that the securities salesman must drive to his farm, and then maybe find him on the back 80, and after that be prepared to discuss the affairs of day even before getting down to business.

The securities salesman can sell the farmer but for the time he puts in doing it he can make more money for himself selling stock feed, appliances or even insurance, and only because he is not paid proportionately.

The investment dealers will continue to get along on the cream but if they want to really broaden the market for securities they must emulate the companies whose securities they sell and properly pay the salesman for his hire. Remember, there is more nourishment in the milk.*

DAVENPORT, IOWA

Nothing.*

DES MOINES, IOWA

It curtails and limits the distribution and sale of their securities.*

WATERLOO, IOWA

Not much. Of course the dealer just won't do much to make a market.

SMALL KANSAS TOWN

None.

TOPEKA, KANSAS

Very little.

WICHITA, KANSAS

As competition dictates prices in an auction market we can see little value of any yardstick.

WICHITA, KANSAS

Hurts. Gives the big corporation the advantage.*

WICHITA, KANSAS

No noticeable effect.

LOUISVILLE, KY.

Bad, not in the public interest.

NEW ORLEANS, LA.

Very detrimental.

NEW ORLEANS, LA.

None.

NEW ORLEANS, LA.

None, a 5% mark-up on new issues is not obligatory and a profit of 50c per share on a $10 stock strikes us as being a very generous margin on general trading items. We find it profitable to operate on a much smaller margin. After all, most of the stocks selling under $10, and particularly those of the small corporations, must be considered speculative and we feel that the sooner the dealer's discount is absorbed by the market, the happier and more satisfied is the client. Large discounts on markups, therefore, just delay the attainment of that level and thus postpone the time when the bid side of the market is equal to the client's cost.

NEW ORLEANS, LA.

No serious effect except to curtail the selling efforts of the salesmen who market its securities.*

NEW ORLEANS, LA.

Beneficial.*

NEW ORLEANS, LA.

Discourages trading in securities of doubtful merit; has no effect on sound securities.

SHREVEPORT, LA.

None.

BANGOR, MAINE

Has created dealer interest but in many cases the practice is unsound.

SMALL MAINE TOWN

We believe it is hurtful because of the additional work involved in distributing small corporation securities. In many cases we don't feel that we can afford to spend the time and travel necessary on above spread.

SMALL MAINE TOWN

Restricts distribution in small amounts to customers, particularly where personal calls are necessary in the country. Time and travel expense too great in proportion to profit on 5% or less mark-up.

(Continued on page 32)

Sees Trend Toward Lower Economic Activity

Board of experts of Agricultural Department also foresee further decline in prices and consumer income, but decry danger of "a sharp drop." Look for decreased farmer income of not more than 10% in 1949.

In the March issue of "The Demand and Price Situation," published by the Bureau of Agricultural Economics of the United States Department of Agriculture, the statement is made that "the trend toward a somewhat lower level of economic activity for 1949 indicates that consumer incomes may also decline during the remainder of the year. However, the average for the year as a whole may not be much below that of 1948. While the adjustments in production and prices currently underway are not likely to be of major proportions, they will probably be reflected in slightly lower levels of employment than in 1948. A large widespread wage increase, similar to those of recent years, does not appear to be in prospect. Slightly lower employment would probably be reflected in smaller earnings and some contraction in consumer expenditures. Under such circumstances, the domestic demand for farm products also would weaken somewhat from present levels. Foreign demand for farm products in 1949 may not be much different from 1948."

Concerning the impact of the situation, the review states:

"A sharp drop in the general level of output and prices is not expected. There are many strong forces which are likely to maintain a high level of activity during 1949. The expenditures of Federal, State and local governments have expanded rapidly during 1948 and are likely to remain high through 1949. United States exports in 1949 are likely to be maintained slightly above the level of the fourth quarter in 1948. Business expenditures for plant and equipment are expected to be large in 1949, though moderately lower than in 1948. A good year is generally expected for residential construction, although probably not up to 1948. In total, expenditures of these magnitudes give some indication of a fairly high level of domestic activity and demand for farm products in 1949, although probably somewhat lower than a year ago.

"The major uncertainties for 1949 lie in opposing directions. If the international situation should require larger government expenditures than are currently anticipated, the downtrend in prices and production might be reversed and inflationary pressures reinforced. On the other hand, if consumers and business should substantially reduce their purchases in anticipation of widespread price declines or increased unemployment, the drop in prices, production and employment could be accentuated."

Shelton Resumes Business

BUFFALO, N. Y. — Arthur M. Shelton is resuming the investment business from offices at 172 Linwood Avenue. In the past Mr. Shelton conducted his own business in Buffalo.

Jos. Faroll to Admit

Joseph Faroll & Co., 29 Broadway, New York City, members of the New York Stock Exchange, will admit Henry Mintz to partnership on May 1.

More Dealer Comments on Effect of "5% Mark-Up" Spread on Securities Of Smaller Corporations

(Continued from page 31)

BALTIMORE, MD.

It tends to make it very difficult for the smaller corporations to obtain capital for either expansion or as newly organized businesses.

BOSTON, MASS.

Definitely limtis their market.*

BOSTON, MASS.

Bad.*

BOSTON, MASS.

Limits the market for small inactive issues.*

BATTLE CREEK, MICH.

None.*

SMALL MINNESOTA TOWN

Tends to destroy such markets.*

DULUTH, MINN.

Tends to make them less marketable.

MINNEAPOLIS, MINN.

In our opinion the dealers are more apt to not work in the smaller companies because of the risk involved and the 5% rule.*

MINNEAPOLIS, MINN.

It has ruined the markets on them. Many dealers who used to make markets in them have ceased to use their own analytical powers and judgment and are now selling investment companies' shares.

The 5% mark-up makes no allowance for years of experience. The beginner and the old timer are put on the same basis. How silly! Do the big corporation lawyer and the young attorney charge the same fee?

Five per cent on $100,000 deal is wonderful. Five per cent on $1,000 is not so hot.

MINNEAPOLIS, MINN.

No doubt narrows market.*

ST. PAUL, MINN.

None.

KANSAS CITY, MO.

Ruinous.*

KANSAS CITY, MO.

None.

KANSAS CITY, MO.

Unimportant, compared to other factors.*

ST. JOSEPH, MO.

Good.

ST. LOUIS, MO.

Definitely stymies the market or financing of small corporations.

SMALL MISSOURI TOWN

None.

ST. LOUIS, MO.

The smaller the corporation the more harm this rule will be to them.*

ST. LOUIS, MO.

The market for unlisted securities is broad and we do not believe the spread should exceed 5% when NYSE operates on approximately 1% (round lot basis). In many instances of unlisted issues the spread should be brought down to between 2% and 3% instead of the 5% allowed under the "mark-up" rule. Original distribution of securities should continue to allow mark-up in accordance with caliber of the issue.

ST. LOUIS, MO.

I think each case depends on circumstances involved. There are cases where unconscionable charges have been made to retail purchasers. It seems we cannot, without some regulation, trust **some** dealers to be reasonable.

ST. LOUIS, MO.

It has killed liquidity!*

ST. LOUIS, MO.

Retards the market.*

ST. LOUIS, MO.

It makes it practically impossible for dealers to go out in the country and sell to people who live at grass roots.*

ST. LOUIS, MO.

Very detrimental, especially under existing conditions where the cost of business has increased tremendously.

SPRINGFIELD, MO.

Has never affected us for we never get that amount, except once in a while on some trifling sale, where the amount involved is $1.00, $2.00, $3.00 or $4.00—sale of some rt. or cat or dog. If we only averaged ½ of 1% we would be tickled to death.

LINCOLN, NEB.

None as far as we are concerned.

LINCOLN, NEB.

Restricts the markets—definitely.

OMAHA, NEB.

Has hurt the market for small companies' stock offerings.*

OMAHA, NEB.

Retarding the flow of capital to many industries where it is most needed and where the function of the investment dealer in unlisted securities is paramount.*

OMAHA, NEB.

The rule is too tight for small sales of low priced stocks. However 5% on **risk-free** transactions should be ample with few exceptions.

OMAHA, NEB.

I doubt that it has any pronounced effect. But that opinion is based on conditions in Omaha, Neb.

NEW YORK CITY

Since the 5% Mark-Up is not an arbitrary rule but only a guide, we see no reason why it should affect adversely the market for the security of small companies.

NEW YORK CITY

Sales effort required to sell a small unknown company's equities to the public very often involves more time and expense than warranted by a 5% spread.*

NEW YORK CITY

It tends to drive the small dealers and salesmen into selling some type of security or so-called investments (like oil royalties) in which they can make a much larger mark-up. In other words they are forced to sell something that gives them a fair profit to the detriment oftentimes of the customer's best interests.

PHOENIX, ARIZONA

Diminished their markets.*

LOS ANGELES, CALIF.

Harmful, not good.*

LOS ANGELES, CALIF.

Adverse.

SAN FRANCISCO, CALIF.

To hinder their financing.

SAN FRANCISCO, CALIF.

Questionable.*

SAN FRANCISCO, CALIF.

Has not hurt market for legitimate financing. Has helped to clean up the chiselers who have hurt the investment industry.*

SAN FRANCISCO, CALIF.

Problematical.*

PASADENA, CALIF.

None.*

PASADENA, CALIF.

I think 5% is enough and the profit should be less most of the time.*

LOS ANGELES, CALIF.

None.*

PASADENA, CALIF.

Keeps the market stagnant.

LOS ANGELES, CALIF.

Doubt if it affects it much.*

LOS ANGELES, CALIF.

Has a tendency to hinder trading in same.*

LOS ANGELES, CALIF.

Tends to spread the market and causes distributors to lose interest.

LOS ANGELES, CALIF.

The so-called "5%" yardstick is the ruination of the business, both from the people in the business and new blood coming in.

LOS ANGELES, CALIF.

Markets have all but disappeared.*

BEVERLY HILLS, CALIF.

Curtails distribution of many worthwhile small enterprise equities.*

DENVER, COLO.

Very helpful to them through maintaining ethical practices in the industry.

DENVER, COLO.

Definitely hinders the sale of the securities.

GREELEY, COLO.

It defintely limits market support, for in most instances, the dealers must take positions which will not permit a 5% net when declines in markets occur. Without some reasonable limits some dealers may abuse the "mark-up."

MIAMI, FLA.

The whole thing stinks.*

SMALL IDAHO TOWN

Very poor.*

SMALL ILLINOIS TOWN

Resulted in the drying up of the market—increased discouragement of flow of capital (private) into smaller corporations when just the direct opposite is so greatly needed.

DETROIT, MICH.

An important factor in making venture capital for smaller corporation practically non-existent.*

SMALL NEW MEXICO TOWN

It may tend to dry-up market for securities of small corporation. In most cases these securities should not be sold publicly. Believe rule keeps a lot of undesirable securities off the market.—What securities business needs is **work** and lots of it at 5%.

OKLAHOMA CITY, OKLA.

Very bad—which makes it impossible for small corporations to get their securities marketed.

*Commented anonymously.

PORTLAND, ORE.

As far as we are concerned, we simply try to be fair about measure of profit. Can't say that we think much about the rule.

PORTLAND, ORE.

None.

PORTLAND, ORE.

Most detrimental, especially to securities selling in lower price categories.*

ERIE, PA.

Stifling!

PHILADELPHIA, PA.

Bad.*

YORK, PA.

If the securities have merit, 5% should be enough.

As We See It

(Continued from first page)

duct a modern war. Yet as has long been suspected, and as is now made quite clear by facts presented by Mr. Hoover, the military establishment (or should we still say establishments?) is today as insensitive to such considerations as it was when it used to say: "Let's win the war—and count the costs afterwards." Those costs have now been counted—and few doubt that the same ends could have been accomplished with very substantially less outlay. A long, hard war of attrition could never have been won in any such way—and it is certainly not beyond the bounds of possibility that some day we may have to fight just such a war, and what is more, every dollar that is simply wasted in this or any other way is a dollar taken from the supply of the good things of life which are the end and aim of the work of the world.

Startling Facts

Mr. Hoover, carefully defining the term "savings" to mean "attaining the same ends for less expenditure," goes on record with the charge that perhaps as much as about 10% of current military outlays could be saved merely by the adoption of the orderly and understandable bookkeeping employed everywhere today in the business world. He not only makes such an astounding assertion, but gives a few examples of the "padding," or to employ a more euphemistic term, looseness (both terms are ours, not Mr. Hoover's), now prevalent in the demands of the military establishment. The Army wants more than seven times as much money for construction during the next fiscal year as it was granted this year; the Air Force apparently would build not far from a thousand houses in Alaska for well over $58,000 per house; more than a billion is desired for research when competent testimony was available indicating that more funds are currently available than could be spent properly; the Army wanted to modernize upwards of a hundred tanks which it did not possess.

And so the story goes. Of course, such things go much deeper than accounting systems, and more systematic record-keeping and data presentations could help cure it only because they would make clear, or at all event less obscure than at present, precisely what is going on. As things now stand, to quote the ex-President, "Congress allocates billions without accurate knowledge as to why they are necessary and what they are being used for." In such a situation, Mr. Hoover is certain that "radical reform of budgeting and accounting lies at the very root of economy in this department. Without such reform, neither the President, nor the department, nor the Congress, nor the public can understand what the expenditures really are and where economies can be applied."

The Voters Must Act

So much for the very real contribution of Mr. Hoover. Of course, much more is required than accounting reform. Moreover what is needed is not likely to be forthcoming in the absence of a radically reformed attitude on the part of the men who administer the military establishment—and such an attitude on their part is unlikely without some very severe pressure from without. Such pressure can in the nature of the case be applied effectively only through Congress and the President. Neither the President nor Congress is likely to do very much about it in the absence of pressure from the voters of the land. The voters can scarcely be expected to arouse themselves fully so long as emotions rather than cold reason are predominant the moment international relations are under consideration, and particularly when the possibility of another war or another Pearl Harbor is being considered.

Neither is there likely to be very much accomplished so long as so many of the people can be led to believe that great virtue lies in public spending as such. If economic welfare can be promoted by the grant of largess to the farmer, by giving incredible amounts of our goods to foreign countries, by paying out huge sums to veterans, by subsidizing this or that other group in the population, then why should there be any particularly valid objection to waste in the military establishment? Of course, it may be doubted whether a great many reason about these things in quite so bald a fashion, but there can be little question that such considerations influence and govern a good deal of the current thinking about these and related matters—and in this fact dire peril lies concealed.

Danger of Waste

The answer is, of course, to be found in the fact, which many will not face, that waste, subsidies, the purchase of votes, or any of the other practices which have the effect of apportioning current earnings to those who have done nothing to earn them, and who will in the normal course of things expend them for items which do not make any real or lasting contribution to economic welfare, are all, and all alike, wasteful, and certain in the end to weaken not strengthen the nation in any really hard struggle with its enemies. This is the basic fact. It is the "general case," as the mathematician would say, of which waste in the military establishment is a "special case." The latter is not likely to be remedied so long as the former is left to have its full effect.

This whole matter is, of course, an old, old story. It has been at least sub-acute ever since the New Deal established itself in Washington toward the end of the first half of the 'Thirties. The general course of business at present, or at all events the course that general business appears to be pursuing at present, tends directly to render this situation the more difficult to cure, and will without much question render it the more difficult to get the expenditures of the military establishment more closely and effectively in hand. Officialdom, long screaming about deflation, is now getting definitely "jittery" about the prospects of a depression. It is apparently still dominated by the spending philosophy, and hence is not very much interested in economical operations in government.

Yet, as every really sensible man well knows, it is now more vital than ever to eliminate waste, and reduce the toll of government.

A Defense of the ITO Charter

(Continued from page 6)

Let me earnestly plead that those holding these views re-examine them in the light of the tremendous changes that have taken place in the world. The Havana Charter has recognized this fact. In order to gain the adherence of the largest number of countries, it had to make concessions at many points, based on the pressures under which most countries are operating.

Effectiveness of ITO

The Charter cannot at once repair the corrosive effect of the economic confusion in the inter-war years and the destruction and dislocations caused by the war. It cannot, of itself, create "a climate favorable to the revival of abundant and sustained foreign investments." That can only be done over the years by restoring production and political and monetary stability in the industrialized countries, and improving the economic balance in the underdeveloped countries.

The ITO will not—indeed, cannot—*force* governments to change their methods. That is not its purpose or the intention of the United States Government. We certainly would resist any effort to tell us how to arrange our affairs. That the Charter does reflect substantial agreement on principles in which we believe, is a major triumph, both for those principles and the negotiators who had the responsibility of defending them during the years of lengthy negotiation. It would be a tragic mistake to allow concern over adjustable details to obscure this very important fact.

It is not my purpose—or indeed within my competence—to dwell on details of the Charter, but I am not unmindful of them. You know that the Charter sets up a code of rules designed to promote the long-term objective of freer multilateral trade by obligating members to reduce barriers to trade, improve customs methods, establish procedures to eliminate quotas as a means of controlling trade, reduce preferences, eliminate restrictive practices, extend equal treatment to all other members, and, most important, perhaps, bring their commercial problems out into the open and solve their differences through democratic negotiation.

Main Principles

As an example of the technique under which the broad purposes of the Charter are developed, I think it might be worthwhile to trace the growth of one of the main principles and study the efforts made there to keep the qualifications from destroying the value of the principle.

One of these main sections deals with quotas, or quantitative restrictions. In Article 20 it is agreed in principle that quotas shall be eliminated. If applied to the letter, this would mean that no country would be permitted to continue the practice of limiting the amounts of a product that can enter or leave its borders in a particular period of time. Actually that would be impossible to do overnight, for quotas are now used by all countries—even by the United States in connection with our agricultural program—quotas, of one kind and another, probably constitute the greatest single barrier to international trade today.

Here we get into the realistic aspect of working out the Charter. The 54 countries managed to agree, with varying degrees of enthusiasm, that quotas as a normal instrument of economic policy are to be eliminated. But many countries insist that they must be retained now and possibly for several years to come. The most serious objection to immediate elimination of quotas, came from countries with balance-of-payment difficulties. As countries like Britain and France explained very convincingly, however much they might adhere to the principle of eliminating quotas, they could not do so in practice at the present time without inviting disaster. Britain's long hard pull up the road to recovery had been made possible by carefully husbanding its resources and foreign exchange; spending precious dollars only for bare essentials, and forbidding its people to purchase many items abroad that they might want, but which were not vitally needed. It has done this by extensive use of quotas. So have many other countries in the same boat.

Question of Quotas

It would have been foolish for us to have insisted on a rigid application of the principle of eliminating quotas in the face of these hard facts. If we had insisted, there would have been no Charter. Some of these other countries could not possibly accept such a principle without gravely endangering their economies. So the problem was: how to reconcile desirable principles with the present realities of a war-shattered world?

In working out this difficult and technical problem the negotiators at Havana showed remarkable skill and tenacity. It must have seemed to many that no agreement could be possible; that either the United States delegation must give up all hope of getting around quotas and allow this admittedly onerous system to fix itself permanently on the postwar world, or break up the Conference entirely.

Now let us see how this seeming impasse was resolved. The U. S. delegation, seeing no hope of immediate elimination or even, in many cases, reduction of quotas, turned its effort toward preventing their increase and setting up a formula for their gradual elimination. In Article 21, the member nations agree that countries whose monetary reserves are threatened by balance-of-payment difficulties may impose quotas on all or part of their imports. This allows such a country to ration its expenditures for foreign goods. However, no new quotas or increase of present quotas may be made without consulting with the ITO, and *all* such quotas must be reviewed by the Organization in its first two years.

The real or imagined danger, however, is that some countries might use quotas as a matter of national policy even when their present balance-of-payment difficulties were over. To determine when this stage is reached is obviously a technical problem. The solution of it is to give exclusive authority under Article 24 to the International Monetary Fund to determine the facts about a member's reserves. If the Fund determines that maladjustments justifying a quota have been removed, the use of the quota must be terminated. After March 1, 1952, no discriminatory quotas are permissible except as specifically authorized by the Organization.

It seems to me that this is a pretty good working solution of an extremely difficult problem. It is also a democratic solution, working consistently toward a common goal while taking such necessary detours as the practical situation requires. No one steam-rollered anyone else into agreement, but agreement was reached.

You probably know that Congress had two representatives at Havana: Representative (James G.) Fulton, Republican Congress-

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A Defense of the ITO Charter

(Continued from page 33)

man from Pennsylvania and Representative (Jacob K.) Javits, Republican Congressman from New York. The official report of their Congressional sub-committee said of this controversial section of the Charter:

"The formula arrived at in the Havana Charter, it is believed, will limit balance - of - payment quantitative restrictions to cases of real financial necessity . . . the fact of an obligation to consult, to have its monetary standing and its financial policies reviewed by the representatives of other governments, and of having to justify its actions in the light of the obligations of the charter, should prove to be a powerful restraint upon any government which might otherwise wish to impose quantitative restrictions capriciously."

This same pattern follows through most of the Charter. The main principles or goals were proposed largely by the United States. They were ideal goals, if you wish, a sort of a beacon for return to multilateral, non - discriminating trade, which would result in the greatest possible international exchange of goods. The fact that the U. S. is probably the only important trading country that could move relatively quickly toward this goal, while others in various degrees must move with caution, required a number of qualifications through the Charter, such as the one I have just illustrated. But in all cases, whether difficulties arose regarding balance-of-payment questions or demands of the so-called "underdeveloped countries" led by the Latin American states, qualifications of the main principle were closely defined and limited, procedures were provided for removal of the exceptions, and wherever possible, a time limitation was placed on their practice. The pressure of the ITO will therefore be exerted constantly but flexibly toward keeping members from resorting to unilateral methods that lead up a blind alley for themselves and others.

I don't think any better tactic could have been followed at Havana, and I don't believe any better document could have been produced at this time or in the foreseeable future. Some Americans feel that the compromises made by the U. S. delegation amounted to "selling America down the river," that too many concessions were made to the viewpoints of other countries. I am one of those who agrees that there are many details which, strictly from our point of view, could be improved. Let's not forget, however, that any democratic agreement requires compromise. Every bill of Congress represents a large measure of compromise, with no one feeling that the bill is *just* as he would have written it.

ITO Charter Close to U. S. Ideals

So it is with the Charter. We might have written a different Charter if it had simply been a question of lining up 54 nations and saying, "Boys, this is it. Just sign on the dotted line. We've thought this all out and here's the answer." The truth is that the Charter is a lot closer to our ideas than those of almost any other country. Most other countries have made large concessions to our viewpoint, concessions that they might have a hard time defending politically on their home grounds. It is interesting to notice that the Russians, who did not attend the Conferences in London, Geneva and Havana, must have sensed this, for they cut loose their heaviest propaganda against the ITO to exploit this fact. "Pravda," the official Russian paper, didn't lose any time before it said: "The Americans have worked out a broad plan creating a 'world trade and currency system' with the help of which powerful American capital can become complete master in the field of international trade and gradually take into its own hands control of the economy of most other nations."

I hardly need point out what the Russians would have said about the ITO if we actually had forced our views on other countries at Havana. Some critics of the Charter have, by indirection at least, suggested we do this. If we had insisted that other countries eliminate all state trading (despite the fact that most practice it to some degree today)—if we had insisted on outright and immediate elimination of private cartels (even though they have been used in many countries for generations)—if we squelched all the desires of the "undeveloped countries" (even though they represent two-thirds of the world's population), we might have got some countries to sign up anyway, simply because they thought they had to. But I can think a few things that would have destroyed our democratic leadership more, nor few things that would have been more utterly self-defeating.

