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Individual Security Management Problem

By ERNEST T. WEIR*
Chairman, National Steel Corp.

Mr. Weir maintains if people want economic security they must look for it in private enterprise, not government action. Scores Administration's proposal of putting government into industry

You have often heard it said that business sells its goods, but fails to sell itself. And you know that, unfortunately, it is all too true. This failure of business is a failure of management. More than that it is failure not only of the men whose special job is selling—the sales and advertising men—but of management all up and down the line. Every man in this room shares in that failure. I cannot

Ernest T. Weir

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*An address by Mr. Weir at meeting of the Pittsburgh Chapter of the Society for the Advancement of Management, Pittsburgh, Pa., April 21, 1949.

See pages 23 to 26 for pictures taken at Annual Dinner of Security Traders Association of New York, held on April 22.

Lack of Risk Capital

By RICHARD W. COURTS*
Partner and Head of Courts & Co., Atlanta, Ga.
Members, New York Stock Exchange

Commenting on low market prices of common stocks, Southern investment banker asserts at no time in history has stock market faced such a severe task to provide needed risk capital. Cites "Chronicle" figures showing small proportion of common stock in new capital financing in last three years, and lays it to forced corporate retention of earnings and low dividends and high taxes. Urges abandonment of capital gains tax and, though expressing optimism, warns continued attacks on free enterprise may bring a generation that ceases to believe in it.

Risk capital, venture capital, equity capital may differ in their initial uses. They all represent junior capital subject to all the risks and hazards of the business. They all represent ownership of the business, usually in the form of common stocks. So I will refer to all such capital as risk capital.

Richard W. Courts

The critical shortage of risk capital is borne out by the fact that common stocks of sound companies are selling at substantially less than book values, in many cases at and below net current assets, with no value whatsoever attached to physical properties, management and goodwill. The entire capitalizations of many companies are priced in the public market at only two to five times one year's earnings—this at a time when business and profits have been running at an all-time high.

The day-to-day trading in common stocks provides the market

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*An address by Mr. Courts before the 16th Annual Conference, Southeastern Electric Exchange, Boca Raton, Fla., April 15, 1949.

Confusing Factors in Business Outlook

By WESLEY LINDOW*
Vice-President, Irving Trust Company, New York

Bank economist, in stressing foggy atmosphere surrounding business outlook, reviews situation respecting production, employment, consumer purchasing power, retail sales, manufacturers' inventories and expenditures on plant and equipment. Foresees no violent downward turn in business such as occurred after World War I and says tendency has been to