I am sure no thinking American could desire such a course. So long as we believe in democratic procedures, we must accept the Havana Charter as the best that could have been achieved in a realistic world. The Charter is the best hope we have of restoring world trade. And the restoration of world trade, which might have seemed a laudable but unessential objective before the war, is an absolute must for us today. Our whole structure of foreign policy, our entire position in world affairs, depends in large measure on getting the world's goods flowing once more.

European Recovery Program

The European Recovery Program represents a large investment toward this objective. It was a gamble, in a sense, but we are now able to see it beginning to pay off. The factories in Europe are moving once more; war damage is being repaired; consumer goods are now abundant enough to stem unrest; the morale of the people is much better. More than we dared hope, Europe is pulling itself along the road to recovery. It seems likely now that the main objective of ERP, to restore Europe's *productive* capacity, will be achieved.

This is an important victory, particularly when we remember that Europe is the keystone of world trade. But it must never be forgotten, that it is only the start towards the larger goal—world prosperity. To date we have been concerned with the most critical issue: production in Europe. Now we must turn to the long-run one: trade in the world. Without European production, it is doubtful if world trade could have been restored. Without restoring world trade it is certain that rebuilding European production will prove a futile palliative. It does no good to rebuild the factories, fill the warehouses, clear up the ports, if the goods have nowhere to go. Only by undamming the flow of world trade can Europe and the rest of the non-Soviet world hope to attain the prosperity necessary to make them economically and politically secure. ITO is the only international instrument for achieving that goal within the framework of the United Nations.

And what if we reject the ITO? There is a considerable movement on foot to do just that. Some recommend that we repudiate it outright; others say we should negotiate a more "satisfactory" Charter. Since the latter is impossible from a practical political point of view, these amount to the same thing. Should Congress be moved by this thinking and fail to approve the ITO Charter, we at least ought to have a very clear idea of where we would be heading.

What Repudiation of ITO Means

By repudiating the Charter we would be endangering our decisive economic and political leadership. The Charter has become identified as an American project, and its success or failure will be considered as a success or failure for American leadership. For us, having worked, negotiated, argued for years for some basic acceptance of the need for free world trade and for some world trade law, suddenly to turn our backs on it, would be even more of a blow than our rejection of the League of Nations after the First World War. Those who say—and there are many—that "America doesn't have any policy, they don't know where they're going" —would have an irrefutable argument to back them up. Our friends would be confused and demoralized; our enemies encouraged to take advantage of this renunciation of our international responsibilities.

This is the time to take the high road. We shall not choose it without wisdom and caution. Risk and danger are there, of course—they lie on any road today; our problem is to choose that one which holds the greatest promise of a good end—the preservation of a world in which the most of our way of life is possible.

Let us not overlook that great broad tide of change sweeping the world. Let us not fail to see that half of the world's population is a seething turmoil of economic and political emotion out of which anything can come. We cannot stop it and we cannot avoid it. We may, God willing, affect its direction and shape its end. We shall not do that, however, by hiding our heads in the sands of the past or beating our breasts in a frenzy of righteous indignation.

Today we have the initiative. In the words of the prophet, "It is better to light a candle than curse the darkness," let us light this flame of international economic order; watch and tend it patiently and wisely, praying that it make such contribution as it may to the better living, and thus the safety, of ourselves and the world.

Big Business Needs Big Govt.

(Continued from page 21)

under $2,000 group have a total income of more than $35 billion as compared with less than $11 billion for everybody in all the income brackets above $25,000. Indeed, the total income of all who receive more than $10,000 annually, is $15 billion less than the total receipts of the little fellows who earn less than $2,000.

Why risk another depression? It's not the purchasing power of the wealthy that will furnish business the market it needs, but the purchasing power of the masses at the bottom of the scale. If they lose their jobs, business loses its market and prosperity goes out the window. We must have prosperity if we're going to beat Communism. Surely it is cheaper to have prosperity on a rising standard of living than it is to have another war.

What Makes Big Government Big?

The greatest obstacle to the establishment of a mass market is the fear that the government in so doing will threaten the freedom of business; so I want to talk about government for just a moment and show what makes it big. No American who believes in the principles of the Declaration of Independence or the Constitution of the United States desires to see established here an authoritarian government. Despite all the name-calling one sees in print or hears in debate, the government here in Washington grows, not because anybody with influence in public affairs wants to change our system, but only because stern facts over which we have no control compel the expansion of government. To keep the people in the driver's seat, we must first understand why this is so.

Take the case of atomic energy, for example. The appropriation for the Atomic Energy Commission this year will be about three-quarters of a billion dollars. That will be a sum greater than was ever expanded by the Federal Government in a single year prior to World War I, except during the Civil War in the years 1863 and 1864. The nature of atomic energy is such that everybody in Congress agreed that its development could be entrusted only to the government although the whole project is managed from the top. This was not because anybody in the government wanted to give the Atomic Energy Commission the extraordinary power it has, but only because nobody in Congress had the slightest idea how else to handle the new scientific fact.

But someone will say, that is not a proper illustration. Very well, let us consider the activities of the Hoover Commission and the plan to reorganize the executive branch of government. Letters pour into Washington urging the Congress to approve the reorganization plan submitted by former President Hoover. Yet, after all, it is clearly not a plan to demobolize Big Government, but to make Big Government more efficient. It is based upon a proposed statute by which the Congress will delegate to the President the power which only the Congress now possesses to define the form and the organization of government bureaus. It is a proposal to place in the hands of the President the full power to make any changes he determines to be desirable.

It would be absurd to say that President Hoover wants to establish an authoritarian government and yet it must be clear that a grant of power to the President to reorganize the whole Federal Government by executive order is a development which results only from the fact that the problem is of such magnitude that this seems to be the only way by which the task can be accomplished.

Government Had to Grow

The growth of the Federal Government and the expansion of its powers bears no relation to any partisan division, past or present. New boards and commissions have been created indiscriminately by both Republican and Democratic administrations. The Federal Power Commission was established by a Republican Congress. It simply had to be created because the electrical and gas industries which once were merely local enterprises had become national with transmission lines and pipe lines extending throughout the country, across public and private lands without regard to mountains, rivers or state boundaries. Back in 1931 there were handled by the Commission 64 applications for the construction of about 864,000 kilowatts of new hydroelectric capacity. Now there are 91 such applications for more than 5 579,000 kilowatts. With a six-fold expansion of this single aspect of the electrical industry, the Power Commission had new duties to prevent the imposition of unreasonable rates upon consumers. Without this Federal agency there could have been no effective regulation in the public interest, for the states are without authority in interstate commerce.

A check of all the bills introduced in the Senate in this Congress up to March 30 reveals that no less than 132 titles have been offered which involve the Federal government directly or indirectly in activities affecting private enterprise. There are no less than 12 separate bills setting forth a complete program for government support and supervision of air transportation. Government subsidies for aviation or for shipping seem to occasion no surprise and even those who are frequently most voluble in calling for the reduction in Federal expenditures are themselves the sponsors of measures which can only result in increasing Federal expenditures.

There are 15 bills having to do with financial assistance to education in various forms. Nine bills are concerned with legislation to improve public health. Ten bills propose Federal housing programs, principally slum clearance and the improvement of rural housing. One of the most striking proposals is the bill which provides for direct Federal loans to meet the housing needs of low income families. One bill dealing with the aviation industry would put the government into partnership with a single private management to assume financial, if not managerial, responsibility for a world-wide air transportation monopoly.

There is no sense in getting mad about these things or calling names about them. They are just plain facts. They are merely the measure of a great and growing nation. The government is growing bigger and we are trying to make it more efficient because science, invention and industry have made business bigger than it ever was before.

National and international business, which had little or no influence in shaping the economic lives of men when George Washington was President, now constitute the determining factor in all the economic issues before the Congress. Little business and local business, and particularly retail business, operate on an altogether different plane from that of the great aggregations of capital which dominate trade and industry in the national and international field.

Industrial Concentration

The meaning of this is illustrated by the statistical fact that out of about 3¼ million business enterprises in the United States, 29,000, or eight-tenths of 1%, employ more than 52% of all the workers. Of these 29,000 businesses, less than 5,000, or to be exact, 4,900, have so many workers each that their employees constitute 40% of all workers. These employers and these employees are engaged in interstate and foreign commerce, the regulation of which was committed by the Constitution to the Congress. That is the reason and the only reason why the government at Washington has been expanding. It had to expand or else the regulation of the economy of the people would have been abandoned by their elected representatives into the hands of the private managers of the private corporations which carry on so tremendous a segment of all the business, trade and commerce of the United States and of the whole world.

That, of course, is precisely what happened in Europe and brought on the Second World War. Government surrendered the control of the economy to the managers of the world cartels who failed to prevent depression and then the people let the dictators, Mussolini and Hitler, take over both the cartels and the government.

The Constitution gives the Congress the power to regulate commerce. George Washington was the President of the Constitutional Convention and he signed the Constitution. He was the first President, so nobody can deny that it is good Americanism to have the Federal government regulate commerce. It must do so if the people are to be kept employed, earning the wages and salaries that will enable them to purchase all the marvelous goods, including furniture, that modern industry makes.

We shall solve our problem according to the American ideal of business and government, not by weakening the Federal government and thus destroying its power to serve the people or by attempting to destroy Big Business, for Big Business fills an essential spot in our economy. The modern world could not operate without it, but it should not be permitted to swallow up Little Business. The one thing needed is to make certain that neither Big Business nor Big Government shall have the arbitrary power to tell the people what to do.

To this end we must recognize that the modern corporation is merely an instrument of commerce. Every organization, whether it be a corporation, a trade association, a labor union or a cooperative, which carries on the commerce which, according to the Constitution, is to be regulated by Congress is an instrument of that commerce and must be subject to the rule of order under which all groups of our society may work together to promote business, production and employment. This is the simple way to create the climate in which little business and local business can operate in security without danger from either monopolistic business or monopolistic government. It is the simple way in which the growth of arbitrary Big Government may be avoided, in which there may be provided the incentives which will promote investment and stimulate the development of our resources in every quarter of the country.

We Dare Not Risk a Depression

Only the Federal Government can regulate a national and international business in the public interest and the public interest now requires that there shall be no depression for that way lies world chaos. Capitalism is facing its greates challenge. It must stabilize the economy. Business leaders and leaders in government, both activated by the great traditions of freedom, must unite now to prevent a depression. If we are to confound the Communists and win the free peace for which the war was fought, we must organize production for peace on a standard of living so high that all the world will want to copy our pattern of democratic economic organization, just as it was trying to copy our pattern of free government until, in the modern world, economic dictatorship first started the trend toward the authoritarian state.

Communism is a defeatist philosophy, suited only to those who have lost faith in man. We can beat it here by peaceful means. But we must not risk another depression.

Leavitt a Director

Ezra G. Leavitt, member of the New York State Mediation Commission during Governor Dewey's first term, was elected as a member of the Board of Directors of the Third Avenue Transit Corporation and subsidiaries, according to James Hodes, President. Mr. Leavitt is a member of the New York Stock Exchange, the Chicago Board of Trade, and other security exchanges. He is a lawyer who received his Ph.D. in Economics from Fordham Graduate School in 1933, and is widely known in financial circles.

Thomas T. Barr, Jr. Dead

Thomas Turner Barr, Jr., partner in Barr Brothers & Co., New York City, died at the age of sixty, after a month's illness.

The State of Trade and Industry

(Continued from page 5)

impact of capacity operations in the past three months on current steel demand.

Conditions this week in steel should have made unhappy reading for those in Washington who insist on more capacity and more production. From here on out the law of supply and demand will rule the ingot rate and not "long term" trend charts made up in Washington by many whose predictions on the steel shortage just have not come true, "The Iron Age" pointed out.

There was no sign in the industry this week that the ingot rate was ready to go to pot. The rate this week is off one-half a point to 99%. Present operations, however, are reflecting orders placed some time ago. They are no indication of what is to come.

The scrap market was still vulnerable this week with the trend down but not as sharply as it had been. "The Iron Age" scrap steel composite this week was off 83¢ a gross ton to $22.75 a gross ton with no indication when the leveling off would be completed.

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 98.4% of capacity for the week beginning April 18, 1949, as against 99.2% in the preceding week, or a decline of 0.8%.

This week's operating rate is equivalent to 1,814,000 tons of steel ingots and castings for the entire industry, compared to 1,828,800 tons a week ago, 1,863,800 tons, or 101.1% a month ago, and 1,442.000 tons, or 80% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS CONTINUE TO RISE IN LATEST WEEK DUE TO HEAVIER COAL AND ORE LOADINGS

Loadings of revenue freight for the week ended April 9, 1949, totaled 757,784 cars, according to the Association of American Railroads. This was an increase of 32,161 cars, or 4.4% above the preceding week, due principally to heavier loading of coal and ore. It also represented an increase of 74,850 cars, or 11% above the corresponding week in 1948, when loadings were reduced by the coal mining holiday, but a decrease of 55 cars, or 0.01% below the similar period in 1947, when there was a partial stoppage of coal loading.

ELECTRIC OUTPUT DROPS FOR 11th CONSECUTIVE WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended April 16, was estimated at 5,342,731,000 kwh., according to the Edison Electric Institute. This represented a decrease of 17,230,000 kwh. below output in the preceding week, 255,905,000 kwh. or 5.0% higher than the figure reported for the week ended April 17, 1948 and 682,411,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT SETS NEW POSTWAR RECORD FOR SECOND STRAIGHT WEEK

Production of cars and trucks in the United States and Canada for the past week again established a new postwar high of 133,335 units, compared to 131,970 (revised) units in the week preceding, according to "Ward's Automotive Reports."

This week's record was featured by overtime at almost all General Motors divisions and a new 1949 mark for combined Ford, Lincoln and Mercury output, Ward's said.

Output in the similar period a year ago was 104,761 units and for the like week of 1941, 99,945 units.

Last week's output consisted of 102,359 cars and 25,233 trucks built in the United States and 5,743 cars and trucks in Canada.

BUSINESS FAILURES FALL IN PRE-EASTER WEEK

Commercial and industrial failures dropped to 184 in the holiday week ended April 14 from a revised total of 230 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were down from the high level of the last two weeks, they were considerably more numerous than in the comparable weeks of 1948 and 1947 when 101 and 59 occurred respectively. Failures continued well below the pre-war level; there were 313 failures in the same week of 1939.

Casualties involving liabilities of $5,000 or more declined to 152 from 175 last week, but exceeded the 86 reported a year ago. Small failures with liabilities under $5,000 dipped to 32 from 55; they were more than twice as numerous as in the corresponding week of 1948.

All industry and trade groups except construction reported a decrease in failures during the week.

Sharp declines occurred in the Middle Atlantic States where failures fell to 39 from 69, in the East North Central States where they dropped to 31 from 49, and in the East South Central States where they fell to 6 from 17. Contrary to the over-all decline, increases were reported in four areas. In the Pacific Region failures rose to a postwar high of 52.

FOOD PRICE INDEX OFF QUITE SHARPLY FOLLOWING COMPARATIVE STEADINESS

After holding comparatively steady over the past month, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell rather sharply last week. Although movements of individual commodities were mixed, declines predominated and the index dropped 1.2% to $5.71 on April 12, from $5.78 the week before. This was less than 1% above the 28-month low of $5.66 recorded on Feb. 8, and it represented a decrease of 15.5% from the $6.76 of a year ago.

The index represents the sum total of the price per pound of 31 foods in general use.

COMMODITY PRICE INDEX THE PAST WEEK REFLECTED FURTHER EASING IN THE GENERAL PRICE LEVEL

There has been a gradual but steady easing in the general price level since the end of February. This is reflected in the Dun & Bradstreet daily wholesale commodity price index, which fell to 252.97 on April 12 from 255.89 a week earlier. The latest figure represents a drop of 2.7% from the Feb. 28 index of 260.04. It is only slightly above the year's low of 250.73 recorded on Feb. 9. The current index compares with 286.14 on the corresponding date a year ago.

Trends in leading grain markets continued to be irregular last week under the influence of large actual and prospective supplies.

The April 1 forecast of the Department of Agriculture placed the new winter wheat crop at the near-record total of 1,019,686,000 bushels.

The undertone in wheat remained strong and demand was fairly good but country offerings were light and prices rose slightly for the week. Corn developed a weaker tone in late dealings. The easiness reflected expectations that there would be a large movement of cash corn to market. Oats were firmer under better demand and light country movement.

Domestic flour trade continued in a cautious manner with buying limited to small lots for immediate shipment.

Some buying was noted for British and Netherlands East Indies account. Coffee showed a drop of ½ cent for the week with cocoa continuing strong under absence of pressure from producing countries. Lard and vegetable oils continued weak with price of the former falling to within a fraction of the low for the season.

Cotton prices were generally steady and firm during the past week with closing quotations about unchanged from a week earlier. Trading in spot markets was less active.

Reported sales in the ten markets totaled 104,800 bales for the week, against 122,500 the previous week and 163,400 last year. Inquiries were fairly numerous but mill demand was limited in volume with buying confined largely to covering nearby requirements.

Repossessions of loan cotton continued to exceed entries although the margin was considerably smaller than in early March. Entries into the loan during the week ended March 31 totaled 58,583 bales, against 66,215 the week previous, while withdrawals were placed at 61,496 bales, against 77,246 the week before. For the current season to March 31, loan entries amounted to 4,993,683 bales. Withdrawals during the same period aggregated 602,206 bales, leaving a net stock in the hands of the CCC of 4,391,477 bales.

Rains and wet weather continued to retard crop preparations in many sections of the belt. Carded gray cotton cloth markets had a quiet week and prices for print cloths showed a further slight weakening.

Aside from occasional small lots of fine and medium wools reported sold in the Boston market, business generally continued at the slow pace of recent weeks. Contracting for wools in western states was said to be at a practical standstill. Reports from most foreign primary wool centers indicated prices were holding steady at slightly lower levels.

RETAIL AND WHOLESALE TRADE CONTINUED TO REFLECT SLIGHT GAINS OVER PREVIOUS WEEK AND YEAR AGO DUE TO EASTER

As Easter shopping continued to increase, the dollar volume of consumers' purchases in the week rose noticeably above the level of the previous week. It was slightly above the pre-Easter week a year ago and was moderately above the correspondnig 1948 week which was in the post-Easter period last wear, states Dun & Bradstreet, Inc., in its latest summary of trade.

The demand for apparel continued to increase considerably last week with the interest of many shoppers being centered on furnishings and accessories.

There were substantial increases in retail volume of women's and children's apparel, while moderate increases in the sales of men's apparel were reported.

Among the best-selling items were women's short-length coats in white and pastel shades, medium-priced navy gabardine suits and moderately priced rayon dresses. Millinery, blouses, hosiery, skirts and costume jewelry were very popular. Men's worsted suits were in moderate demand, but many shoppers limited their purchases to shirts, ties and hats.

Food volume did not vary considerably from that of the preceding week. Partly because of Lent, the demand for food was moderately less than that of the similar week a year ago. However, it was approximately even with the comparable pre-Easter week of 1948. Sea-food and dairy products were requested frequently. The sales volume of canned and frozen foods was slightly above the similar pre-Easter week last year. The demand for candy and holiday novelties rose seasonally with most shoppers seeking such merchandise in the lower price ranges.

The usual pre-Easter lull in the demand for furniture and housewares occurred the past week and as a consequence, total volume was moderately below that of the corresponding pre-Easter week last year. The interest in home decorating materials and garden supplies rose slightly during the week.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from unchanged to 4% above that of a year ago.

Regional estimates varied from the corresponding levels of a year ago by the following percentages: New England and Northwest up 1 to up 5, East and Midwest up 2 to up 6, South and Pacific Coast down 3 to up 1, Southwest unchanged to up 4.

The total dollar volume of wholesale orders rose slightly in the week and was moderately above that of the similar week a year ago. As the holiday approached, the number of buyers attending many wholesale markets declined moderately and was noticeably below the level of the comparable week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 9, 1949, increased by 7% from the like period of last year. This compared with an increase of 7% (revised) in the preceding week. For the four weeks ended April 9, 1949, sales decreased by 5% and for the year to date by 4%.

Retail trade in New York for the past week chalked up small advances over 1948 with the estimate for department store sales volume placed at about 5% above the like week of last year, 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 9, 1949, advanced by 4% from the same period last year. In the preceding week an increase of 9% (revised) was registered above the similar week of 1948. For the four weeks ended April 9, 1949, a decrease of 6% was reported below that of last year and for the year to date volume decreased by 5%.

The Prospect for Business Financing

(Continued from page 7)

planned in the electric and gas industries and the railroads.

The other estimate of plant and equipment expenditures for 1949 presently available is that prepared by McGraw-Hill (Table 2). Estimated expenditures for 1949 are 5% below actual expenditures in 1948. These figures tend to substantiate the SEC estimate of sustained plant and equipment expenditures by railroads and the electric utilities. The major decline is forecast for the manufacturing industries. The survey indicates that about 45% of the actual expenditures in 1948 were for expansion purposes, whereas only 30% of anticipated expenditures for 1949 are for expansion; the remainder of the expenditures will be for replacement or modernization of plant.

The McGraw-Hill estimates were made before the recent recession talk and evidence, while the SEC survey was reported in mid-February, after the sharp break in commodity prices which had occurred in the early weeks of that month. It is therefore of great interest that despite the differences in the date of these surveys, the conclusions are virtually the same.

For purposes of this article I will assume a 5% reduction in plant and equipment expenditures in 1949 compared to 1948. Any further reduction in these expenditures will therefore reduce the need for funds this year. It is true that actual expenditures since the end of 1945 have run above the estimated expenditures. However, it does not follow that this behavior will continue. Since 70% of planned expenditures are for replacement and modernization they can be readily postponed if the recession turns out to be real and serious.

Another important use of funds in 1949 will be credit extended to customers. On the basis of past relationships between compiled receipts of business and receivables it would appear that need for funds on account of trade credit extended will be smaller in 1949 than in 1948, which in turn had the smallest requirement of any of the postwar years. I am not too certain about this factor for 1949, however. The restoration of buyer's markets would normally tend to restore greater competition among sellers, one form of which would be to increase credit terms and credit sales. At the moment there is a conflict between the sales and credit departments in many firms. It is difficult to forecast the outcome of this internecine warfare. The business failure rate is rising, and if this continues the credit departments may win out. This will tend to reduce receivables. Another cross-current which will affect the volume of receivables is Regulation W. If there were no control over down payments and credit terms, finance companies and banks would carry customers' paper instead of the seller. Even with relaxed credit controls it is likely that business will have to carry a larger volume of receivables than would be true if no controls were exercised. It is not impossible that controls will be abandoned entirely this year should the recession materialize.

The third important use of funds in the postwar era was the increase in the book value of inventories. As you recall, American industry came out of the war with a low ratio of inventories to sales. Reconversion to peacetime patterns of production was not smooth and goods in process frequently piled up. The normal inventory patterns had to be restored, thus requiring large accumulations of inventory. Furthermore, in the transition period prices rose sharply, thus further increasing the dollar needs for inventory. In 1948 the value of new inventories was about $2,600,000,000, compared with $2,700,000,000 and $5,000,000,000 in 1947 and 1946 respectively. The book value of all inventories rose by $6,000,000,000 in 1948 as compared with $8,100,000,000 and $10,700,000,000 in 1947 and 1946. In its annual review of 1948, found in the February, 1949, "Survey of Current Business," the Department of Commerce stated: "For the most part, inventories at the end of 1948 were no longer deficient in size and composition."

Most estimates place the value of additions to inventories at no higher than $1,000 000,000, and in view of the forecasts of stable prices with sideward to downward drift, a maximum of $3,000,000,000 for the increase in the book value of inventories in 1949 appears high. It should be mentioned in passing that some estimates—extremely pessimistic—say this figure may be negative. If this were to occur inventories would be a source of funds rather than a use of funds. Currently inventory run-offs are providing retailers with funds, and the increase in total business inventories represents involuntary accumulation mainly by wholesalers and to some extent manufacturers.

TABLE 1

Sources and Uses of Corporate Investment Funds, 1946-1948*

(Billions of Dollars)

	1946	1947	1948	Total
Uses:	24.0	28.0	26.7	78.7
Plant and equipment	11.6	15.0	16.9	43.5
New	10.5	14.3	16.7	41.5
Used	1.1	.7	.2	2.0
Inventories (Increase in book value)	7.5	7.2	5.3	20.0
Receivables	5.4	5.9	4.5	15.8
Repayment of RFC loans	.2	---	---	.2
Other current assets	— .7	— .1	---	— .8
Sources:	23.5	29.0	26.5	79.0
Internal	**16.8**	**15.4**	**16.1**	**48.3**
Funds retained from operations	10.4	15.1	16.3	41.8
Depreciation	4.1	4.5	5.0	13.6
†Retained net earnings	6.3	10.6	11.3	28.2
Reduction in cash and U. S. Government securities	6.4	.3	— .2	6.5
External	**6.7**	**13.6**	**10.4**	**30.7**
Increase in bank loans	3.3	2.9	.8	7.0
Short-term	1.9	1.6	.4	3.9
Long-term	1.4	1.3	.4	3.1
Increase in mortgage loans	.6	.8	.8	2.2
New security issues	2.3	4.4	5.7	12.4
Bonds	‡1.4	3.1	4.6	9.1
Stocks	‡ .9	1.3	1.1	3.3
Increase in liability for Federal income tax	—2.5	2.4	.8	.7
Increase in trade debt	3.0	2.4	1.8	7.2
Other net sources	---	.7	.5	1.2
Discrepancy (uses plus or minus sources)	.5	—1.0	.2	— .3

*Excluding banks and insurance companies.
†Includes depletion. 1948 profits partly estimated.
‡Estimated.
Source: Department of Commerce.

TABLE 2

Plant and Equipment Expenditures of U. S. Business, 1948 and 1949†

(Millions of Dollars)

	Secur. & Exch. Commission			‡McGraw-Hill Survey		
	1948	* 1949	Percent '49 to '48	1948	* 1949	Percent '49 to '48
Manufacturing	8,340	7,240	—13	8,160	7,200	—12
Mining	800	820	+ 3	765	760	— 1
Railroad	1,320	1,450	+10	1,345	1,520	+13
Other transportation	700	650	— 7	1,900	1,780	— 4
Electric and gas utilities	2,680	3,130	+17	2,680	2,870	+ 7
Commercial and miscellaneous	5,390	5,010	— 7	----	----	--
	19,239	18,310	— 5	14,850	14,130	— 5

*Estimated.
†Excludes agriculture. Figures do not add to totals due to rounding.
‡"Business Week," Jan. 22, 1949

Without attempting to assign definite values, it appears that uses of funds in 1949 will be less than 1948. An estimate of 10% less than in 1948 may be useful to lay the setting for discussing sources of funds in 1949.

Any discussion of the sources of funds for business in 1949 requires answers to *three* questions.

(1) Will the aggregate supply of funds be equal to the demand for funds?

(2) At what price will these funds be available? As you know, supply is always equated to demand by price changes.

(3) Will the funds available be the type that the community desires?

Question 1

In the aggregate the supply of funds will be equal to the demand at present or only slightly higher rate. The major source of funds will be retained earnings and depreciation reserves. It is interesting to note that three of every four respondents to the McGraw-Hill Survey indicated that they plan to finance their 1949 capital expenditure almost entirely from this source. If the President's proposal for an increase of $4,000,000,000 in taxes were enacted this might serve to reduce capital expenditures from the estimates given or require more external funds than presently contemplated.

You will recall that the President was unusually vague on this point—planning to distribute the increase between corporations and a rise in personal income taxes on the $6,000 to $25,000-$30 000 income classes. All available information, including the very strong opposition of Senator George (Democrat, Georgia), indicates that the proposed increase in corporate taxes will not be enacted by Congress this year.

Unless there is a pronounced bull movement in stock prices, the capital markets will continue to supply substantial sums of money to corporations although debt will be the predominant form. Judged by the first two months of 1949, new capital security issues are running about one-third below the comparable period in 1948. However, the January figure was higher than 1948, while the February figure was considerably below the same month last year.

Bank loans should be available in plentiful supply. The fact that the business loans of the reporting member banks in the week ended March 16 declined $11,000,000 making the ninth consecutive weekly decline, is a reflection not of the supply of, but of the demand for, funds. The banks are in a position to augment their reserves as needed by running down their portfolio of government securities.

Question 2

At what price will the funds be made available? To answer this question we need to review briefly developments operating in the capital and money markets. Money rates in 1948 continued the rise that began in the summer of 1946 and is due to:

(1) Large demand for funds in excess of current savings.

(2) Monetary and fiscal policies of the government.

Short-term rates rose in 1948 due to the rise in rediscount rates and increases in rates on Treasury bills, certificates and 1½ year notes. In August the certificate rate rose from 1⅛ to 1¼; the 1½ year notes went to 1⅜. Bond yields were about the same at the year's end as they were at the beginning. During the first half-year weaknesses appeared as institutional investors went out of long-term governments and into corporate bonds. Stock yields started the year auspiciously by falling steadily through May, after which market price declines raised stock yields. The fall in stock prices was accentuated in November after the elections. By the end of the year yields on stocks were 6.57 compared with the May low of 5.26.

Any attempt to forecast the immediate future of short and long-term rates is precarious because of the strategic role of the government in determining the course of rates. If the government continues its policy of allowing the bill, certificate and short-term note rates to rise, we will surely get higher interest costs on open market and bank borrowings. Will this happen? If the present course of prices reverses itself and rises, it is entirely possible that rates on short-term government securities will be hiked with a corresponding rise in short-term money rates.

The course of long-term rates will likewise depend on the government's action in managing the Federal debt. Maintenance of the floor on governments at par will probably be adhered to. The institutional investors, after moving out of governments in the spring of 1948, are now back in as substantial buyers. In fact, the Federal Reserve System is selling long-term governments at present to keep yields from falling even lower. If the future portends inflation the peg may be removed and sales by institutional investors may increase, thereby causing yields to rise. This does not appear likely, particularly in view of the increased flow of savings into the institutional investors, and it is therefore difficult to foresee any serious rise in long-term bond yields.

Question 3

In what form will the funds be available? The major source of funds will undoubtedly be equity supplied by retained earnings and depreciation reserves. It is noteworthy that companies replying to the McGraw-Hill survey indicated that investment plans would be expanded if the corporate income tax rate were reduced or if accelerated depreciation on plant and equipment, say within five years, were permitted. You may have read in the papers recently that the Council of Economic Advisers have prepared "blueprints" for the depression. Two relevant proposals are to permit administrative reductions in the tax burden on corporations and also administrative permission to accelerate depreciation on plant.

External sources of funds will be used to supplement corporate savings. These external sources will most likely be in the debt form. This is unfortunate from the point of view of business management, which is manifesting growing concern over the increasing debt-to-equity ratio. What is potentially of greater danger both for the firm and the economy is the increasing ratio of short-term debt to gross national product. Should a deflation get under way the banks can call their loans, thereby forcing distress sales and causing a cumulative downward movement in prices and economic activity. Technically, this danger can be offset by the power given the Federal Reserve System (by the Banking Act of 1935) to accept any paper for discount. If the central bank does what it is supposed to do in emergencies, this cumulative deflation need not set in.

The spread between stock and bond yields has widened over the past year, thereby making stock financing even more favorable. It is unlikely that bond yields will rise sharply in 1949; hence a reduction in the spreads will have to come from a rise in stock prices (reduced yields). What are the prospects?

In the main the investment community explains the low level of stock prices by:

(1) High margin requirements. Will the recent reduction in margin requirement cause stock prices to rise? Past evidence indicates that the movements of stock prices and customers' debit balances are roughly parallel. Closer examination, however, indicates that changes in stock prices lead changes in customers' debit balances. In other words if stock prices rise, increased use of margin purchases is encouraged. It appears therefore that purchasing securities on margin is not an initiating cause of changes in stock prices but tends to reinforce a movement in stock prices once it has started.

(2) High levels and steeply progressive income taxes with limited opportunities of averaging gains and losses over a period of years makes risk taking uneconomical.

(3) The heavy surtax rates on higher income groups have reduced the supply of venture capital.

(4) The movement toward a more equal distribution of income has increased the percentage of savings among persons who place their funds in the hands of institutional investors whose equity purchases are severely limited by law.

(5) Double taxation of corporate and individual incomes.

(6) General domestic uncertainty about the business outlook.

(7) Tense international situation.

It would appear that with the possible exception of the first item, none of the reported causes of low stock prices will disappear this year, thus leading to the conclusion that stock prices will remain relatively low (and stock yields high) thereby continuing the resort to debt financing by business firms.

Summary: Outlook for Financing 1949

The aggregate supply of funds will be ample to meet the needs of business with little prospect of any material rise in the cost of funds. The possibility of a rise in short-term rates is greater than an upturn in long-term rates. The major source of funds will be equity obtained from retained earnings and depreciation reserves. External sources of funds will be large, particularly new capital security issues in debt form. Bank loans will also be available in sufficient quantity. In general, management is perturbed by the growing debt-to-equity ratios.

EDITOR'S NOTE: This is the first of two articles by Dr. Shapiro on problems of business financing. The second article giving a long-range view of business financing will appear in a subsequent issue of "The Chronicle."

F. X. Martinez Joins Doremus Co. In Phila.

Francis X. Martinez has become associated with Doremus & Co. in their Philadelphia office as head of the Publicity and Public Relations Department. Martinez was formerly with the Associated Press, Philadelphia "Inquirer," and during the late war he was on the publicity staff of Nelson Rockefeller in the Office of Inter-American Affairs.

Present and Prospective Steel Supply Ample

(Continued from page 8)

when demands have gone unsatisfied for any long period.

Ability of our steel industry to turn out great tonnages of quality products year after year has become so much taken for granted that most people do not realize that such an economic blessing is possessed only by the United States. Nowhere else does steel production approach the American level either in total tons or per capita. The output of 88,500,000 in this country in the calendar year 1948, for instance, probably represented close to 55% of all the steel made in the world. By comparison, a new record was set in England last year when close to 16½ million net tons were produced. Russia's production is not officially reported, but it has been estimated for 1948 at about 20 million tons.

Only 7% of the world's people live in the United States, but that small part of the total has available for its use almost 20 times as much steel per capita as the people who live elsewhere. Even Britain, with one-third as many people, has less than one-fifth as much steel. It is largely because of our steel supply that American people have four out of every five radios in the world, five out of every six of the world's automobiles and refrigerators, and similarly imposing percentages of the other goods and services which make for comfortable living.

Last year total industrial activity in this country was the highest it has ever been in peacetime. The number of persons employed touched a new top. Payrolls set new records. Industry after industry turned out a greater volume of products than ever before. In spite of the fact that steel supply could not satisfy everyone at once, it must be obvious that industrial activity on such a scale as was seen last year could never have happened if there had been any critical shortage of steel.

Despite a great performance month after month, both by makers of steel and by most consumers of their products, the words "steel shortage" are still heard, although a bit less loudly, implying that the country has been and will continue to be starved for steel.

Late last year, for example, the Assistant Secretary of the Interior said: "Steel production this year (1948) is about 10 million tons short of actual demand and there is little reason to hope that the situation will be any better next year or the year after. Today the eastern steel barons are opposed, as they have always been, to any substantial enlargement of our capacity to make steel. These men of little faith are in constant dread of a depression which might leave them with 'too much' steel."

The absurdity of such thinking has been demonstrated so emphatically that even the man himself had to pay attention. In a more recent statement before a Congressional sub-committee he said: "It is known that shortages of many critical and essential minerals and metals exist, as evidenced by steadily increasing prices, failure to meet stockpile requirements and production bottlenecks. The extent of these shortages, however, is not known and at present there exists no framework for their measurement."

We are left to wonder what happened to the crystal ball between December and March. Then it revealed a shortage of about 10 million tons of steel, yet in March it had no way of measuring shortages.

On the charge that lack of steel has been holding back other industries, let's call the roll of some of them that use a lot of steel.

Auto Production Equal to Demand

In the automobile industry production seems to have caught up with demand except, perhaps, in a few lower priced lines. The oil industry already has seen forced curtailment of output and is confronted with over-production. The freight car "crisis" has disappeared. Coal is in excess supply. So is lumber. Production schedules for many consumer durables are being cut to match a lessened demand, and workers are being laid off. Farmers are facing new restriction to guard against too abundant harvests.

Even the voluntary allocation programs, skillfully administered under the Secretary of Commerce, no longer need all the tonnage which producers had volunteered to furnish. For some time hardly one of the industries covered by such programs has placed orders for the full monthly quotas, some have fallen far short, and for these reasons cuts in quotas have lately been announced. Most prominent among these are the cuts from programs for freight cars and for the armed forces. It is not unlikely that some of the programs will be dropped before the present law expires next September.

In the face of such facts, it is hard to see how anybody can believe that the production of steel has been or is now hampering industrial activity and economic prosperity in this country.

For many months most discussions of steel supply have played up possible added demands, any of which, so it was claimed, might prolong a tight condition. Prominent among these were: requirements under the Economic Recovery Administration; an expanded defense program; a substantial increase in general government spending; a large-scale program to rearm Western European nations. These are the facts: current ECA allotments aggregate less than one-fifth of some early estimates, and are not expected to increase as European steel output continues to rise; the armed forces in recent months have left unordered a substantial part of the modest tonnage set-up in their voluntary allocation program; general government spending does not seem likely to jump; and the matter of rearming Western Europe is still in the discussion stage.

Unfair Attacks

Steel has been so long a target for demagogues that it has become somewhat accustomed to unfounded and unfair attacks on its motives and actions. This time, however, there have been signs that the campaign against steel is more than just political ranting, and that it is not directed at steel alone among American industries. Behind the barrage of speeches, statements and legislative proposals, one may see the shadow of great American industries no longer private enterprises but properties of the state. Imitation of British experiments still seem to appeal to the so-called "liberal" thinkers.

Now before the Congress are bills and resolutions some of which, if enacted into laws, would subject industry to government restrictions and regulations completely incompatible with any recognized concept of private enterprise. Others could put the government virtually into direct competition with private industry merely upon the recommendation of investigatory boards selected and appointed by the government itself. In some of these the name of "steel" gets specific mention.

True enough, the industrial plans and economic panaceas proposed do not contain specific mention of government ownership or nationalization of industry. Instead they offer a tempting bait of public welfare, promoting maximum employment, increasing production and maintaining purchasing power.

The implication—if not the accusation—is that industry, citing steel as an example, has not acted in the public welfare, that is has not worked toward raising national employment, production and purchasing power to the highest possible levels. This period when industry was struggling to catch up with demand has been seized upon as evidence that steel was wilfully restricting output of its own products, and thereby output of industry generally, to the detriment of the national economy.

In one form or another various attacks have been launched against industry for years. Last year there were many who hoped that we were nearing the end of government's "cold war" on industry. But recently the pace seems to have been stepped up. What were once only empty shouts from political rostrums and sidewalk soap boxes have now grown more purposeful and pointed.

Proposals for hamstringing legislation that orginally found favor only among the representatives of the extreme radical groups have now been revived, made more dangerous. Sponsorship for such legislation, directed against business generally is no longer confined to the few, but is found among an increasing number. Even administration support is not lacking.

Because much of this legislation is skillfully phrased to obscure its possible scope, there is always danger that some of it may pass without any general understanding of its significance. Yet I believe it is true that only a minority of the people would knowingly choose to live under a state controlled, industrial economy. A partial offset to this danger may be found in greater efforts by companies and by whole industries to present simple facts about the economics of the business world. It is unfortunately true that when industry does not speak for itself, its story goes untold. The steel industry, fully aware of this truth, some time ago greatly intensified its program of public information, to reach into the steel plant communities as well as across the country.

Dangers of Government Intrusion

There is not always a sharply defined course for the intrusion of government into an industry. The process may begin with relatively mild regulation usually described and rather generally accepted as in the public interest. It is an early part of the concept of "a planned economy" or the so-called "welfare state." Another phase appears in offers of government financing, on easy terms, to stimulate desired expansion or to build uneconomical plants. Plausible reasons are easily found for advocating allocations of materials and controls over wages and prices. And so by successive stages the way be opened for government entry into a business, under some such guise as a yardstick operation, followed by more and more government operation until, eventually, the government is in and private industry is out.

Various American industries already have had the experience of travelling part way along that road. Some, like electric power companies and fertilizer makers now meet actual competition from government operations. Bills now before Congress can open the door to similar ventures into almost any field.

Last month Congressman Spence introduced a bill (H.R. 2756) designed to cover the Administration's policy, as set forth by the President in his message to Congress in January.

That bill would give the President vast powers over the national economy, including the power to formulate production requirements to meet the people's welfare; to impose compulsory priorities and allocations; to make loans to private industry, or to state or local governments, for increasing industrial capacity and production; to reduce or defer payments either of interest or on account of principal for such loans; to expand existing plants or build new plants, ostensibly for private operation.

However, there is every reason to expect that government operation would result from any reluctance on the part of private interests to fall in with official ideas. Such a program could hasten the end of private enterprise by imposing the decisions of officialdom as to what should be made, and how much.

Introduction of the so-called Spence Bill provoked no storm of objection from the public or from the Congress itself. A number of sharply critical newspaper editorials did attack the proposal for a study of the steel industry as a preliminary to possible government financing or actual construction of additional facilities. But various members of Congress seemed to welcome the proposal.

When this program was first suggested, many people familiar with the actual situation in steel supply were not seriously concerned. They seemed to believe that an honest study would produce findings favorable to the continuation of privately financed programs of expansion and improvement. And they evidently thought that Congress would be reluctant to start down a road which might lead to nationalizing the steel industry.

Yet almost on the heels of the Spence Bill a Texas Congressman backed it up with a so-called "full-employment bill" which would provide $15 billion for the RFC to loan to public or private agencies for industrial expansion. Almost simultaneously came an application for a loan of $65 million to finance further expansion of a blast-furnace plant which had been built during the war with government funds, contrary to the recommendation of interested government agencies. Commenting on the application, a leading business paper said: "To make RFC money readily available for pork barrel industrial expansion is tantamount to openly inviting the socialization of steel."

The Administration's demand for an inquiry into steel supply holds great implications for all American industries. It is not inconceivable that such an inquiry might be conducted on a prejudiced basis, dealing not with facts but with theory. It could be merely a vehicle for publishing a predetermined conclusion, in the same way as some recent economic arguments have been tailored to fit political promises. Yet with government prestige and propaganda behind it, any such inquiry is bound to be difficult for private industry to refute before the public.

A recent editorial in the Washington "Post" commenting on this matter, said in part:

"If an impartial legislative inquiry should reveal the existence of goods shortages that endanger national security, it may became necessary for the government to assume the risks of expansion programs that private industries are unwilling to shoulder. But until the evidence has been assembled proving the need for more rapid expansion and unless there is a demonstration that alternative and less drastic means of satisfying specific requirements are inadequate, the government should maintain a hands-off attitude towards proposals that entail incursions into the operational field of industry."

It may seem to some people that recent signs of shift in economic trend largely remove any reason for concern about such government action. But so far nothing has happened to justify any feeling of certainty that the basic ideas have been abandoned. They may be temporarily dormant, but they are far from being dead. Consider, for example, the ease with which an anti-inflation program acquires new virtues under the alluring label of economic stabilization.

One could speculate at length as to what a steel industry would be like if it were to become a nationalized arm of government like the Post Office Department. Initiative and the spur of competition would disappear. Unswerving adherence to tradition and inevitable reluctance to new ideas and methods would arise. But the most important result of all would be the relinquishing forever of the only economic system which provides freedom, opportunity and benefits for all the people. There is no safe formula for just a little government participation in industry.

An Alert and Progressive Industry

Steel is an alert and a progressive industry. Steel recognizes its basic position and its responsibility in the industrial life of the nation. Its policies with respect to expansion, production, prices, marketing and all the other phases of operation are determined not on considerations of profits alone but with the best interests of the country clearly in mind. Under private ownership and direction, the steel industry is performing for the country a better service than could possibly be achieved under any other form of management.

I make that statement, gentlemen, with deep conviction. I feel sure that you will agree with me, because the flourishing industries of this Detroit area are forward looking industries, built by the vision of private initiative, in the best American tradition. That tradition, that powerful force for progress, is definitely threatened. Constant vigilance will be needed to protect it. Unless government encroachment in the industrial field can be stopped, this nation will lose the vital source of its great economic strength.

NY Investment Ass'n To Hold Annual Outing

The members of the Investment Association of New York will hold their third annual outing on Friday, June 24, at the Westchester Country Club in Rye, New York, Stanley A. Russell, Jr., Blyth & Co., Inc., President of the association, announced. Sydney Duffy of Blyth & Co., Inc. has been appointed Chairman of the outing committee.

H. Grady Black, Jr. of Morgan Stanley & Co. is in charge of a special activity for the outing.

Arrangements for the group's annual golf tournament, feature of the day's sports activities, are being made by Jerome Burke of Blyth & Co., Inc. Tennis competition will be directed by Erik Reinders of Kidder, Peabody & Co. and "games after dark" will be in charge of William S. Goedecke of Smith, Barney & Co. Hans Schuyten of The First Boston Corporation is arranging transportation to the outing.

Originally known as the Junior Investment Bankers and Brokers Association, the Investment Association of New York was founded in the Spring of 1947. Its membership is now approximately 150.

With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Robert J. Ferguson has joined the staff of A. C. Allyn & Co., Inc., First National Bank Building.

George M. Griffiths Dead

George M. Griffith, Manager of the Newark office of Harris, Upham & Co., died April 18 at the age of 74.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Resting period about over. Emergence on upside now a matter of days.

It would be nice if a bell would go off at specified periods to tell people when to buy; another when to sell. It would eliminate the tiresome holding of stocks waiting for action to bring you losses or profits.

* * *

Unfortunately, timing hasn't been reduced to any such simple system. It still requires careful tape watching, plus a preconceived notion of where certain obstacles exist and approximately how long it will take to negotiate them.

* * *

A couple of weeks ago various stocks looked higher, though the market as a whole acted in a lacklustre fashion. At the same time other stocks seemed headed for lower levels. Taken by and large, it was a normal market that was appraising events to come and trying to evaluate them properly. During a period of stepped up market activity, a pattern takes about ten days tó formulate. Inasmuch as there wasn't any activity, outside of a couple of bursts occasioned by news, it looked like this period would take longer to hurdle. In fact, hurdling was hardly the word; bypassing would be more like it.

* * *

As this is written, the bypassing period seems about over, and an emergence on the upside is indicated. There are various things that point to it. A couple of months ago, the steels and motors showed a reaction potential to certain levels. Subsequently came news of price cuts in metals and autos, and stocks slowly gave way. At present these stocks are about where they showed they would go, and selling has dried up.

* * *

At the same time there were other stocks which looked higher but certain obstacles, clearly apparent in tape action, held them back. It now looks as if the sore spots occasioned by the first group have been eliminated, and the obstacles in the latter group have been nibbled away.

* * *

There is still the time element remaining, though even that seems to be running out. Summing it all up it looks like the long awaited change in market action will shortly be seen and will be accompanied by an emergence of various stocks on the upside.

* * *

You now carry three stocks, bought in the past two-three weeks. I could add to the list but see no point in jumping all over the lot. I've never subscribed to that old saw about never putting your eggs in one basket. I prefer to keep all my eggs in one basket and watch it.

* * *

Your stocks are: Cooper Bessemer at 28 (now 32) stop 27; Dresser at 21½, stop 18, and Bristol Myers at 31, stop 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.]

Lectures on Estate Planning Announced

An intensive five-day lecture course on Techniques of Estate Planning will be given by the Practising Law Institute from June 18 to 22 as part of its annual Summer Session in New York City. The program is designed for mature lawyers, trust officers, and other qualified persons engaged in estate work. The discussion is on an advanced level and will concentrate on arrangements for the most effective disposition of estates under the present tax laws and the drafting of the necessary instruments. The sweeping changes effected by the Revenue Act of 1948 make the tax problems especially important. The lectures will also present careful consideration of other estate problems. The course, which consists of 14 two-hour lectures, meets Monday through Friday from 9 a.m. to 1 p.m. and 2:30 to 4:30 p.m., except on Friday when it closes at 1 p.m.

The Practising Law Institute is a non-profit educational institution organized and maintained by practising lawyers for the benefit of their fellow practitioners throughout the country. All its courses are available to lawyer war veterans under the benefits of the GI Bill of Rights.

Now Ralph Fordon & Co.

DETROIT, MICH. — The firm name of Watkins & Fordon, Inc., Penobscot Building, has been changed to Ralph Fordon & Co.

A. J. Kilpatrick, Jr. Opens

AUGUSTA, GA. — A. J. Kilpatrick, Jr. is now doing business as an individual dealer from offices at 138 Eighth Street. He was formerly a partner in Bothwell & Kilpatrick.

Restriction on Freight Rate Absorption—A Dangerous Move

(Continued from page 9)

will absorb all or a part of the freight charges or pass them along in tneir entirety to his customer, if he can, just so long as he does not conspire with his competitors to fix prices?

The American economic system is based on freedom of choice, freedom of judgment, freedom of the market place, and freedom of movement. For the most part—except when and where we have had price supports or their opposites, price controls, or where questions of public utility regulation, or of conspiracy and combination, have intervened—businessmen in making prices have been free to use their own judgment. They have been free to give effect to any and all the elements which go into the making of prices. The seller has been supposed to know better than anyone else what prices would cover his costs; the buyer has been supposed to be able to say whether any or none of the prices offered him were satisfactory. The whole process has been one of free meeting of the minds—with both buyer and seller taking into account all of the tangible and intangible factors which enter into the making of a bargain.

The FOB Price Theory

Even now, no one seriously proposes to restrict this free method of selling as a general practice in the conduct of business—except insofar as transportation costs may enter into the determination of prices. The seller may continue—insofar as the theorists in transportation are concerned—to make his prices in relation to the supply and demand of his product, to the prices of his raw materials, to the cost of manufacture, to taxes, rent, insurance, interest charges, overhead of every character, and even to the transportation charges he pays on his inbound raw materials—but, according to these theorists, he must not take account of the outbound freight charges upon his finished product. According to them, he must sell FOB mill, if he is to avoid the suspicion of collusion, and must let the consignee worry about the freight charges. As to whether he is actually subject to suit if he absorbs freight charges, on his own, without conspiring with competitors, not only the lawyers but also the government officials themselves disagree—there is almost a confusion of tongues, so to speak, on this subject.

If it should turn out to be the law that no systematic absorption of freight charges is to be permitted—and that delivered pricing even in individual instances is subject to risk—the effects upon the structure of the economy would be profundly disturbing.

Under such a system, there would be an unpredictable relocation of industry on the part of those businesses which say, unequivocally, that without some sort of freight absorption they cannot operate present plants, which were built not to serve merely limited and restricted local markets but great sections of the country, or even the whole nation.

The structure of the economy of this country traditionally has been founded upon the concept of unrestricted access to markets and to sources of raw materials. It has been left for each producer to judge how far he should reach, either to secure his materials, or to distribute his product. It has been up to him to make the crucial decision as to where, in each individual case, he might reach the point of diminishing or vanishing returns. Under this concept, the country has grown and prospered as no other country in the history of the human race. Moreover, the experience of two wars has shown that the industrial capacity which has been achieved under this concept is indispensable to the national security.

The great productive capacity of this country has been built—and the transportation plant has been built—not upon the basis of the use of transportation only under the compulsion of niggardly necessity, but on the basis of its abundant use. The abundant use of transportation has made possible national opportunities for producers and nationwide choices for consumers. These have created the American marvel of mass production, and this industrial marvel of the world could not be sustained without a continuation of national markets. In individual instances, there may be wasteful hauls. If so, they are the result of errors of judgment which are subject to the self-correction of results—the unrelenting testing of the market place. By that testing there is an almost automatic limiting factor, in that the producer who habitually overreaches in seeking new markets, or who habitually brings his raw materials from too great a distance and at too great a cost, soon ceases to be a producer. That, incidentally, is one of the great efficiency advantages of the private enterprise way of getting things done, in comparison with the government-controlled way. Under the private enterprise way. repeated and habitual mistakes of judgment are corrected by failure; under the *government control* way, too often they are perpetuated through the involuntary, and sometimes unrecognized, support of the taxpayers.

But to limit artificially—as is proposed from time to time—the range within which a business may operate, is to do more than merely to limit that particular business. Such artificial limitation would result in the economic loss of junking plants built to serve great areas. It would create both economic and social dislocations. It would create uncertainties as to what would and what would not be permitted under such a policy of artificial limitation of transportation. It would limit the freedom of action and of choice which is the basis of our American large-scale production and widespread consumption.

Such artificial limitations upon the use of transportation would, in time, do even more. They would bring about the atrophy, more or less complete, of the very transportation systems which are one of the secrets of our national strength. The strongest muscles, when not exercised, wither and decay, and the complex mechanism of transport, if not used, would rust out. This is not to suggest transportation just to be transporting things—but then that doesn't happen to any significant degree because, and I repeat, nobody ships freight for fun. But it is a fortunate fact that in our daily peacetime operations we do ship, by the various means of transport, enough to keep our transport agencies in vigorous working order.

It is a further fortunate circumstance that the cost of using our transport facilities is so little. Of course, we hear the words high freight rates — sometimes pronounced almost as if they were one word, highfreightrates—but actually the cost of transportation, and particularly of rail transportation, in this country is neither high nor burdensome. It is true that rail freight rates are higher in dollars and cents now than they were before the recent war. But when measured against the average value of the goods transported, rail freight rates are not only lower now than they were before the war, but in this postwar period are less than they have been since the Interstate Commerce Commission's Bureau of Transport Economics and Statistics has been keeping figures on the subject.

Because transportation in America is so cheap, it is used abundantly. And the converse is equally true. Transportation in this country is produced more cheaply because it is so abundantly used. In our transportation operations, we have applied the law of increasing returns—doing more and more for a smaller and smaller proportion of the total national production or income.

Those who would artificially limit the usefulness of transportation as a great tool, a great balance wheel of production and consumption, would—if they should succeed—sharply reverse this trend. They would do so, no doubt, with high motives and good intentions. They would do so in the honest conviction that some commission, some board, some body with the compulsive power of government, could make the right and the wise decisions in the multitude of daily transactions. Some may contend that such a body, removed from the pressure of responsibility for results, would be wiser in its actions than the common businessman who has to make his guess, call his shots, and stand the consequences. But I can't see it that way. I firmly believe that prohibition of freight absorption would undercut the very foundations of the system of production and exchange of goods and services which have made America what it is—the great foundations of freedom of choice and action, and of the use of transportation as a productive tool. That would be a high price—a tragically high price—to pay for the testing out of some theory of compelling business enterprises to ignore one of the fundamentals of value and price—that is, the cost of putting the goods where the buyer wants them. It might even be that mankind ought to be willing to strive and struggle, to plan and sacrifice, without the incentive of the hope of profit—for which, incidentally, he takes the risk of loss. But that's not the way the American economy, and the economic freedom which is the sustaining force behind all our freedom, were built.

And whatever may be the merits of an economy managed by the powers of government, and whatever may be the faults of the free system of abundant hauling of goods, even cross-hauling if you please, I'll take the latter.

I have not tried today to tell you what railroads mean to Kansas City. What they mean is obvious—almost too obvious to mention. In all this tremendous midcontinental development, railroads are the central, essential fact. It is their service which makes possible the maintenance and operation of all the other services upon which you depend—just as the railroads, in turn, depend upon the continuance of all this activity of production and distribution for the revenues which are their very life. The process is reciprocal, the obligations mutual. We live together, not apart. But together we shall live better—and America will go forward more securely—and the world in which we live will be safer—if we preserve this American way of using our transportation as a tool of production—and a foundation of unity and freedom.

Policy of Federal Reserve System

(Continued from page 11)

other goods has consistently exceeded the available supply. Spending from current income has been substantially supplemented by drafts on accumulated liquid savings and by rapid expansion of private credit. This condition of excessive demand backed up with ample cash resources has inevitably forced prices upward. Advancing prices accompanied by expanding money income led to further price increases. As a result of these inflationary pressures between mid-1946 when price controls were initially terminated, and August, 1948, wholesale prices rose 50%, consumer prices 31%, and total personal incomes expanded by 24%.

Our postwar inflation is initially the product of our wartime financial policies. The war cost us around $320 billion. This huge volume of expenditures was financed in part out of our current income, tapped through taxation and sales of securities to the public; and in part through expansion of the money supply brought about by borrowing from the banking system.

We couldn't expect to finance our wartime expenditures entirely through taxation. There are serious obstacles, essentially nonmonetary in nature, that place a definite upper limit to the tax burden that can be imposed even in wartime. As the tax burden grows, particularly when it grows rapidly, the interrelated problems of administrative feasibility, equity, and incentives become increasingly difficult to handle. More safeguards against widespread evasion and its generally demoralizing effects have to be devised. Numerous special adjustments are required to maintain a general consistency with the community's standards of fairness, without which no tax system can long survive as an effective instrument of policy. And, finally, a rapid stepping up of the tax bill may, at least in the short run, have adverse effects on effort incentives and thereby interfere with achieving a maximum wartime output.

We cannot determine exactly just where that upper limit of taxation is, but it is safe to say that we fell short of it by too wide a margin. Less than one-half of the funds raised by the Treasury between the middle of 1940 and the end of 1945 came from tax sources; the balance was raised by borrowing.

Not only did we rely very heavily on borrowing to finance the war, but we relied on borrowing of the most inflationary kind. Of the total amount borrowed by the Treasury from mid-1940 to the end of 1945 more than two-fifths came from the banking system including commercial banks, Federal Reserve Banks and mutual savings banks. Therefore, in our war finance we made the twofold mistake of taxing too little and borrowing from the banking system too much.

As a consequence of our wartime financial policies we entered the postwar period with an economy characterized by an excessive degree of liquidity. Government securities held by commercial banks—their highly liquid secondary reserves — grew from $17 billion in June 1940 to $91 billion by December, 1945. They constituted the bulk of total bank loans and investments. It is estimated that over the war period the stock of liquid assets—currency, bank deposits, and government securities—held by individuals and businesses including insurance companies, increased approximately threefold. Over this same period the gross national product only about doubled. Combined with a heavy backlog of unsatisfied real demands, this high degree of liquidity meant that strong inflationary pressures would inevitably develop, particularly if the wartime controls were prematurely removed.

But our wartime policy of of heavy reliance on borrowing held yet another implication for the problem of stabilization in the postwar world. Our national debt grew during the war to a peak of $275 billion, a figure of astronomical proportions by prewar standards. Its ownership was widely distributed and its interest pattern had become integrated into the whole asset and liability structure of our economy. Confidence in the market value of the public debt was almost synonymous with a stable financial organization.

In order to maintain a stable market for government securities, the Reserve System was obliged to fulfill the role of residual buyer. This placed severe limitations on the usefulness of traditionally powerful techniques for controlling the volume of credit and deposit expansion. As a residual buyer the Federal Reserve System became a source of reserve funds which commercial banks could tap at their own volition by offering government securities for sale. Banks also received additional reserve funds involuntarily whenever nonbank investors sold securities to the Reserve Banks. And with a fractional reserve banking system, each dollar of reserve funds provides the basis for a manifold expansion of private credit and the money supply.

Moreover, because of the abundant security holdings that the banking system acquired through the processes of war finance, commercial banks no longer had extensive need for borrowing funds from the Federal Reserve Banks. Adjustments of reserve positions could be achieved instead through security sales in a supported market. As a result, except for whatever psychological impact it might have, the rediscount rate lost its effectiveness as an instrument of credit control.

Finally, sales from their holdings of government securities offered an easy means by which banks could offset in some measure pressure that might be brought to bear on their reserve position through a rise in reserve requirements. In consequence, relatively small changes in reserve requirements could not be relied on to have severely restrictive effect. While larger variations in requirements could be an effective weapon, they have have not been available to the Federal Reserve during most of the postwar period because of practical exhaustion of statutory discretion on the upward side.

Thus, under the circumstances that have existed during most of the period since the close of the war, the traditional instruments available to the Federal Reserve for influencing money and credit developments in this country were either ineffective, inoperative, or near exhaustion. Meanwhile, the volume of credit extended to private borrowers during this period underwent a considerable expansion. From the end of 1945 to the end of 1948, commercial and industrial loans of all insured commercial banks almost doubled, which represented an absolute increase of approximately $9 billion. Agricultural loans of these banks rose by $1½ billion over the same period, while real estate loans increased by approximately $6 billion. Finally, the increase for the period in the consumer loan category of insured banks amounted to almost $4½ billion.

As early as in its annual report to Congress for 1945 and subsequently, the Board pointed to this siuation and suggested legislative remedies.

Postwar Monetary Policies

I do not mean to suggest that our postwar anti-inflation monetary policy has been entirely ineffective. There have been significant elements of restraint, without which the situation would have been decidedly worse.

The most important factor of restraint in the postwar period has been the Treasury cash surplus. For the calendar year period 1946-48, cash receipts of the Treasury from taxes and other sources exceeded its cash outlays by a total of about $14 billion. This surplus has exerted a powerfully contractive effect directly on the expenditure-income stream and on the supply of credit and money. Without it the upward pressure on prices would unquestionably have been more severe. Further, a substantial portion of the surplus has been used to retire debt held by the Reserve Banks. This disposition of the surplus is the one most consistent with a policy of monetary restraint; for it results in a withdrawal of funds not only from the general income stream, but from the commercial banking system as well, thereby bringing pressure to bear on the reserve position of commercial banks. The Treasury also exerted a similar pressure on bank reserves by using for retirement of Federal Reserve held debt some of the deposits that had been permitted to accumulate previously in the war loan accounts of commercial banks.

The System has vigorously used its relatively modern accessories—control over stock market credit and control over consumer instalment credit. Since the end of hostilities in mid-1945, margin requirements for extensions of credit on listed securities by banks and by brokers and dealers have not been below 75%, and for the year ending January, 1947 were at the level of 100%. Bank loans for purchasing and carrying such securities are at a relatively low level today.

Regulation of consumer instalment credit, in the periods it has been in force since the war, has also been an influence in restraining the increase in this type of credit. As you know, Congress, in mid-1947, terminated this authority effective Nov. 1, 1947. Subsequently expansion in this credit went forward at a sharply increasing rate. Since September of 1948, when the regulation was reinstated on the basis of authority granted in the special session of Congress, consumer instalment credit has increased only moderately, although prior to that action it had been expanding at a rate of nearly $200 million a month. Last month, as you know, the Board modified somewhat the September terms of consumer instalment credit.

The System has also used carefully its influence over interest rates. To raise the cost of reserve funds to the banks, and also to encourage banks and non-bank investors to hold on to the short-term government securities they own and to buy more rather than to unload them on the System, short-term market rates and Federal Reserve discount rates have been permitted to rise. Rates on Treasury bills have risen from ⅜ of 1% in mid-1947 to more than 1% today. Yields on one-year certificates have increased from ⅞% to 1¼%, while the Federal Reserve Banks have raised their discount rates from 1% to 1½%.

The System has applied more vigorously than the banking community has desired available statutory authority to regulate member bank reserve requirements. Prior to the legislation enacted in August, increasing member bank reserves was a possible course of action only for the New York and Chicago banks, since for all other classes of banks requirements were at their legal limit. In January, and again in June of last year, the Federal Reserve Board raised by 2 percentage points the serve requirements on net demand deposits at New York and Chicago banks. On the basis of the temporary authority granted by the Congress in August, the Reserve Board raised reserve requirements by 2 percentage points on demand deposits and 1½ percentage points for time deposits early last Fall.

Finally, the System has used its informational resources to urge upon Congress and the public the importance of restraint in credit expansion and of the need for a strong fiscal policy.

Recently we have had an interruption of the inflationary course. In an increasing number of areas supplies have caught up with, and in numerous lines, exceeded demand at current prices. Indicative of the changed situation are declining prices, moderate slackening of investment in producers' goods and business inventories, and increased supplies of goods, many of which were in tight supply a year ago. Average wholesale and consumer prices have declined from their August peaks. In fact, average wholesale prices and consumer prices are down to about the level of a year ago. Prices on farm products are below a year ago. Average prices of commodities other than farm products and foods, while still somewhat above their levels of a year ago, have been virtually unchanged since August, with prices of most commodities in their group other than metals generally either remaining stable or drifting down. Retail sales have shown substantial evidence of increasing consumer resistance. Though employment has continued at generally very high levels there has been a decline from the postwar peaks.

I certainly hope that there will not be further inflation. But if we have learned anything from this review it is the fact that the System should at all times be equipped to cope with whatever monetary problems we may be facing.

The Reserve System today is far better equipped than ever before to help offset deflationary forces should they actually develop. A major deficiency of the banking system that has aggravated business contractions in the past—the inability of the central bank to provide adequate funds when needed by the market—no longer exists. The System has virtually unlimited means of supplying the market with additional reserves through purchases of government securities. The Reserve Banks at present hold $23 billion of gold certificate reserves, and, on the basis of existing legal gold reserve requirements, the System could more than double its outstanding note and deposit liabilities. Moreover, as a result of the liberalized lending authority provided by the Banking Act of 1935, advances can now be made on any assets of member banks that are acceptable to the Reserve Banks as security. Thus the supply of funds will not be undesirably restricted by the need to adhere to "eligibility" rules. Further, when other lenders are not available, the System is empowered to make direct loans to business firms for working capital purposes. Finally, the System can always contribute to monetary ease generally by a reduction in reserve requirements and in special areas through relaxing instalment credit and margin requirements.

Summary and Conclusion

Throughout the defense and war period 1939-1945 the Federal Reserve System directed all its efforts toward facilitating government financing of military expenditures. Its activities during these years ranged from the maintenance of a stable structure of interest rates on the public debt to curbing credit expansion in the private sphere of the economy. With the authority required for its purpose, and aided by wartime price and rationing controls, it is fair to say that the System accomplished its wartime objectives successfully. However, a fiscal policy that relied more heavily upon inflationary borrowing than upon taxation in fancing wartime government expenditure sowed the seeds of postwar inflation.

Following the termination of hostilities, the System's efforts were directed toward curbing postwar inflationary pressures which stemmed from a greatly expanded money supply, an enormous backlog of demand for consumer goods, and the early abandonment of price and rationing controls. However, the System has been hapidicapped by the ineffectiveness of such traditional credit controls as raising rediscount rates and by its limited authority to increase reserve requirements. Moreover, in order to maintain confidence in the public credit the System has had to act as a residual buyer of government securities, thereby nullifying the use of its traditional open market sales of governments as a curb on credit expansion.

The System's inability, under the limited authority which it possessed during the postwar period, to combat inflationary pressures arising from the expansion of bank credit is clearly evidenced by the rapid increase in such credit that has accompanied the sharp rise in most prices since mid-1946. Whether monetary action alone would have been sufficient to check the postwar inflation is a debatable question, but one cannot deny that the exercise by the System of fuller authority to curb credit expansion would have imposed greater restraint upon rising prices. The recent relaxation of inflationary pressures should not be interpreted to mean that the System's need for more adequate authority to restrain inflationary credit expansion has ended. The problem of guiding the country's economic forces with a view of maximizing stability of output and employment is a continuing one. If it is to be successfully resolved, there must be wisdom, forethought, and the authority to act when action is called for.

In Serious Condition

William F. Ladd is in serious condition in Palm Beach, Fla., from self-inflicted gun-shot wounds. Mr. Ladd, a former member of the New York Stock Exchange, had been in poor health for some time and had been advised that he had not much longer to live, it was reported.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Emory H. Wilder has become affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. He was formerly with Herrick, Waddell & Reed, Inc.

Tate With First Securities

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Earle W. Tate has become associated with First Securities Co. of Chicago, 134 South La Salle Street, members of the Chicago Stock Exchange. Mr. Tate was formerly with Brailsford & Co., Detmer & Co., and was an officer of Commonwealth Investment Corp.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Homer P. Hargrave, Jr. has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

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. 24	98.4	99.2	101.1	80.0
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 24	1,814,000	1,828,800	1,863,800	1,442,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Apr. 9	4,916,050	5,072,400	5,123,350	5,377,400
Crude runs to stills—daily average (bbls.)	Apr. 9	‖5,067,000	5,269,000	5,452,000	§5,568,000
Gasoline output (bbls.)	Apr. 9	17,176,000	17,635,000	17,267,000	§16,569,000
Kerosene output (bbls.)	Apr. 9	2,040,000	1,959,000	2,093,000	§2,472,000
Gas oil and distillate fuel oil output (bbls.	Apr. 9	6,410,000	6,658,000	7,325,000	§7,419,000
Residual fuel oil output (bbls.)	Apr. 9	7,954,000	8,351,000	8,125,000	§9,168,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 9	127,522,000	127,769,000	126,188,000	§111,589,000
Kerosene (bbls.) at	Apr. 9	17,878,000	17,915,000	18,517,000	§11,438,000
Gas oil and distillate fuel oil (bbls.) at	Apr. 9	48,920,000	48,556,000	51,804,000	§33,121,000
Residual fuel oil (bbls.) at	Apr. 9	58,510,000	58,710,000	59,297,000	§49,228,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 9	757,784	725,623	709,326	682,934
Revenue freight received from connections (number of cars)	Apr. 9	606,908	583,210	623,037	588,288
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 14	$158,193,000	$178,242,000	$127,282,000	$144,579,000
Private construction	Apr. 14	74,882,000	89,664,000	59,828,000	89,086,000
Public construction	Apr. 14	83,311,000	88,578,000	67,454,000	55,493,000
State and municipal	Apr. 14	71,436,000	71,977,000	38,090,000	42,944,000
Federal	Apr. 14	11,875,000	16,601,000	29,364,000	12,549,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 9	11,260,000	*9,660,000	10,350,000	2,475,000
Pennsylvania anthracite (tons)	Apr. 9	962,000	960,000	700,000	850,000
Beehive coke (tons)	Apr. 9	148,900	*114,200	149,500	11,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Apr. 9	320	301	256	298
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 16	5,342,731	5,359,961	5,495,769	*5,086,826
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Apr. 14	184	*230	210	101
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 12	3.74887c	3.75197c	3.75454c	3.28244c
Pig iron (per gross ton)	Apr. 12	$46.66	*$46.82	*$46.82	$40.11
Scrap steel (per gross ton)	Apr. 12	$23.58	$26.17	$35.58	$40.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 13	22.950c	22.950c	23.200c	21.200c
Export refinery at	Apr. 13	23.175c	23.175c	23.425c	21.725c
Straits tin (New York) at	Apr. 13	103.000c	103.000c	103.000c	94.000c
Lead (New York) at	Apr. 13	15.000c	15.000c	19.500c	17.500c
Lead (St. Louis) at	Apr. 13	14.800c	14.800c	19.300c	17.300c
Zinc (East St. Louis) at	Apr. 13	15.000c	15.000c	17.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 19	101.63	101.64	101.71	100.85
Average corporate	Apr. 19	113.12	112.93	113.12	112.19
Aaa	Apr. 19	119.00	118.80	119.00	117.60
Aa	Apr. 19	117.20	117.00	117.20	115.43
A	Apr. 19	112.19	112.19	112.19	112.00
Baa	Apr. 19	105.00	104.66	104.83	104.66
Railroad Group	Apr. 19	108.16	108.16	108.16	106.92
Public Utilities Group	Apr. 19	113.89	113.89	113.89	113.89
Industrials Group	Apr. 19	117.60	117.20	117.40	116.22
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 19	2.38	2.38	2.38	2.44
Average corporate	Apr. 19	3.00	3.01	3.00	3.05
Aaa	Apr. 19	2.70	2.71	2.70	2.77
Aa	Apr. 19	2.79	2.80	2.79	2.88
A	Apr. 19	3.05	3.05	3.05	3.06
Baa	Apr. 19	3.45	3.47	3.46	3.47
Railroad Group	Apr. 19	3.27	3.27	3.27	3.34
Public Utilities Group	Apr. 19	2.96	2.96	2.96	2.96
Industrials Group	Apr. 19	2.77	2.79	2.78	2.84
MOODY'S COMMODITY INDEX	Apr. 19	349.5	354.5	369.7	418.1
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Apr. 16	218.8	219.1	216.6	236.6
Fats and oils	Apr. 16	144.2	144.0	151.5	276.3
Farm products	Apr. 16	234.2	236.8	235.3	258.5
Cotton	Apr. 16	315.2	311.0	310.1	357.4
Grains	Apr. 16	206.0	206.2	200.1	275.7
Livestock	Apr. 16	230.4	235.0	235.1	241.8
Fuels	Apr. 16	222.6	226.3	233.5	228.6
Miscellaneous commodities	Apr. 16	166.9	166.6	165.8	174.8
Textiles	Apr. 16	189.1	189.0	190.3	214.1
Metals	Apr. 16	183.9	184.6	187.8	164.9
Building materials	Apr. 16	213.6	215.2	215.8	227.3
Chemicals and drugs	Apr. 16	139.5	*137.9	142.5	156.7
Fertilizer materials	Apr. 16	142.9	142.8	142.9	137.2
Fertilizers	Apr. 16	150.5	150.5	150.5	143.7
Farm machinery	Apr. 16	155.7	155.7	155.6	138.5
All groups combined	Apr. 16	207.0	208.5	209.5	220.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 9	173,654	178,967	158,333	163,880
Production (tons)	Apr. 9	159,449	149,918	162,692	193,572
Percentage of activity	Apr. 9	77	75	80	103
Unfilled orders (tons) at	Apr. 9	287,725	271,986	278,632	434,430
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Apr. 15	133.3	134.1	137.3	146.6
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Apr. 12	157.6	158.0	158.4	162.7
Farm products	Apr. 12	171.1	171.5	170.6	187.9
Foods	Apr. 12	164.2	164.7	162.9	175.7
All commodities other than farm and foods	Apr. 12	149.4	149.7	151.2	148.5
Textile products	Apr. 12	140.2	141.2	144.0	149.9
Fuel and lighting materials	Apr. 12	132.5	132.8	134.5	131.1
Metals and metal products	Apr. 12	173.5	174.0	175.1	157.1
Building materials	Apr. 12	196.5	197.2	200.4	193.9
All other	Apr. 12	131.0	130.7	131.1	136.0
Special indexes—					
Grains	Apr. 12	165.4	164.1	161.5	222.1
Livestock	Apr. 12	206.1	205.1	207.1	224.6
Meats	Apr. 12	227.3	225.9	222.2	248.2
Hides and skins	Apr. 12	180.9	184.6	179.9	192.9

*Revised figure. ‖Includes 332,000 barrels of foreign crude runs. §Not comparable with other periods which are on new basis of reporting in California. Principal changes exclude cracking stock from distillate and residual fuel oils.

	Latest Month	Previous Month	Year Ago
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of February:			
Total shipments (thousands of pounds)	110,034	119,285	135,955
AMERICAN TRUCKING ASSOCIATION—Month of February:			
Number of motor carriers reporting	303	303	303
Volume of freight transported (tons)	2,569,712	*2,675,482	2,581,592
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of March (in thousands)	$109,735,000	$89,806,000	$107,636,000
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of March 31:			
Imports	$126,862,000	$134,178,000	$150,959,000
Exports	50,574,000	51,495,000	48,328,000
Domestic shipments	10,738,000	10,305,000	12,261,000
Domestic warehouse credits	11,657,000	13,096,000	10,547,000
Dollar exchange	1,593,000	5,605,000	1,639,000
Based on goods stored and shipped between foreign countries	13,697,000	13,550,000	17,461,000
Total	$215,121,000	$228,229,000	$241,195,000
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of March:			
Manufacturing number	215	170	136
Wholesale number	102	90	57
Retail number	366	318	194
Construction number	77	63	43
Commercial service number	89	44	47
Total number	849	685	477
Manufacturing liabilities	$17,075,000	$15,009,000	$9,243,000
Wholesale liabilities	5,034,000	3,458,000	1,684,000
Retail liabilities	7,269,000	5,728,000	3,714,000
Construction liabilities	3,018,000	2,476,000	957,000
Commercial service liabilities	65,048,000	896,000	1,883,000
Total liabilities	$97,444,000	$27,567,000	$17,481,000
CARBON BLACK (BUREAU OF MINES)—Month of February:			
Production (lbs.)	99,502,000	106,000,000	105,392,000
Shipments (lbs.)	98,178,000	94,024,000	102,200,000
Producers' stocks (lbs.)	129,620,000	128,296,000	81,937,000
Exports (lbs.)	26,422,000	28,950,000	31,264,000
COAL EXPORTS (BUREAU OF MINES)—Month of February:			
U. S. exports of Pennsylania anthracite (net tons)	337,950	305,452	412,423
To North and Central America (net tons)	238,139	274,449	345,617
To South America (net tons)	------	12	50
To Europe (net tons)	99,811	30,991	66,738
To Asia (net tons)	------	------	18
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of March (000's omitted)	$257,000	*$268,000	$311,000
COMMERCIAL STEEL FORGINGS (DEPT. OF COMMERCE)—Month of February:			
Shipments (short tons)	111,217	124,582	116,676
Unfilled orders at end of month (short tons)	539,717	570,665	630,860
COPPER INSTITUTE—For month of March:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	96,085	*76,941	83,909
Refined (tons of 2,000 lbs.)	88,165	80,275	110,886
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	113,972	98,611	122,988
Refined copper stocks at end of period (tons of 2,000 lbs.)	70,682	83,841	68,582
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of January (000's omitted)	21,830,832	21,645,106	20,267,419
Revenue from ultimate customers—month of January	$398,486,500	$390,128,300	$362,407,000
Number of ultimate customers at Jan. 31	40,870,573	40,721,988	38,599,687
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of March:			
Factory sales (no. of units)	309,897	241,267	355,415
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of February:			
Death benefits	$117,839,000	$123,024,000	$113,860,000
Matured endowments	38,101,000	46,076,000	35,496,000
Disability payments	7,825,000	8,580,000	7,111,000
Annuity payments	17,630,000	24,207,000	18,014,000
Surrender values	41,746,000	40,654,000	31,425,000
Policy dividends	46,239,000	54,399,000	44,694,000
Total	$269,380,000	$296,940,000	$250,600,000
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of February:			
Shipments (short tons)	66,744	71,876	75,225
For sale (short tons)	25,074	38,040	42,670
For producers' own use (short tons)	31,670	33,836	32,555
Orders booked, less cancellation, for sale (short tons)	26,999	26,948	46,258
Unfilled orders, end of month, for sale (short tons)	118,318	126,393	209,447
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Mar.:			
Industrials (125)	6.88	7.12	5.58
Railroads (25)	8.31	8.39	5.89
Utilities (25)	6.06	6.09	5.96
Banks (15)	4.66	4.70	4.60
Insurance (10)	3.27	3.33	3.40
Average yield (200)	6.66	6.85	5.57
NEW CAPITAL ISSUES IN GREAT BRITAIN—Midland Bank, Ltd.—Month of March	£22,088,000	£5,430,000	£11,200,000
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of February:			
Production (M sq. ft. 3/8-in. equivalent)	143,180	*118,284	156,666
Shipments and consumption (M sq. feet, 3/8-in. equivalent)	133,192	*107,837	155,878
Stocks (M sq. ft. 3/8-in. equivalent) at end of month	84,534	*75,894	39,323
Consumption of logs (M ft., log scale)	70,595	*58,011	69,597
Stocks (M ft., log scale) at end of month	254,138	*314,369	171,906
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of March:			
Net sales	------	$1,750,000	------
Net purchases	$5,059,000	------	$106,764,000

*Revised figure.

Sound Rates and Financing for Utilities

(Continued from page 4)

thusiasm among them for the purchase of common stocks today. One reason that is attributed for this lethargy is the high personal income taxes that stockholders, and particularly those of considerable means, have to pay. A proposal is being discussed at present to amend our tax law so as to give credit for dividend income to the individual, as it used to be. If a shareholder of sizable income is to reap the reward of the dividends received from his stock, this double taxation should not be assessed. It is a distinct deterrent to the marketing of common equities.

Then, in addition, many of these investors profess a belief in our capitalistic system, but the markets of today indicate that they are not willing to bet large amounts of money on it. The whole trend of the socialization of industry causes a fear which must be overcome in the sale of securities. Back in 1932, based on generating capacity, the publicly-owned electric utilities represented about 9% of the whole industry. As I recall, the figure today is about 20%.

Prospective Security Owners

The shifting of the wealth of this country into different groups has raised another problem which has to be considered in the sale of securities. Thirteen years ago 53% of our families had an annual income of under $1,000, 10% from $2,000 to $3,000, and only 4% from $3,000 to $5,000. In 1947, which is the last year for which I have these figures, the families whose income was under $1,000 had dropped to 16%. The group from $2,000 to $3,000 had gone up to 24%, and that from $3,000 to $5,000 was up to 26%. This last group earns the largest percent of the national income. I suspect that it is larger now, as income has gone up since '47. These people are relatively in a more favored position as to net income after taxes than those of higher income groups, who formerly purchased the bulk of corporate securities. They have been educated during the war to buy Government bonds. Many of them are on the payrolls of our utility companies. They should be educated to buy corporate securities if the issuing company is soundly financed.

Much is being done these days to interest the small investor in corporation securities. Our annual reports, through simplified statements, graphs and pictorial representation, are setting forth the business done and the problems of the company in a way that the man of the street and the widowed wife can understand. You gentlemen understand balance sheets and financial statements, along with all their technical terms, but the ordinary person not familiar with accounting and securities will not take time to try to understand them. Merrill Lynch, Pierce, Fenner and Beane have been carrying on an educational program to advise the small investor of the meaning of stocks and bonds and all the things that go with them. I noticed in last week's "Time" magazine that they are carrying on classes in finance in California for women who desire to educate themselves in these problems. The New York Stock Exchange and the Curb Exchange are both carrying on educational programs along these lines. Taking the mystery out of the sale of securities and the financial statements that go with them will do much for our industry in advising the people of our problems and the inherent worth of the business.

Underwriters will have to get back to the practice of having salesmen who can go to the investors and sell them our securities. This can only be done to a practical degree if the same small investors can be acquainted with the company's business practices and policies, know the policy of the State in which the company operates and the basis of its regulatory processes. With this knowledge they may have faith in the business and the regulation to the extent that they are willing to risk their savings and become a part of it.

Improved Earnings Necessary to Attract Capital

Now if a utility corporation is to improve its capital structure during this present period, as all regulatory authorities seem to desire, then of necessity earnings must be sufficient to attract capital. In today's market securities in other industires can be bought which yield as much as 10% or more. At the end of the year 1948, Standard & Poor's Daily Stock Price Index of 50 industrials yielded more than 6% in dividends and over 13% in earnings. It is yields and earnings like these that we must compete with. Our earnings must be improved if we are to sell more shares of common stock at reasonable prices in competition with these other industries. Our industry has done much in the way of reducing costs through the construction of new plants. However, the savings arising from this development have not been able to keep pace with rising costs since a deflated dollar today will buy about what 47¢ would buy ten years ago. And so this brings me to the second branch of the subject—what are sound rates?

Rates—Present Value Rate Base Most Practical

No one can lay down an exact rule or arithmetical process by which sound rates can be arrived at. It calls for an exercise of sound judgment backed by a desire to do the fair thing viewed from long range. The application of a rate of return to an original cost rate base is merely an arithmetical process. It has been said that many of the advocates of this formula count it as one of the ways to further public ownership of our industry. Whether that is their purpose or not, it is certainly a means to that end. The theorist will tell you that he can make up for too low a rate base by an upward adjustment to the rate of return. That is just not practical. The Chairman of the Federal Power Commission, Mr. Nelson Lee Smith, put it well in his book written in 1932, "Fair Return," when he said:

"In the event . . . that an original cost valuation is used in combination with a rate of return which is adjusted to allow for price changes . . . public suspicion of rates of return which appear high would probably go far toward defeating any such policy during periods of rising cost, in spite of subtle economic argument stressing the necessity of high return. If present opportunity costs are to control rate regulation their computation directly in terms of a reproduction cost rate base and a relatively low rate of return (assuming rising costs of construction) seems a safer and more practicable course than the use of a lower valuation and a higher rate of return to produce an identical result. . . ."

Development of Original Cost Concept

The concept of original cost has been developed step by step by its advocates to a point where many people today have come to believe that the cost to the person first devoting property to public use, less depreciation, is the universal basis upon which rates should be fixed. This is not true and its advocacy can only lead to unsound rates and financing in many instances.

The Federal Power Act of 1935 provided that the Commission could ascertain the actual legitimate cost of property of every public utility, and, as a corollary, provided that, upon request, every utility should file with the Commission an inventory of its property and a statement of the original cost thereof. You gentlemen are all familiar with the adoption by the Federal Power Commission of its Uniform System of Accounts and the litigation that followed before the utilities of this country conformed. A similar question had arisen under the Communications Act. In the case of American Telephone and Telegraph Company v. the United States, decided in 1936 (299 U. S. 232) the point had been made that if companies were required to set up on their books of account the original cost, it would result in no consideration being given to value over original cost. Justice Cardozo in the course of the opinion says:

"To avoid the chance of misunderstanding and to give adequate assurance to the companies as to the practice to be followed, we requested the Assistant Attorney-General to reduce his statements . . . to writing in behalf of the Commission. He did this and informs us that the Federal Communications Commission construes the provisions of . . . (the) order as meaning that amounts included in account 100.4 (which is the same as our 100.5) that are deemed, after a fair consideration of all the circumstances, to represent an investment which the accounting company has made in assets of continuing value will be retained in that account until such assets cease to exist or are retired; . . .

"We accept this declaration as an administrative construction binding upon the Commission in its future dealings with the companies. . . . **The administrative construction now affixed to the contested order devitalizes the objection that the difference between present value and original cost is withdrawn from recognition as a legitimate investment."**

It was a long step from this administrative construction of similar rules of accounting to those of the Federal Power Commission to the decision seven years later in the Hope Gas Case. But even that decision does not go, as many assume, to the point that original cost depreciated should be the universal rate base upon which rates should be fixed. Justice Douglas in the majority opinion said:

"The return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."

Despite this, it seems to be generally thought by many people that the universal and present method of fixing rates in all cases is on the formula stated; namely, original cost less depreciation, applying thereto what may be claimed to be a reasonable rate of return. Of course, this concept emanates from the Federal Power Commission itself. Yet their 28th Annual Report of 1948 has just come to my desk and I notice that on page 116 of that report there are listed 32 states, the District of Columbia, and the Territories of Hawaii and Puerto Rico under a table of "Method of Rate Base Determination Generally Applied for Measuring Fair Value." Of this number, nine states and two territories are listed under the heading of "Prudent Investment Method Applied." California is listed under "Reasonable Historic Cost." Six states are listed under "All Elements Considered." Seven states are listed under "Fair Value." Ohio under "Reproduction Cost." New Mexico under "Original Cost Adjusted" by adding 5 to 10% for reproduction value. Seven states are listed under "Original Cost," and this includes Michigan—which is not correct, as I will explain.

Michigan Rule

Here in Michigan the rate-making process has become confused. Back in 1945 the Commission had before it an electric rate case where the utility's proof on present-day fair value consisted of a "horseback" appraisal. The Commission found the proof to be of no probative value and speculative. It then proceeded to fix the rates on an original cost rate base less depreciation. Since then several cases have been presented to the Commission on book cost. The present Commission, however, in the Michigan Bell Telephone Company opinion of Sept. 28, 1948, stated: "A Michigan utility is entitled to earn a reasonable return upon the present fair value of its property." This has to be so because in the gas branch of the business, when the Commission was given jurisdiction over gas companies it was provided by the legislature that as to the rates and charges the Commission should possess the same measure of authority as it then possessed to regulate and fix rates and charges of railroads. Our railroad rate cases of this state have always considered present fair value.

As to the electric branch of the business, the act provides the Commission shall consider all lawful elements to determine just and reasonable rates including:

Cost.
Reasonable return on fair value.
Depreciation and obsolescence.
Risks of the business.
Value of the service to the consumer.
The connected load, hours of service and quantity used.

This generally is the basic law upon which regulation in this state rests. It does not satisfy this law, in my judgment, to make a general statement that all these elements are considered and then determine the case on an original cost rate base. Such a process deals with original cost and in no sense value. In our recent Consumers Power Company gas rate case the Commission in its opinion of March 25, 1949, did this. We have filed an application for rehearing which is now pending. We expect to pursue the matter to a final clarification of the Michigan rulings. In the meantime, it is erroneous to have the word go out that Michigan is an original cost state.

Basis of Efficient and Economical Operation

If utilities are to continue to operate efficiently and economically to the point where investors are willing to pay more for their common stock than the book value, it necessarily follows that the companies pay less for their money than if the basis of their allowable return is predicated upon book value. For the Commission to authorize the sale of common stock well above book value and then establish a rate base predicated upon the underlying value of the property supporting that stock at book cost is to my mind confiscatory. If that policy is pursued, it takes away all the incentive of the men who operate companies to do a good, economical job. It makes them realize that they are not given consideration for the economies the investor recognizes and, if carried along far enough, is bound to result in declining earnings, increased cost of capital, and the forcing of issuing senior securities at a time when equity capital should be sold. Of necessity this runs counter to the interest of sound rates and financing in meeting the perennial growth utilities have always had.

Original cost accounting has a very definite place in the scheme of things. But when one is confronted with stupendous construction and the resulting financing, to arrive at a rate base resting in large part on values of less than half of today's value runs counter to sound economics.

The determination of present-day fair value is out of the field of accountancy. We are required to employ the services of engineers to give us this result, but when continuing property records are maintained the job of arriving at today's fair value is a simple one and can be readily arrived at without delay. But at a time like this, when the public welfare and, indeed, perhaps our national security, demand the building of plant in the most efficient and economical manner, it is high time that investors in the nation's markets should know that many regulatory authorities in fixing rates look at all elements, including today's fair value, and fix rates accordingly. In this way utility companies may compete in some degree with other issuers of securities whose only regulator of the price of their product is competition.

Necessity of Preserving Property Rights

What is the paramount question in the world today? It is whether the principles of Western civilization and private property are to survive or whether the world will be dominated by the super-state.

Now, if we are to prevail in our over-all problem, whether through the means of peaceful processes or through the means of war, the vitality and future development of the electric and gas industry is a necessary complement to the attainment of that end. And if we take liberties with fundamental principles that transgress and violate the rights of property, we undermine within our own governmental processes the rights we seek to preserve. I believe this stupendous task of building the plant of this industry so that we function efficiently and economically in this period of gas and electric power civilization is one of the most essential problems of the day. You men whose duty it is to see that the facts and figures are known to all who care to read have a responsibility that exceeds that of your predecessors in days gone by.

These are problems which are not simple of explanation, and the great tendency is to play politics with economics. Yet, so long as we live under the profit system, the profit derived indirectly controls in the fixing of fair rates and sound financing. You gentlemen who are devoting your talents to accounting and financial affairs can do much to make clear these explanations, whenever and wherever they come up, to the end that business-managed tax-paying utilities may prosper and play their necessary part in our scheme of things. Failing in this, as I see it, we unconsciously, within the fabric of our own governmental regulation of which we are so proud, take another step towards the future socialization of our second largest industry. If the problem is truthfully presented and clearly analyzed, I believe the rank and file of the people will share our views. And so, in closing, let me say that what we do in this period in this great industry will cast its shadow over the operations to be carried on by the men of the next generation who will succeed us. May it be on the basis of continuing a virile and growing industry which, when called upon for the services demanded, may produce all that is needed in the future as it always has in the past—and not be chargeable with "too little and too late" of that which is so essential to our well-being.

Canada's Tasks and Prospects

(Continued from first page)

that there is no fact in history, and no significance of tomorrow, so important to us as our relationship with the United States.

We have problems in common, and I am glad to be able to say that we approach their solution along the same broad lines. We may differ on details, but our ultimate objective, the welfare of our people, is the same.

Consider our approach to the worrisome matter of the state of Europe. We both wish well to the people over there, and we both know that the welfare of North America depends upon re-establishing Europe on a sound economic foundation. During the war you had your Lend-Lease and we had our Mutual Aid Programme. After the war you inaugurated that grand evidence of the good heart and good sense of your people, the Economic Recovery Programme, and we made loans and gifts to European nations that even exceeded in value per capita those which you were then making.

You and we were able to do this because our rich store of raw materials and our industrial capacity make this continent the production centre of the world.

Canada's national production has increased every year since 1945, and in 1948 it was three times higher than in 1939. Salaries, wages and supplementary labor income rose from $2,550,000,000 in 1939 to $6,910,000,000 in 1948. It is true that out of this income we paid $717,000,000 in income tax last year, compared with $61,000,000 in 1939, but over the same period we increased our personal savings from $320,000,000 to $1,146,000,000.

These facts are easy to look at. They seem to show progress, and to those who, unlike yourselves, are satisfied to consider only the present, they are quite satisfactory. You, however, will place them (with your own boom) in their proper perspective. Our joint prosperity then appears as a single highlight against the darkest background of world affairs mankind has ever seen.

World trade is still gasping for breadth, in danger of being strangled by nationalistic barriers and bilateral agreements. Many of Canada's important customers have been forced to adopt import controls. Trans-Atlantic countries find it difficult to keep up purchases. While our domestic situation appears rosy, it should not lull us into complacency.

Canada's Farm Products and Industrial Production

There apparently have been stories about our domestic situation floating around south of the border which are completely new to us in Canada. For example, there is talk here about big new farming areas opening up around Toronto and Montreal, and I have been asked whether these are expected to help our food situation. Well, gentlemen, we have not felt the pinch of famine in Canada since the days when raiding Indians used to drive our settlers from the fields, and every settler had to be as quick with a rifle as he was industrious with a hoe. In fact, our agricultural production is such as to allow us to export great quantities, either on sale or as gifts, to less food-wealthy countries.

Cash income from the sale of farm products in 9 months of last year stood at $1.8 billion, which was an all-time record 37% above the figure for the same months of 1947. The increase was due both to heavier marketings and to higher prices. Farm prices in 1948 were 20% higher than in 1947, while the prices of things farmers bought went up only 16.4%.

You may be assured that insofar as our ability to produce ample farm commodities for our own use and for export is concerned, Canada is fully capable of living up to all demands made upon her and all the opportunities she can find.

Now let us look at industry, an area in which most bankers, perhaps, are more at home than they are on the farm.

An indication of the importance of industry in our economy is given by the employment figures. In 1947, for the first time, the number employed in manufacturing exceeded the number in agriculture. In the peak harvest season last year there were 43,000 fewer in agriculture than in manufacturing, and last winter there were 64,000 more persons employed in manufacturing than in all the primary production sections of our economy: that is agriculture, forestry, fishing, trapping and mining.

I tell you this, not to load you down with statistics, but to indicate that our economy is no longer preponderately rural, and that our problems both in banking and trade are those of an industrial economy.

The main reason why Canada is the best customer you have in the world is this industrial development. There are still a few back numbers in both our countries who profess to believe that when a nation becomes industrialized it is lost as a customer to other nations. That is nonsense, and you can see it in every year of Canadian-United States trade. Expansion of Canadian industry means that we buy an increasing amount of new machinery, equipment and service parts from you. Hand-in-hand with industrialization go increased wages and incomes, giving rise to higher standards of living and a huge market to absorb your consumption goods.

Our industrial expansion continues. I was pleased to have the opportunity of seeing an announcement from one of our government departments recently which announced that American capital invested in Canada is in excess of $5,000,000,000. This is about 70% of the total of foreign investment in Canada. From your point of view it is significant that in recent years more than 25% of all the income you received on United States direct foreign investments has been earned in Canada.

When we turn the other side of the penny we find that Canadian capital investment in the United States, while naturally much smaller in bulk, is in excess per capita of your investment in Canada.

The most recent estimate places at nearly $2,700 million your investments in branch plants in Canada. The growth has been steady, and the increase since the war ended has been about $400 million.

Problem of Export Markets

I must say that all this investment raises problems. Canada has never before had so great a capital investment boom, but while our industry is expanding our traditional foreign markets for manufactured goods are contracting.

This has serious implications not only for Canada but for other countries, because the price of any country's imports is its exports. A nation very richly endowed with raw materials, inventive genius and productive energy might live largely to itself. I know of only three such countries: the United States, Canada and Russia. We in Canada have nearly everything absolutely necessary to sustain life on a moderately good scale. If we tried to do that we should have to resign ourselves to doing without oranges, lemons, grapefruit, tea, coffee, cocoa, cotton, silk, hemp, and a host of other things. We should be seriously short of gasoline, in spite of our new discoveries. Even though we need not starve or suffer cold, we should find ourselves living less graciously than in the manner to which we have become accustomed.

Now you will readily admit that all this is perfectly true about Canada. Let me say that in greater or lesser degree that catalogue of causes and effects applies to every country on earth. If we do not import, we do not export; if we do not export, we cannot produce profitably; if we cannot produce to the capacity of our factories and farms, we cannot attain or live up to the standard that world trade makes possible.

I was pleased to see that your government officials, newspapers, business people and trade associations are wide awake to the implications. They have joined in what might almost be called a crusade to convince Congress and the people that a continuation of the current prosperity in this country is based upon a widening of your trading policy.

I cannot emphasize too strongly how important such a spirit is to Canada. We have a small population relative to our productive capacity. Because of our ability to provide commodities other nations want, we play a relatively large part in the international economy and are profoundly dependent upon it.

Exchange Difficulties

As this audience knows, before the war Canada used to settle her trade deficit with the United States by transferring to you the convertible exchange earned in her trade with other countries. It was a nice arrangement, a triangle which was not of the squabbling family kind. We have tried to keep it up, but somehow we just can't seem to make it equilateral any longer. In fact, it has, of late years, assumed a most unequilateral appearance.

The trouble started, I think, with Britain's liquidation of her foreign investments when she was standing alone against Germany and was hard pressed for the necessities of war. Then, when the fighting was over, we in Canada wanted to see the Europeans get back on their feet as quickly as possible. We started shipping goods against inconvertible currencies and on credit. I might mention incidentally that our credits reached $1,845 million, equivalent on the basis of relative gross national product to something in the neighborhood of $30 billion if the United States had been doing it.

By diverting goods to Europe, we deliberately reduced our potential earnings of United States dollars, and we fell back for settlement of our accounts with you upon our wartime accumulation of gold and United States dollars. We had, in 1945, what looked like a comfortable balance of $1,508 million. But our people wanted more and more of what you had to sell. The industrial boom of which I spoke earlier created a demand for huge amounts of coal, steel, oil, cotton, and all the rest of the goods needed to start and carry on manufacturing. We needed tools and machinery to replace worn-out equipment. We had become accustomed to using your consumer goods, and we wanted more automobiles, refrigerators, radios, and all kinds of things from the heaviest equipment down to little 10-cent gadgets. So we went in the hole.

Let me, in a spirit of patriotism and pride, say that we need not have gone into that hole. We could have lived comfortably and reaped huge profits by selling our foodstuffs and other short-supply goods in the United States market, at prices higher than we received from Europe. But we felt that Britain and Greece and the others were bearing the brunt of the war for democracy, and we resisted every temptation in order that we might send, in the first place, help, and then, after the struggle was over, goods to help in reconstruction.

That little boast is an aside. We found ourselves in the hole financially. Our reserves of gold and United States dollars fell from $1,508 million in 1945 through $1,245 million in 1946 to $502 million in late 1947. Our imports from you had reached the unprecedented total of $2 billion, giving us a trade deficit of $900 million, and to that we had to add large interest and dividend payments and high transportation charges. We didn't benefit as much as we hoped by the invisibles, such as tourist expenditures, because while we were very happy indeed to have your people come up and spend $235 million in our country, our people liked you so well they came down here and spent $152 million of it right back.

We were forced to take drastic action, as you may well imagine. By economic self-discipline in the form of prohibition of certain imports and rationing of others, and by restrictions of various unpalatable kinds, and by selling more goods to you, Canada has recovered to the point where reserves totalled $998 million on Dec. 31 last, and $1,065 million in March.

The short-term problem has been met. The ideal long-term cure is restoration of convertibility between sterling and dollars. Until that happy event occurs, the remedy is for us to buy less from you—and we do not want to do that—or for you to buy more from us—a situation greatly to be desired. I think I cannot do better on this point than to quote what the Governor of the Bank of Canada said at a Vancouver meeting in March: "All of us, to the full extent of our powers, should guard against the mentality of restriction and contraction, and should seek that greater wealth and greater development which come from enterprise and expansion."

The effect of bilateral, discriminatory deals is to restrict and contract the whole volume of foreign trade, and thereby to reduce the living standard in every country. Bankers, like scientists, would like to wipe out the blockade which restricts interchange, on the one hand of ideas and on the other of goods. It was trade that sought and found and levelled out the roads that lead from my country to yours, that established between us the bonds of friendship, which are so precious to us, that fostered the inventiveness and ingenuity which set this continent apart from all others.

Canada Supports Multilateral Trade

Canada has been one of the chief supporters of efforts to promote multilateral trade. We have thrown our weight behind the various organizations in the commercial field sponsored by the United Nations. Canada was host to the first session of the Food and Agricultural Organization. We participated in the formulation of the Bretton Woods Agreement. We are a member of the International Monetary Fund. Canada was one of the "big three" in the deliberations at Geneva and Havana. At Geneva we undertook to make extensive concessions to the contracting parties, and we received the promise of extensive concessions from them. We are prepared to extend concessions on about half the items in our list of tariffs.

That is a good start. In the Bank, the Fund, and the ITO we have the framework of a system of universal trade carried on under the auspices of free, untrammelled and unregimented private enterprise. If I were asked to say what I believe to be the most important duty before the free world today I would reply: Press for the expansion of these agreements and facilities, relax trade barriers, and knit the people of the world into a great market and a great body of suppliers.

I believe that prosperity and peace are indivisible. They cannot be divided from each other, nor can they be split individually between nations. Countries that were once remote are now near neighbors; and many have become accustomed to a state of prosperity and material comfort they would give up with reluctance. These two factors demand a greater exchange of goods than ever before if happiness and satisfaction and peace are to be achieved.

As you may have gathered, I am rather proud of Canada, and since I am not a native-born son I can speak more freely than perhaps would be seemly if the eulogy came from the descendant of one of our first settlers.

I took occasion to say to our shareholders at our annual meeting last January, and I sincerely believe it to be true, that no country on earth has a future that promises to surpass ours. I went on to say: "Do not misunderstand me—I am not preaching narrow nationalism or formulating a policy to lead to the creation of special fields of exploitation for a few. What I am after is a greater Canada, always completely master in its own household and following plans and procedures which must have for their goal first and last the advancement of the well-being and up-building of the prosperity of all Canadians."

I believe that the future of Canada, like the future of the world, rests upon people both as individuals and as they work together in groups with high ideals.

The Battle Against Communism And Socialism

And that brings me to my closing remarks.

There is a battle going on, led by communist and other socialistic forces, to seize and dominate the minds of free Americans, free Britishers, free Canadians, and free men everywhere.

We free men will not win this battle by loud shouting, but neither can we win it by quiet disdain. Our side must move in a positive and constructive way. It must inform and instruct. It must demonstrate beyond possibility of doubt the advantages and virtues of our free way of life.

I believe that in this battle those of us who are engaged in banking have a particular and responsible part to play. We are men of affairs, with clearer insight than most into the causes and effects of economic events; we are in closest touch, on the one hand with the man in the street and on the other with the great and little industries which are the backbone of our economic system; we understand the need for, and the limitations on, the work of government.

As good citizens not only of our city, state, province and nation, we bankers are believers in democracy. As good citizens of the world we can be an effective creative minority, pointing and leading the way to sane practices and helpful deeds, and to co-operation for the preservation and advancement of the virtues and values that are most worthwhile in human life. In so doing we shall be acting as a stabilizing force in a world where men have advanced their environment so fast that their social knowledge has not quite kept up with their material skills.

I believe, honestly and sincerely, that we bankers have a unique opportunity and mission. I pray that we may seize our opportunity with eagerness and discharge our mission not only adequately but gloriously.

The National Health Insurance Plan

(Continued from page 13)

000, a very considerable number would probably be well and active today, if they had had effective diagnosis and treatment while their illness was still in its early stages.

I mention these victims of chronic diseases merely as one example. For beyond that there are still thousands of mothers who die unnecessarily in childbirth—thousands of children who fail to live through their first year—and thousands of others whose lives might have been saved through the skills and knowledge which we possess.

National Health Insurance

National health insurance is a simple and logical answer to the problem of bringing medical care within the means of all our people. It recognizes that until adequate purchasing power is provided for medical services in this country, adequate facilities and personnel cannot be provided or distributed where most needed. And it recognizes that this purchasing power cannot be marshalled effectively except under some nation-wide system of prepaid medical care under which the economic risks of illness are spread over the whole population and the costs of medical care to the individual are related to a man's ability to pay.

The social insurance principle is the only method by which the costs of medical care can be spread out over a man's working and earning years and over the healthy as well as the sick in our population. It is the only method by which a man will be able to secure, for himself and his family, the amount and quality of medical care he really needs on the basis of his own ability to pay.

The insurance principle is, of course, not new. We have long had commercial insurance companies which have found the writing of health policies to be an exceedingly profitable business. And during the past 10 or 15 years we have seen a very rapid—and altogether admirable — development of the so-called voluntary insurance plans.

But these are not social insurance plans. Their premiums are not, therefore, based upon ability to pay and they cannot aspire to universal coverage as a result. The plain fact is that they cost too much. For anything approximating complete medical care, the high fixed premium rates they are obliged to charge are beyond the reach of any except the comparatively well-to-do. The vast majority of people—those who need insurance protection the most—just can't afford to pay them. It is no accident, therefore, that the distribution of voluntary insurance policies follows the national income pattern in the same manner that the distribution of medical facilities does. Voluntary insurance fails to increase purchasing power in the medically under-nourished areas.

There are some who claim that 50,000,000 people are now covered by voluntary health insurance. The figures show, however, that only some 3,500,000 million are entitled, under their policies, to anything like comprehensive medical care. The remainder have varying degrees of very partial protection.

But even if we accept the 50,000,000 figure, it will be well to remember the 100,000,000 who have no protection at all. And having skimmed off the cream of the market, it is highly unlikely that the voluntary plans can make any substantial inroads into the lower income brackets.

Furthermore, as a comment on the partial protection which these plans provide, I may point out that the total amount of money disbursed through all these voluntary plans, during 1947, was less than 10% of the total amount spent on medical care during that year throughout the whole country. For the remaining 90% of their doctors' and hospital bills, the people just had to sweat it out as they have always done.

I have dwelt at some length on voluntary insurance because, as you know, this method is being widely advanced as an alternative to the President's proposal for national health insurance. Even the somewhat conservative-minded leaders of the American Medical Association have now come out vociferously in its favor.

This circumstance possesses a certain degree of irony, since it was only a few short years ago that these same leaders were denouncing the voluntary plans as "communistic, leading to revolution."

I think, however, they were on much firmer ground when they made a further analysis of these plans and came to the following conclusion—and I quote—

"Without some form of compulsion, voluntary insurance fails of its objective . . . The young and healthy will not join, and the aged and sickly, if accepted, will raise the cost to a prohibitive point . . . Sickness insurance cannot distribute the burden of sickness among the low-income classes unless it is compulsory."

Root of the Matter

Here we get to the root of the matter. For unless health insurance is established on a nation-wide basis, we cannot spread the risks on a fair and equitable basis and bring down the total costs to manageable proportions. Furthermore, it is only through such a plan that we can effectively adjust the cost of this insurance protection to the wages which an individual earns.

This last factor is of tremendous importance, since it is the one practical way that full protection against the costs of illness can be brought within the reach of the millions of our lower- and middle-income people.

Those in this audience are, I assume, acquainted with at least the broad outlines of the project. in general, we are proposing a 3% payroll deduction on annual incomes up to $4,800—to be shared equally by employer and employee—on the same principle that old-age and survivors insurance is operated. This will mean that a man earning $50 a week will pay 75 cents a week. If he earns less, he pays less. If he earns more, he pays more, up to the maximum limit of $1.40 a week.

On the basis of present social security coverage, we estimate that health insurance would apply at the outset to some 85,000,000 people, including families and dependents of the wage-earner. If social security coverage is extended by Congress, as we hope it will be this year, to include the self-employed, farm workers, domestics, and certain other categories, health insurance will apply at its inception to some 124,000,000 to 130,000,000 people. Those unable to work or who are dependent upon public assistance could have their insurance premiums paid for by various public or private agencies. Later, we hope to find the means of achieving a complete 100% coverage of our population.

In return for these payments, a wage-earner would be entitled to receive needed medical care for himself, his family, and his dependents. This care should ultimately cover all services necessary to prevent, diagnose, and cure disease—care by a general practitioner and by specialists, hospital care, laboratory service, X-ray, unusually expensive medicines, special apliances, and eyeglasses.

Practical considerations would place some limit upon hospital benefits. The plan would exclude services in a mental or tuberculosis institution (which are now the responsibility of the individul states); and there would be a 30-day limit on mental and tuberculosis cases in a general hospital. There would also be a maximum limit of 60 days on hospital cases generally, except that this might later be raised when funds and facilities permit.

Dental, home nursing, and auxiliary services would be included to the extent that the personnel, facilities, and funds were available. Children would be given a priority on dental care.

All this, of course, is a purely tentative summary. No one can speak definitely on the subject until Congress has taken action.

Administration Plan

As to the administration of the plan, this will be on a state and local basis. There will be a national committee of prominent physicians and other citizens to advise with the Federal Government on broad standards and principles of operation. But the actual community operation itself will be in the hands of the local people—doctors and representative citizens working together as a local committee.

These committees will consult with the doctors participating in the plant to determine a fair scale of fees—so much for a home visit, so much for an office visit, so much for, say a tonsillectomy or delivering a baby, and so on.

Instead of fee payments, the physician may, if he chooses, elect to be paid on a strict capitation basis—so much per patient. It will be up to the individual doctor. There will be some limit set—after negotiation—on the number of patients for whom a doctor can assume responsibility under the plan.

A patient will be free to choose his own doctor just as he does now, and to change his doctor if he so desires. A doctor will similarly be free to reject any patient he doesn't want. No doctor will be required to practice under the plan. He can continue in independent practice if he so chooses, or he can combine an independent and an insurance practice just as he does now with the voluntary insurance plans. He will in no sense — and I underscore the statement—be an employee of the government.

The main emphasis of national health insurance is on the payment for medical services. The government has, I assure you, no wish to try to tell a doctor how to practice his profession. Under our proposal, he could continue to practice it in any way he saw fit, providing he lived up to the standards set by his own medical associates. In actual operation, the chief difference between national health insurance and the present system would be that the doctor would collect his bills from the government instead of having to chase down his patients. I might almost say, the doctor would collect his bills—period.

A physician practicing under the plan would be involved in precisely the same degree of red-tape, and no more, than he would be in working with the voluntary insurance plans. That is to say, under either system, he has to submit itemized statements of services rendered, and endorse his name on the back of his insurance reserve fund checks before he deposits them in the bank.

He would have to deal with the malingerers and hypochondriacs, precisely as he would have to deal with them under voluntary insurance. But a good doctor has to learn how to deal with this problem even under the present system. And the experience of most voluntary and cooperative plans up to date has shown that this danger is highly over-rated. Besides, as you well know, plenty of hypochondriacs are really sick — mentally—and in need of some sort of psychiatric attention.

Administrative Costs

As to administrative costs, they would be much less than might be imagined, since we could utilize the existing wage records that are already established under social security insurance. As a tentative estimate, I should say that the cost of operation of national health insurance would be approximately 5 to 7½%, as against the average of 12 or 15% required to administer the present voluntary health plans.

The total cost of the plan cannot, of course, be determined with accuracy until the system has been in operation for some time. Broadly speaking, however, it would involve no major increased burden on our national economy. The American people are now spending $6,500,000,000 annually on personal payments for doctors, hospitals, and related medical expenses. Payroll deductions should be sufficient to meet the greater part of these costs. Whatever difference was involved, the government would make up as underwriter, though definite limits to this obligation will undoubtedly be set by Congress.

Should the plan go into operation, there will inevitably be an initial period of trial and error and adjustment. But in the final analysis the costs of the plan will be determined by the medical profession itself. For it is only the physicians who can decide what medical care—and how much medical care—are necessary to meet the needs of the people. They will be—if I may coin a term—the doctors. And if, as a nation, we have to dig down a little deeper to fill their prescription, I think we shall do so without too much feuding and fussing. Few things in this world are more important to an individual than his health. And a few things are more important to a nation than the health of its citizens.

A young doctor setting forth in the practice of his profession should, I think, be able to look forward to a constructive and exceedingly useful career under national health insurance. For one thing, he will probably make rather more money than is usually the case when a hopeful M.D. first hangs out his shingle. There will, I assure you, be plenty of patients, and all bills will be met promptly.

For another thing, national health insurance will, I think, serve to encourage group practice, with all the facilities of modern medicine at the disposal of the group—not only in the large cities, but increasingly in the small towns and rural areas. And I suspect a great many of you would look forward eagerly to such an opportunity.

Beyond that, some of you, after you have finished your internships, may well continue on the staff of some modern hospital. For I think the tendency of national health insurance will also be to foster the development of hospital clinics, somewhat on the order of Johns-Hopkins, the Mayo Brothers, or the Lahey Clinic. And in this way there will be an opportunity for more and more doctors to engage in the practice of their profession under the most exciting and satisfactory of auspices.

Those of you who fear that national health insurance may result in the deterioration of medical standards are advised to put aside their qualms. Undoubtedly, at the outset, the pressures on an admittedly short supply of doctors will be heavy. But, as more doctors are trained, more hospitals are built to meet the demand—as will be inevitable under the system—the end result will be to raise the standard of medical care throughout the country. High standards of medical care which are, as now, at the almost exclusive command of the comparatively well-to-do, are no answer to the over-all health problem of the United States. Our aim is to make these same high standards available for our whole population.

One thing more, I spoke earlier of the shifting ideas and standards of our times, and of the deep social unrest which exists in the world today. Througout the globe there is an increasing demand for social security in its broadest sense, and our own country is not immune. We have already made a start at providing our workers with some sort of protection against the hazards of old age and unemployment. But the hazards of sickness and disease bulk large in the minds of our people.

Abraham Lincoln once said that it is the business of government to do for the people what they, as individuals, cannot do for themselves, or cannot do as well. And I think the responsibility of providing a means whereby Americans can secure adequate medical care for themselves and their families at a cost they can afford, comes within this description.

The cry of socialism directed against our proposals is, in essence, the very argument used 100 years ago to try to defeat the idea of free public school education. And during the past century the same tactics have been employed in trying to defeat every piece of sound social legislation which has been advanced.

Such charges were poppycock in 1849. And they are still poppycock in 1949.

Certainly, our American democratic way of life has survived—and has been enormously strengthened. It will, I am confident, continue to survive and prosper long after national health insurance has become inscribed on the statute books of our Republic.

Connecticut Utility Preferred on Market

Offering of 200,000 shares of $2.20 preferred stock of The Connecticut Light and Power Co. was made April 20 by a banking syndicate of 50 underwriters headed by Putnam & Co., Chas. W. Scranton & Co., and Estabrook & Co. The stock is priced at $52 per share plus accrued dividend to yield 4.23%.

Proceeds from the sale of the preferred stock, together with approximately $7,947,121 raised in March through the sale of common stock and convertible debentures, will be applied to financing the company's extensive construction program begun in 1948 and extending through 1951. This program includes construction to reestablish the normal capacity reserves of the company by 1951 and to meet the greatly expanding demands for electric and gas service.

The new preferred stock without par value, but having a stated value of $50 a share, is redeemable at the option of the company at any time at $54 per share on or before May 1, 1954, at $53 per share on or before May 1, 1959, and thereafter at $52.50 per share.

The Connecticut Light and Power Co., incorporated in 1905, is engaged in the production, purchase, transmission, distribution, and sale of electricity and gas for residential, commercial, industrial, and municipal purposes in the State of Connecticut. The company also is engaged in furnishing water service for domestic and commercial purposes.

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.

● **Alaska-Pacific Consolidated Mining Co., Seattle, Wash.**
April 12 (letter of notification) $100,000 of 4% cumulative notes and 300,000 shares (1¢ par) common. Corporation will offer 3 shares of common at 10¢ per share with each $1 of notes. No underwriter. To place property on operating basis and for working capital.

● **Amanda Expedition, Inc., New York**
April 18 (letter of notification) 2,000 shares of 6% cumulative preferred stock (par $100). **Underwriting**—None. Price, par. To finance expedition into the Oriente sector of Ecuador.

American Research & Development Corp. (4/25)
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.

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, payment of short-term notes, etc. **Bids**—Bids for purchase of the bonds will be received at Room 2033, 2 Rector Street, New York, up to noon (EDT), April 26.

● **Atkins Popcorn Co., Inc., Wilmington, Del.**
April 11 (letter of notification) $300,000 5% debenture bonds. **Underwriter**—D. F. Bernheimer & Co., Inc., New York. For operating capital.

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., Cincinnati, Ohio. To pay estate and inheritance taxes.

● **Boston Fund, Inc.**
April 13 filed 500,000 shares common stock (par $1). Price at market. **Underwriter**—Vance, Sanders & Co. **Proceeds**—For investment.

● **Brass & Copper Sales Co., St. Louis, Mo.**
April 15 (letter of notification) 7,500 shares ($20 par) 5% cumulative preferred stock. Price, par plus dividends. No underwriter. To increase working capital.

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.

● **Cincinnati Gas & Electric Co.**
April 15 filed 249,334 common shares (par $8.50). **Offering**—To be offered for subscription by stockholders of record May 12 in ratio of 1-to-9. **Underwriting**—None. **Proceeds**—To finance construction program.

● **Clayton & Lambert Manufacturing Co., Louisville, Ky.**
April 13 (letter of notification) 10,900 shares ($4 par) common stock. **Underwriter**—First of Michigan Corp., Detroit. Proceeds to two stockholders.

● **Cobalt Gold Mines, Inc., Ontario, Ore.**
April 13 (letter of notification) 178,000 shares of common stock (par 10¢). Price, par. No underwriter. For construction of roadway and to finance mining operations.

● **Committee for Industry, Inc., Hoosick Falls, N.Y.**
April 18 (letter of notification) 2,000 shares of common stock (par $50). Price, par. **Underwriting**—None. To attract industry to Town of Hoosick and Village of Hoosick Falls, N. Y.

● **Consumers' Materials, Inc., Chehalis, Wash.**
April 11 (letter of notification) 980 shares of common stock. Price, $100 per share. No underwriter. To acquire a pumice deposit, buy equipment and provide working capital.

● **Crispo National Market Service, Inc., New York**
April 14 (letter of notification) 48,000 shares of common stock (par 20¢). **Price**—$5 per share. **Underwriting**—None. Expansion of business, principally furnishing market news to fruit and produce industry.

● **Deep Well Oil Corp., Fort Worth, Texas**
April 14 (letter of notification) 275,000 shares of common, of which 25,000 shares will be "bonus," at $1 per share. No underwriter. To drill oil and gas test well and to acquire leases.

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, Detroit, Mich. Proceeds to selling stockholder.

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 in ratio of one new for each eight shares held. Rights expire May 3. **Underwriters**—Woodcock, McLear & Co., Philadelphia, and Scott Horner & Mason, Inc., Lynchburgh, Va. To reimburse treasury and provide funds for construction.

Family Finance Corp. (4/27)
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.

● **Frantzhurst Rainbow Trout Co., Salida, Colo.**
April 14 (letter of notification) up to 250,000 shares of capital stock (par $1). Price, par. No underwriter. To pay outstanding notes and to provide working capital.

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.

Hotelevision, Inc., L. I. City (4/26)
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.

● **Hunter Mountain Mines, Inc., Pateros, Wash.**
April 14 (letter of notification) 200,000 shares of common (par 10¢). Price, par. No underwriter. For working capital.

● **Hydrocarbon Chemicals, Inc., New York**
April 13 letter of notification) 100,000 shares of common stock (par $1). **Underwriter**—Hautz and Engel, New York. **Price**—$3 per share. **Proceeds**—Lease of plant, construction of commercial unit capable of producing cresal and high aliphatic alcohols, to purchase, manufacture and instal plant equipment and general expense.

Idaho Power Co., Boise, Idaho (4/25)
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 Power & Light Co. (5/9)
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. Expected May 9.

● **Jubiter Consolidated Mining Co., Chloride, Arizona**
April 11 (letter of notification) 100,000 shares of common stock (par $1). Price, par. No underwriter. To apply on the option to buy the Mohave Lead & Zinc Co., to apply on the option to purchase Jubiter Mining claims and for development work and operating capital.

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. **Bids**—Bids for purchase of the bonds will be received up to 11 a.m. (EDT) April 26 at Room 1901, 60 Broadway, New York.

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.

● **Lewiston Area Development Association, Inc., Spokane, Wash.**
April 14 (letter of notification) 45,985 shares of common stock (par $1). Price, par. No underwriter. To put limestone deposits into production.

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.

● **Link-Belt Co., Chicago, Ill.**
April 18 filed 11,196 shares (no par) common. **Offering**—To be offered to a selected group of officers and employees of the company and its subsidiaries. **Price**—$55 per share. No underwriter. For working capital.

● **Lorain (Ohio) Telephone Co.**
April 11 (letter of notification) 7,500 shares (no par) common. Price, $20 each. No unlerwriter. To reimburse treasury for outlays for property additions.

● **Manila Mine Development Corp., Chicago, Ill.**
April 14 (letter of notification) 20,000 shares of capital stock (par $1). Price, par. No underwriter. For business development.

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. (4/26)
March 30 filed (by amendment) 633,298 shares ($10 par) common capital stock. **Offering**—327,610 shares will be offered for subscription by stockholders of record April 12 at the rate of one new share for each 2 shares held, and 305,688 shares will be sold by United Gas Corp. **Underwriters**—Dillon Read & Co., Inc., and Union Securities Corp., New York. **Proceeds**—Company's share will be used for general corporate purposes.

● **National Airlines, Inc.**
April 14 filed 76,013 shares of capital stock, of which 66,013 shares will be sold to Bessemer Securities Corp. at $6.50 per share and 10,000 shares will be issued to company's attorney in payment for services rendered over past three years.

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.

● **National Farmers Union Service Corp., Denver**
April 13 (letter of notification) $250,000 4% 10-year debentures. No underwriter. To lend money to or acquire title to cooperative enterprises.

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.

NEW ISSUE CALENDAR

April 22, 1949

Merck & Co.____Preferred

April 25, 1949

American Research & Development Corp.__Common
Idaho Power Co.____Pfd. & Com.
Texas Electric Service Co., 11:30 a.m (EDT)__Bonds

April 26, 1949

Arkansas Power & Light Co., noon (EDT)____Debs.
Hotelevision Inc. ____Class A Stock
Illinois Central RR.____Equip. Trust Ctfs.
Kansas Power & Light Co., 11 a.m. (EDT)___Bonds
Mississippi River Fuel Corp.____Common
National Distillers Products Corp.____Debentures
Sharp & Dohme, Inc.____Common

April 27, 1949

Family Finance Corp.____Preference

May 2, 1949

Alabama Gas Corp.____Bonds
Utah Power & Light Co.____Bonds

May 3, 1949

Chicago Rock Island & Pacific RR., noon (CDT) ____Equip. Trust Ctfs.
Kentucky & West Virginia Power Co.____Bonds
Rochester Gas & Electric Corp., noon (EDT)__Pfd.
Westchester Lighting Co., 11 a.m. (EDT)____Bonds

May 4, 1949

Cambridge Electric Light Co.____Notes
Chicago & North Western RR., noon (CDT) ____Equip. Trust Ctfs.

May 5, 1949

Chicago Great Western RR., noon (CDT) ____Equip. Trust Ctfs.

May 9, 1949

Indianapolis Power & Light Co.____Bonds & Com.
Toledo Edison Co.____Bonds

May 10, 1949

Public Service Electric & Gas Corp.____Bonds

May 24, 1949

Columbia Gas System, Inc.____Common

● **Novel Appliances, Inc., New York**
April 18 (letter of notification) 25,000 shares of common stock (par $1). **Underwriter**—Ackerman, Conte, Mattielli & Co., New York. **Price**—$1.25 per share. Working capital, etc.

● **Olamont Mining Co., Butte, Mont.**
April 12 (letter of notification) 100,000 shares of common (par $1). Price, par. No underwriter. For the equipment and operation and development of mining property.

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.

Peerless Casualty Co., Keene, N. H.
March 28 filed 50,000 shares ($5 par) common stock. **Offering**—To be offered to stockholders about April 19 at the rate of five new shares for each 16 shares held. Rights expire May 4. **Underwriters**—Herrick, Waddell & Reed; Geyer & Co., New York, and Townsend, Dabney & Tyson, Boston. **Proceeds**—To increase the company's capital surplus.

● **Peninsular Telephone Co., Tampa, Fla.**
April 20 filed 42,448 shares (no par) common stock, to be offered stockholders. **Underwriters**—Morgan Stanley & Co., Coggeshall & Hicks and G. H. Walker & Co. will purchase unsubscribed shares after officers and employees have chance to purchase same. **Proceeds**—For general corporate purposes.

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.

● **Potomac Electric Power Co., Washington, D. C.**
April 14 filed $10,000,000 first mortgage bonds, due 1984. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Feane, White Weld & Co. and Salomon Bros. & Hutzler (jointly). **Proceeds**—For construction.

● **Potomac Electric Power Co., Washington, D. C.**
April 14 filed 592,250 shares of common stock (par $10) **Underwriters**—Dillon, Read & Co. Inc., New York; Auchincloss, Parker & Redpath, Washington, D. C.; Alex. Brown & Sons, Baltimore. **Offering**—To be offered for subscription by stockholders on 1-for-5 basis. **Proceeds**—For investment.

Rochester Gas & Electric Co. (5/3)
May 26, 1947 filed 50,000 shares ($100 par) series G, cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Harriman Ripley & Co.; 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 stock will be received up to noon (EDT) May 3 at Room 2601, 61 Broadway, New York.

● **Rocky Mountain Life Insurance Co., Albuquerque, N. M.**
April 15 (letter of notification) 7,415 shares of common. **Price**—$25 per share. No underwriter. For capital and surplus.

● **Roosevelt Oil & Refining Corp., Mt. Pleasant, Michigan**
April 13 (letter of notification 1,050 shares (no par) common. **Price**—About $8.50 per share. **Underwriter**—F. Eberstadt & Co., Inc., New York. Proceeds to selling stockholder.

Sharp & Dohme, Inc., Philadelphia (4/26-27)
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. Possibly April 26 or 27.

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.

● **Silverore Mines, Inc., Wallace, Idaho**
April 11 (letter of notification) 750,000 shares of common stock. **Price**—20¢ per share. No underwriter. For mining operations.

● **Sourdough Prospecting Syndicate, St. Paul, Minnesota**
April 11 (letter of notification) 500 units of the Syndicate. Price, $25 per unit. No underwriter. For general expenses.

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 by amendment. Probable bidder, Peabody & Co. **Proceeds**—To finance construction program.

● **South West Box Co., Keokuk, Iowa**
April 15 (letter of notification) 15,000 shares of 60¢ preferred stock. **Price**—$10 per share. No underwriter. To make loan to subsidiary and become whole owner thereof.

● **Spreckels Companies, San Francisco, Calif.**
April 15 filed 125,000 shares ($10 par) capital stock and $4,000,000 5% sinking fund debentures, due March 1, 1969. No underwriter. To pay off notes and for working capital.

● **Stanley Works, New Britain, Conn.**
April 13 (letter of notification) about 5,660 shares of common. **Price**—Approximately $53 per share. No underwriter. For general corporate purposes.

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**—Wageseller & Durst, Inc., and Lester & Co. To buy Antelope Liquid Gas Co.

● **Sunnyhill Coal Co., Dormont, Pa.**
April 15 (letter of notification) 2,999 shares of common stock (par $100). **Price**—$100 per share. **Underwriting**—None. Corporate purposes.

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. **Bids**—Bids for purchase of bonds will be received up to 11:30 a.m. (EDT), April 25, at Room 2033, 2 Rector St., New York.

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. (5/9)
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 about May 9.

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.]

● **United Development Co., Helena, Mont.**
April 15 (letter of notification) 250,000 shares of common capital class A stock. **Price**—25¢ per share. No underwriter. For exploratory and development work.

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.

● **Waltham Watch Co., Waltham, Mass.**
April 12 (letter of notification) 18,000 shares ($1 par) common. Price at market. **Underwriter**—J. & W. Seligman & Co., New York.

Westchester Lighting Co. (5/3)
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. **Bids**—Bids for purchase of bonds will be received up to 11 a.m. (EDT), May 3, at Room 1628, 4 Irving Place, New York.

● **Wyant & Sons Paper Co., Atlanta, Ga.**
April 15 (letter of notification) 250 shares ($50 par) 5% cumulative preferred stock and 250 shares ($50 par) common. To be sold in units of one share each at $100 per unit. No underwriter. To acquire additional lines of paper.

● **Yankeedoodle Publications, Inc., Corinth, N. Y.**
April 13 (letter of notification) 500 shares 6% preferred stock (par $50). Price, par. **Underwriting**—None. Printing plant equipment, etc.

Prospective Offerings

● **American Telephone & Telegraph Co.**
April 20 stockholders voted to authorize a new issue of 10-year 3⅛% convertible debentures, to be dated June 20, 1949, and to be offered to stockholders of record on May 6 for subscription in the ratio of $100 of debentures for each six shares of stock held on that date. The amount of the issue is expected to be approximately $395,000,000. Debentures will be convertible into common stock beginning Sept. 1, 1949. From that date until June 20, 1951, they will be convertible at $130 per share, payable by surrender of $100 of debentures and payment of $30 in cash for each share of stock to be issued upon conversion. On and after June 20, 1951, they will be convertible by the surrender of $100 of debentures and the payment of $40 in cash. The debentures will not be callable until June 20, 1951, but will be callable thereafter in whole or in part on 30 days' notice, the initial redemption price being $106. Each stockholder of record on May 6, 1949, will receive rights to subscribe to the new issue. These rights may be used to subscribe or may be assigned or sold. They will be sent to stockholders on or about May 16, and subscriptions will be accepted by the company up to and including June 20, 1949.

● **Bangor Hydro Electric Co.**
April 17 company announced it will file with the SEC a registration statement covering 4,840 shares of preferred stock and 54,304 shares of common stock. Edward M. Graham, President, said that it is hoped that the rights to subscribe to new common shares will have value. He added he expects to work out arrangements with security dealers whereby stockholders who don't wish to subscribe to new shares may dispose of their rights. Proceeds will be used to finance current plant expansion program.

● **California Water & Telephone Co.**
April 16 reported company is arranging the sale of $1,000,000 3½% bonds to provide part of funds required to meet 1949 construction program which calls for expenditures of over $3,250,000.

● **Central Arizona Light & Power Co.**
May 9 stockholders will vote on authorizing an issue of 200,000 shares of cumulative preferred stock (par $50); on reducing authorized $1.10 cumulative preferred from 300,000 to 160,000 shares (par $25) and changing authorized common from 1,500,000 shares (no par) to 2,000,000 shares (par $5). New financing proposed for 1949 involves sale of 80,000 preferred shares for $4,000,000 and issuance of $4,000,000 first mortgage bonds.

● **Chicago Great Western RR. (5/5)**
Company will receive bids up to noon (CDT) May 5 at its office, 309 W. Jackson Boulevard, Chicago, for the purchase of $7,020,000 equipment trust certificates, dated May 1, 1949, due $260,000 semi-annually Nov. 1, 1949-Nov. 1, 1962. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler, Harris, Hall & Co. (Inc.), Harriman Ripley & Co. and Lehman Brothers (jointly); The First Boston Corp.

● **Chicago & North Western Ry. (5/4)**
Company will receive bids up to May 4 for the purchase of $6,210,000 equipment trust certificates. Bidders at the sale are invited to submit alternate proposals for certificates maturing in 1-to-10 years and for the same

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certificates maturing in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers; The First Boston Corp.

● **Chicago Rock Island & Pacific RR. (5/3)**
Company will receive bids at its office, Room 1136, La Salle Street Station, Chicago, up to noon (CDT) May 3 for the purchase of $3,528,000 equipment trust certificates, series D, dated May 15, 1949, due in 24 equal semi-annual instalments from Nov. 15, 1949-May 15, 1961. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler, Harris, Hall & Co. (Inc.), Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Columbia Gas System, Inc. (5/24)**
April 20 company announced that it plans to sell an additional 1,345,300 shares of common stock pursuant to a subscription offer to its stockholders. It is presently contemplated that, subject to market conditions remaining satisfactory, the offer will be made on or about May 24, 1949, and will be substantially similar in form to the offering made by the corporation last October, which was 91% over-subscribed. While the offering will not be underwritten, the corporation plans to pay selected security dealers a fee for soliciting subscriptions. Stockholders will receive a primary right to subscribe for one share for each ten shares held and an additional privilege to subscribe to a larger number of shares, subject to allotment, out of the shares not taken by other stockholders pursuant to the primary subscription right. The proceeds from the sale of the stock will be used to finance part of the 1949 construction program of the Columbia Gas System.

● **Deep Rock Oil Corp.**
April 19 stockholders voted to increase authorized capital stock to 1,000,000 from 400,000 shares (par $1). They also approved a proposal to waive pre-emptive rights to acquire any additional shares that may be issued. The company said it has no immediate plans for issuance of additional shares.

● **Illinois Central RR. (4/26)**
The company has issued invitations for bids to be received April 26 for the purchase of $5,520,000 equipment trust certificates. The certificates will be dated May 1, 1949, and are to mature semi-annually from Nov. 1, 1949, to May 1, 1959. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); The First Boston Corp. Bids for purchase of certificates will be opened April 26.

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.

● **McGraw Electric Co.**
May 16 stockholders will vote on increasing authorized common from 750,000 to 1,500,000 shares.

● **New York Central RR.**
April 20 reported company probably will send out invitations late this week or early next week for some $10,000,000 to $11,000,000 in equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers; Salomon Bros. & Hutzler; The First Boston Corp.; Harris, Hall & Co. (Inc.).

Norma Oil Corp., Seguin, Texas
April 13 expected the filing with the SEC through letter of notification at an early date of 300,000 shares of capital stock (par 40c), which 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.

● **Plywood, Inc.**
Annual report states that additional 5% debentures may be sold, the proceeds, together with proceeds of 150,000 shares of common stock now in registration would be used to repay obligations incurred in purchase of new plant. Traditional underwriter: P. W. Brooks & Co., Inc., New York.

● **Public Service Electric & Gas Co. (5/10)**
April 18 stockholders empowered the directors to authorize an indenture or indentures and the issuance thereunder of not more than $75,000,000 of first and refunding mortgage bonds due 1979. Proceeds from the proposed sale of the bonds will be used (1) to pay at maturity in June and November, 1949, $28,455,800 of prior lien bonds, (2) to pay in advance of maturity $20,000,000 2-2¼% bank loans due Sept. 10, 1950, and (3) the balance will be added to the general funds of the company. Competitive bids will be invited for the purchase of the bonds at a price not less than 100% nor more than 102¾% of their principal amount. Such bids will specify the interest rate to be borne by the bonds and the price to be paid to the company therefor. 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 Natural Gas Co.**
May 4 stockholders will be asked to increase authorized capital stock to 2,000,000 common shares from 1,500,000. The company proposes to offer approximately 142,000 additional shares for pro rata subscriptions in the ratio of one new share for each ten shares held. It is intended that the money received will be added to working capital.

● **Standard Oil Co. of California**
May 5 stockholders will vote on a proposal to increase the authorized capitalization to 20,000,000 shares (no par). Present capitalization is 15,000,000 shares (no par), of which 13,654,150 are outstanding, including shares which will be issued upon conversion of outstanding scrip. Management said it has no present plans with respect to the issuance of additional shares, but it believes such shares should be available for future corporate purposes, such as to provide additional funds for company needs, the acquisition of properties, or the issuance of stock dividends to the stockholders.

● **United Biscuit Co.**
May 18 stockholders will vote on authorizing an issue of 110,000 shares of preferred stock (no par). Company plans to sell an initial series of the preferred stock consisting of 80,000 shares to underwriters for distribution to the public. Goldman, Sachs & Co. is expected to manage the public offering. A registration statement is expected to be filed shortly with the SEC. Proceeds will be applied to the payment of $3,000,000 of short-term bank loans, and at least a substantial portion of the remainder is expected to be used for the acquisition of capital assets.

Our Reporter's Report

Nothing that has happened in recent months has given underwriting bankers the "lift" they grasped from the highly successful flotation of Rochester Gas & Electric Corp.'s $16,677,000 of new 30-year first mortgage bonds yesterday.

This proved an open and shut operation and sponsoring bankers were able to announce quick oversubscription. But it was not the speed of the sale alone that served to refresh the drooping spirits of the underwriters and dealers.

Reason for their apparent satisfaction lay deeper than just that. The successful group had paid the company a price of 100.07377 for the bonds with a 3% coupon on Tuesday.

And the reoffering price was set at 100.59 for an indicated yield of 2.97% to maturity. Even this close approach to a 3% yield basis, has not in the recent past been sufficient to break down the apparent reluctance of the major institutional buyers to shade their ideas of what they considered a satisfactory rate of return.

But in the case of the Rochester Gas 3s it developed that two of the so-called "Big Five" insurance companies had come into the market with orders for sizable blocks.

And more than that, dealers reported evidence of their participation in the open market in quest of additional amounts of the bonds to round out their commitments.

A Hopeful Harbinger

Underwriters and the "bureaucrats" as the bankers have dubbed the hard-bitten institutional buyers have been at odds for many months now on the matter of prices and yields.

The bankers naturally have been guided in their judgment in buying new issues on their "feel of the market" and what they thought it would take.

Big portfolio men, on the other hand, have been regarded as more or less arbitrarily turning a "cold shoulder" on new issues yielding less than 3% return. The tug-of-war had developed recently into pretty much of a stalemate.

No immediate reason for the break in the ranks of big investors was available, but the general assumption seemed to be that heavy backing up of funds was tending to force their hand and bring about some revision of their ideas.

But bankers were willing to admit that "one swallow does not make a Summer" and, accordingly, were still on the cautious side.

Could Be Big Help

Should the Rochester Gas success and its attendant circumstances signal a change, it could prove mighty helpful in clearing away unsold portions of a number of recent new issues.

There are unsold portions of several issues which offer yields of only three to five basis points under the foregoing bonds. Among them Commonwealth Edison Co.'s 3s, with a 50-year maturity, and a return of 2.95%.

Offerings still available, dealers report, are C.I.T. Financial Corp.'s ten-year 2⅝% debentures; General Telephone Corp.'s 4% debentures on which the price was cut from 102¼ to 100; and the recently offered securities of Ohio Public Service Co.; New England Telephone & Telegraph; Associated Telephone preferred and Central Hudson Gas & Electric preferred.

Savings Banks Buying?

Thus far it is difficult to get a definite opinion among dealers as to the extent to which savings banks in the State are exercising their greater latitude under the bill recently signed by Governor Dewey.

Some report evidence of an improved grade of inquiry for bonds just off the legal grade, noting that buyers who would not go below "A" quality in the railroad list for example are now looking at issues which fall into the "Baa" category.

The law signed by the Governor allows savings banks to invest up to the amount of their surplus in bonds which they consider satisfactory in other directions but which do not qualify for the staid "legal list."

Business Man's Bookshelf

Greater Productivity Through Labor-Management Cooperation—Analysis of Company and Union Experience—Ernest Dale—American Management Association, 330 West 42nd Street, New York 18, N. Y.—Paper—$3.00 to June 1, 1949 (thereafter $5.00 per copy to non-member firms.)

Interest Rates in Italy—C. Bresciani-Turroni — reprinted from "Review of the Economic Conditions in Italy"—Banco di Roma—New York representative, 37 Wall Street New York 5, N. Y.—Paper.

Our National Debt—Its History and Its Meaning Today—Committee on Public Debt Policy—Harcourt, Brace & Co., Inc., 383 Madison Avenue, New York 17, N. Y.—Cloth—$2.50.

Partners in Production—A Basis for Labor-Management Understanding — Labor Committee, Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—$1.50.

Retail Salesmanship of Mutual Investment Funds—Transcripts of ten lectures by executives in the mutual investment fund field—Vol. I (Lectures 1-5) ready May 10; Vol. II (Lectures 6-10) ready June—$5.00 per set of two volumes on orders for 1 to 9 sets; lower prices in quantity—Publications Division, New York Institute of Finance, 20 Broad St., New York 5, N. Y.

Trends in Collective Bargaining—S. T. Williamson and Herbert Harris—Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—$2.00.

Animal Foundation Stock on Market

Offering of 2,000 shares of 6% cumulative, participating non-convertible preferred stock and 400 shares of common stock of Animal Foundation, Inc., as a speculation, is being made by Cohu & Co. of New York City. The stock is being offered in units of five shares of preferred and one share of common, and is priced at $500.10 per unit. The offering represents the unsold portion of an offering made on behalf of the company on Feb. 25, 1949.

The company intends to use the proceeds from the sale of this stock to purchase inventories, machinery and good will from the Maritime Milling Co. Inc., to purchase a plant in Sherburne from Messrs. Armstrong and Duffes, to purchase machinery from other vendors, and the balance will be used for organization expense and cash working capital.

Animal Foundation, Inc., organized in January of this year, has not commenced business, as yet. Its principal interest is to acquire Maritime Milling's dog food business, including the Hunt Club brand name, and to manufacture and continue the sale of the Hunt Club brand from another manufacturing location in Sherburne, N. Y. The principal changes from the present operation of the Hunt Club business lie in the relocation of the manufacturing plant and the installation of new management.

Rudolph Chval Heads Merrill Lynch Dept.

Rudolph J. Chval has been appointed manager of the Institutional Department of Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, it was announced April 19 by Winthrop H. Smith, managing partner. Mr. Chval, who has been with Merrill Lynch since 1944, succeeds Eberle I. Wilson, who has moved to Merrill Lynch's San Francisco office.

Mr. Chval, who will supervise all Merrill Lynch associations with insurance companies, banks, colleges, charitable trusts and private trust funds, was chief bond specialist for Moody's Investor Service for 15 years before coming with Merrill Lynch.

Pacific Lighting Corp. Shares Offered

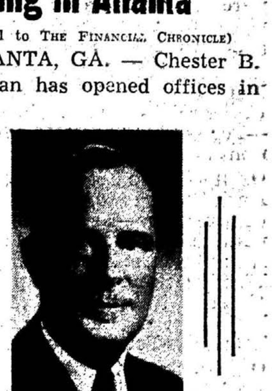
The Pacific Lighting Corp. is offering to holders of its 200,000 shares of $5 dividend preferred stock a share-for-share exchange for new $4.50 preferred up to the close of business on May 4. An underwriting group headed by Blyth & Co., Inc., will purchase all the $4.50 stock not taken under the exchange offer.

All unexchanged $5 stock will be called for redemption on or about June 9 at $100 a share. Upon completion of the exchange offer and the redemption, capitalization of the company will consist of 300,000 shares of $4.50 preferred stock and 1,930,357 shares of common stock. Dividends have been paid on the common in every year since 1908, the present rate being at the yearly rate of $3 a share.

Chester B. Blakeman Is Opening in Atlanta

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — Chester B. Blakeman has opened offices in the First National Bank Building to engage in the securities business. Mr. Blakeman was formerly with Hoit, Rose of Troster.



Chester B. Blakeman

Observations

(Continued from page 5)

stocks. More money is put into horse-race betting every day than into the stock market, despite the stacking of the odds by the pari-mutuel machine or bookmaker to a greater extent than by the brokerage commission and tax impost. This choice of the track is ascribed by Mr. Gutman to the clearer definition of risk, tied to the chance-taker's liking for definiteness and simplicity.

Further indicating that fear of loss is not the crux, is the present willingness of people to put money into business ventures.

The Factor of Management-Stockholder Relations

One little-realized reason contributing to investor inhibition from new issues, in the opinion of this columnist, is the undermining of stockholder confidence in management. Arising from widely-publicized specific cases of abuse, it embraces distrust of the corporate system as a whole with its separation of ownership from control. Certainly the current dramatized rumpuses at stockholders' meetings are accentuating the individual's sense of his helplessness rather than security—despite even the rushing of the ladies' contingent to his rescue.

Such undermining of the individual investor's sense of confidence has been furthered recently by the publicity widely given—extending even to nationally-circulated magazines—to the fact that the shares of so many of our industrial concerns are selling far below their quick liquidating value and replacement cost. In the first place this breeds doubts about the efficacy of management, whether unjustifiably or justifiably (as in cases of inadequate earnings return). In the second place, it incites doubts about respective directorates where they permit unsatisfactory situations to continue without permitting actual liquidation or other remedial measures warranted by the interests of the shareholders.

Investor discouragement of course is also increased by instances of unfair dividend policies—the actual cases of real abuse here again being exaggerated by the propaganda of government and labor interests.

Hence corporate management can constructively aid in the nation's corporate financing problem by being extra meticulous about putting its house in completely ship-shape order.

Dealer-Broker Invest. Recommendations and Literature

(Continued from page 9)

Guyana Mines Ltd. and LaLux Mines Ltd.

Grinnell Corporation—Circular—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Hoffman Radio Corp.—Circular—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

International Cellucotton Products Co. — Special report — Stifel, Nicolaus & Co., Inc., 314 North Broadway, St. Louis 2, Mo.

Kingwood Oil Co.—Circular—Barron McCulloch, Fort Worth National Bank Building, Fort Worth 2, Tex.

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

Missouri Pacific — Circular — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

Pennsylvania - Dixie Cement—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are an analysis of the senior obligations of the **New York Central System** and leaflets on **Admiral, Electric Power & Light, General Public Utilities, Pepsi-Cola, Sinclair Oil, Skelly Oil, Tide Water Associated Oil** and **U. S. Steel Corp.**

Pennsylvania Salt Manufacturing Co.—Circular—Drexel & Co., 1500 Walnut Street, Philadelphia 1, Pa.

Philip Morris—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Also available is a leaflet on **Mutual Funds.**

Pickering Lumber Corp.—Late analysis—Russ & Co., Inc., Alamo National Bldg., San Antonio 5, Tex.

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

Southern Advance Bag & Paper Co.—Circular—E. H. Rollins & Sons, 40 Wall Street, New York 5, N. Y.

Warren Bros. Co. — Memorandum—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y. Also available is an analysis of **Public Service of Indiana.**

COMING EVENTS

In Investment Field

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

April 25, 1949 (Chicago Ill.)
La Salle Street Women monthly dinner meeting at the Cordon Club.

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

April 29, 1949 (Chicago, Ill.)
Municipal Bond Club of Chicago annual meeting and election at 4 p.m. in the Roosevelt Room of the Morrison 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 9, 1949 (New York City)
New York Stock Exchange annual election.

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 23, 1949 (Chicago, Ill.)
Association of Stock Exchange Firms' members assemble en route to spring meetings.

May 24-28, 1949 (Denver, Colo.)
Association of Stock Exchange Firms spring meeting in Denver and Salt Lake City.

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 (Detroit, Mich.)
Bond Club of Detroit annual outing at the Grosse Ile Golf and Country Club.

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 (New York City)
Investment Association of New York annual outing at the Westchester County Club, Rye, N. Y.

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.

J. P. Morgan & Co. Appoints V.-Presidents

George Whitney, President of J. P. Morgan & Co. Incorporated, has announced that the board of directors has elected three additional Vice-Presidents. The newly elected officers are Alfred S. Foote, Lathrop S. Haskins and David B. McElroy, all of whom have been Assistant Vice-Presidents.

Mr. Haskins, who has been with the bank and its predecessor firm, J. P. Morgan & Co., since his graduation from Harvard in 1926, has been active in its bond and investment departments.

Mr. McElroy is head of the bank's municipal bond department. He graduated from Princeton in 1930 and after five years with The National City Bank of New York and City Bank Farmers Trust Company, came to J. P. Morgan & Co. in 1935.

Mr. Foote, a graduate of Yale in the class of 1928, began his banking career with the Farmers Loan and Trust Company and its successor, City Bank Farmers Trust Company. In 1941 he joined J. P. Morgan & Co. Incorporated where he has been active in investment advisory work and more recently in the bond department.

Meeting Notice

NORFOLK AND WESTERN RAILWAY COMPANY
Roanoke, Virginia, April 1, 1949.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws, at the principal office of the Company in Roanoke, Virginia, on Thursday, May 12, 1949, at 10 o'clock A. M., **to elect four Directors** for a term of three years.

Stockholders of record at the close of business April 22, 1949, will be entitled to vote at such meeting.

By order of the Board of Directors.
L. W. COX, Secretary.

Lehman Group Offers Rochester Gas Bonds

Lehman Brothers heads a purchase group that is offering publicly today (Thursday) $16,677,000 Rochester Gas and Electric Corp. first mortgage 3% bonds, due 1979, series L, at 100.59% and accrued interest. The group was awarded the bonds at competitive sale on its bid of 100.07377.

Net proceeds will be applied, with funds to be received from a planned sale of new preferred stock, toward the cost, incurred since Jan. 1, 1947, of the company's construction program. Specifically, the sum of $16,677,000 from the bond sale will be deposited with Bankers Trust Co., as trustee, under the mortgage indenture securing the bonds, and withdrawn pursuant to the indenture provisions, and thereupon applied to the payment of an equal face amount outstanding short-term notes, which represent indebtedness incurred for construction costs.

The new bonds will be callable for redemption at prices scaled from 103.59% to 100% and at special redemption prices under conditions described in the mortgage ranging from 100.59% to 100%.

The company is engaged, within New York State, in the business of generating, manufacturing, purchasing, transmitting, distributing, selling and supplying electricity and gas for lighting, heating, commercial, industrial and other purposes, and steam for steam heating and industrial purposes. Of the total operating revenues for 1948, approximately 64.5% was derived from the electric department, approximately 28.2% from the gas department and approximately 7.3% from the steam department. The company also produces and sells coke and other by-products in connection with its gas operations, the credit resulting from such residuals produced being credited to gas production expenses. The major part of its business is carried on in the Rochester District, consisting of the City of Rochester and neighboring towns and villages, and in the adjacent area, and certain of its electric business is done in the Counties of Livingston, Wyoming and Allegany, known as the Genesee District.

FINANCIAL NOTICE

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDEND TO HOLDERS OF STOCK WARRANTS TO BEARER FOR ORDINARY STOCK.

NOTICE IS HEREBY GIVEN that the Directors in their Annual Report have recommended to the Stockholders the payment on the 30th June 1949 of a Final Dividend on the issued Ordinary Stock for the year ended 30th September 1948 of tenpence per £1 of Ordinary Stock (free of Income Tax).

To obtain this dividend (subject to the same being sanctioned at the Annual General Meeting to be held on the 6th May next) on and after the 30th June holders of Ordinary Stock Warrants must deposit Coupon No. 204 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E. C. 2, seven clear business days (excluding Saturday) before payment can be made.

DATED: the 29th day of March, 1949.
BY ORDER OF THE BOARD
E. G. LANGFORD, Secretary.
Rusham House, Egham, Surrey.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

Central Republic Co. Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Emerson A. Link has become associated with Central Republic Co., Farnam Building.

With William S. Beeken Co.

WEST PALM BEACH, FLA.—Benjamin R. Tucker has been added to the staff of William S. Beeken Co., Harvey Building.

DIVIDEND NOTICES

AMERICAN METER COMPANY
Incorporated
60 EAST 42ND STREET

AMERICAN METER CO EST. 1836

New York, April 20, 1949.
A dividend of One Dollar ($1.00) per share has been declared on the Capital Stock of the Company, payable June 15, 1949, to stockholders of record at the close of business May 19, 1949.
JOHN VAN NORDEN, *Secretary*

THE GAMEWELL CO.

At a meeting of the Board of Directors of The Gamewell Company held on April 15, 1949, the following dividends were voted:

$.25 per share payable May 16, 1949 to stockholders of record at the close of business May 6, 1949.

A year end dividend of $.75 per share payable May 16, 1949 to stockholders of record at the close of business May 6, 1949.

W. C. BECK, Treasurer.

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh — Pennsylvania
April 18, 1949

Board of Directors have declared for quarter ending June 30, 1949, DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share on PREFERRED STOCK, payable July 20, 1949 to stockholders of record July 6, 1949.

Also declared a DIVIDEND of FIFTY CENTS per share on the NO PAR COMMON STOCK, payable June 1, 1949 to stockholders of record May 11, 1949.

G. F. Cronmiller, Jr. Secretary

IOWA SOUTHERN UTILITIES COMPANY of Delaware

Dividend Notice

The Board of Directors has declared a dividend of 25¢ a share on the Common Stock of the Company payable June 1, 1949 to stockholders of record May 16, 1949.

EDWARD L. SHUTTS, *President.*
April 20, 1949.

TIDE WATER POWER COMPANY

Dividend Notice

The Board of Directors has declared a quarterly dividend of 15¢ a share on the Common Stock of the Company, payable May 15, 1949 to holders of record April 29, 1949.

WARREN W. BELL, *President.*
April 18, 1949

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock has been declared payable June 1, 1949, to stockholders of record May 14, 1949.

A regular quarterly dividend of 25¢ per share on the Common Stock has been declared payable May 31, 1949, to stockholders of record May 14, 1949.

M. E. GRIFFIN, *Secretary-Treasurer.*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Administration spokesmen have indicated that shortly there will be a great deal of chatter about tightening up on the antitrust laws. This all came out during the course of a secret meeting, almost a month ago, of Democratic members of the House Judiciary Committee on the Walter proposal. This is the plan sponsored by the conservative Rep. Francis E. Walter of Pennsylvania for a quiet, careful, non-headline hunting study by government and Congressional lawyers of ways to bring order and cordination of policy into the antitrust laws.

A reliable report on that secret meeting has just belatedly come to hand. One of the first things it revealed was that the Council of Economic Advisers, which off and on for over two years has been studying the antitrust laws, is about to come forth with its report on that subject, including "specific recommendations." This was promised "within weeks" by John D. Clark, Fair Deal economist of the CEA, who represented the President's Economic Council in the meeting.

Another feature of the meeting was that it was reported to be the unanimous opinion of the government lawyers, that what the Administration wants first is either the Kefauver bill or something like it, bringing under the Clayton Act verboten the acquisition of assets as well as stock control of competing companies, where such acquisition of assets would tend to lessen competition.

In fact William T. Kelley, general counsel of the Federal Trade Commission, expressed the fear that if the House Judiciary Committee undertook to investigate the antitrust laws, that study might preclude action this year on the Kefauver proposal.

In general, it was reported, the government lawyers expressed a lack of faith in Congressional investigations. Besides Mr. Kelley, others present included the associate general counsel of the FTC, Walter B. Wooden; the chief of the antitrust division of the Department of Justice, Herbert A. Bergson, and John Stedman, an attorney for the antitrust division.

It was also indicated that the D of J may come up in the near future with proposals regarding "patent and cartel aspects of the antitrust laws." Specific details were not made available.

Another indication arising out of the meeting was that the CEA will have specific ideas on how to control the expansion of "big business" and that these ideas may include prohibition of mergers entirely.

In the course of the closed-door deliberations it became apparent that the Administration was squarely opposed to the studious, careful approach of Mr. Walter. So long as the Administration can make political hay with the Kefauver Bill and the CEA report, it has no objection if the Judiciary Committee thereafter expresses any opinions the legislators might have. Crack monopolies first; study afterward, that is the Administration idea.

* * *

After several days of hearings and discussions of the spectacular Brannan proposal to subsidize farm income directly rather than indirectly through subdizing farm prices, it is being said at the Capitol that this plan is not and was not intended to be taken seriously for legislative action.

This plan, it is now frequently asserted, was simply concocted to answer a political need, of how to make good President Truman's conflicting campaign promises of lower food prices and higher incomes for farmers. The more members of Congress study the Brannan plan and the Secretary of Agriculture's testimony, the more they feel sure that Mr. Brannan never meant this program to be taken seriously by the Congress even if he meant that the voting farmers, however, should take it seriously and be impressed.

It is asserted at the Capitol that enactment of the Brannan plan, even if Mr. Brannan had it conjured into legislative form, is a practical impossibility so late in the session. It is simply too controversial to be disposed of in only a few months, and even if the session of Congress is prolonged.

It is fairly safe to assume, members say, that the Administration could figure pretty well that the plan would not be enacted and it was "politically safe" to advance this proposal publicly without fear that it would be enacted, at least this year, with its large potentialities for throwing the budgetary and tax outlook for a loop.

Congressmen concerned with farm legislation express the opinion that the end result of the debate on the farm plan may well prove to be virtually no legislation at this session of Congress. In that case the Aiken law, now on the statute books, automatically will go into force in 1950. Under that law supports will vary between 90% and 60%, roughly in inverse ration to the surplus of the commodity.

It is recalled that the President last year twice asked for the flexible price support provisions analogous if not actually close to those of the Aiken law. With virtually all of Commodity Credit Corporation's funds likely to be committed in supporting 1949 crop prices, the Administration hardly could be expected to want even the 90% supports to stick in 1950.

Hence, by taking the apparent risk of proposing the direct income subsidy, the Administration has in practical fact not risked greatly having its entire fiscal outlook thrown haywire. Nevertheless, the Administration may have harvested a net crop of some size in political support from farmers.

The only thing that might mar this prospect for operation of the Aiken flexible supports next year is that the House might get behind a resolution to continue the existing 90% supports for another year. Such a proposition would be hard to stop in the Senate and embarrassing to veto.

* * *

If Speaker Sam Rayburn is the agent of President Truman in this matter, then the President is willing to junk all "civil rights" legislation of any character whatever to kill off as much of the Taft-Hartley Act as possible.

Just before the House was sent away for its 10-day Easter vacation and reckoning with the local CIO and AFL boys on what is what with labor legislation, Rayburn quietly called in for individual talks, a substantial number of conservative Southern Democrats. Rayburn told the boys there was no sense in their going so far as they were with the Republicans toward keeping most of Taft-Hartley. The Speaker, members reported, made a positive commitment that if some of the Southerners would come around and help out a little on the voting, Rayburn would assure them that NO civil rights legislation would be backed by the Administration this year.

Mr. Rayburn explained, of course, one couldn't stop some of the boys hot for civil rights from talking and trying to get something done, but the Administration would give such enthusiasts no backing.

Southerners, though they tend to like Speaker Rayburn, were rather inclined to the view that they would like this intelligence from Harry Truman and in writing.

* * *

Point IV of the President's January inaugural message is slated to have a slow and relatively unspectacular growth. Its development will be piecemeal and evolutionary. Hence, one may rule out the possibility that on some given day some indefinite time in the future, the Administration will send a pretty package to Congress and call this the blueprint for American initiative in bringing the enlightenment of the U. S. Democratic party to the heathen savages of Africa, South America and Oceania.

Chronologically the first thing to be developed is the method and organization for supplying technical assistance in the development of backward countries. It is planned to avoid creating any "Office for World Backward Areas" or other bright new alphabetical government machinery, according to the reports.

Instead the technical help to go to the far places will be mobilized and distributed through numerous existing agencies, such as the Pan American Union or the agencies of the UN.

Arrangements for luring private American capital into investment in backward countries probably will be worked out unspectacularly through bilateral negotiations between the U. S. and those countries having political suzerainty over the heathen lands. Presumably some kind of government guarantees for those investments will be worked out, but are reported thus far to be a long way from concrete terms.

Here is going to be the sales line for Point IV when, as, and if it finally gets going: After the deadline for the termination of U. S. economic aid to Europe has passed in 1952, "and it will stop then," say officials, Western Europe still will require sources of raw materials outside the dollar area and opportunities for exportation of surpluses of its merchandise and capital. The backward areas, developed by Western Europe, will provide that outlet which will make possible the maintenance over a long period of the economic progress of Western Europe.

* * *

One of the toughest problems facing the State Department is what it should do about the agreement creating the proposed International Trade Organization.

Some three weeks have passed since the department had planned to submit the ITO agreement to Congress for approval.

If the department were to send down the agreement at this particular time, it would be about as sensible as for a man who knows that in about a month or so he will fact bankruptcy, to go out and plunge into debt for the purchase of a new mansion. The State Department currently has before Congress the North Atlantic pact, the question of the actual appropriation to carry forward the ECA program, and the proposal to extend the life of reciprocal trade. In the near future the State Department will be pressing also for the approval of an arms aid program.

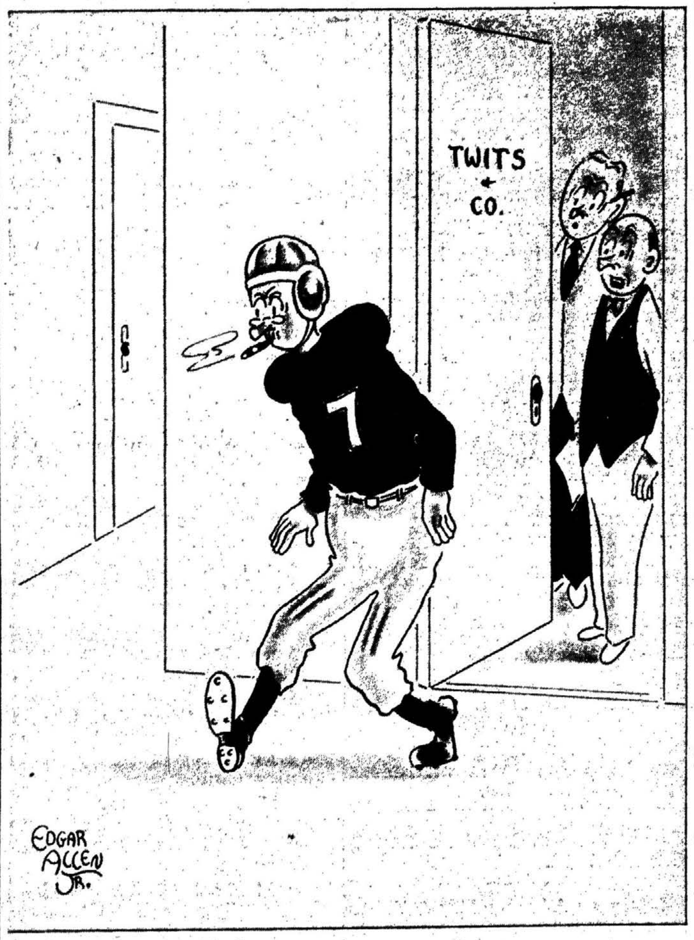
These four questions will preempt a great deal of the time remaining before the tentative ending of the present session July 31. These controversies will burn up more than their share of the disposition of Congress to row over foreign affairs.

To plunge the ITO additionally into this ferment at the same time would strain all the capacity of the State Department to win friends and influence votes in the Congress. Besides, the ITO might not get approved. It is poorly regarded in Congress. The outcome of injecting the ITO ingredient at this time might well be to delay action on the other ingredients of the foreign program and to diminish their popularity.

Yet if the State Department were to hold back until next year or to make only a perfunctory appeal this year for approval of ITO, all the foreign nations which it has been cajoling these last few years into going into the ITO thing, would probably say "humph"—and a lot more.

(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



"He always puts it on when he goes home—he travels on the B. M. T.!"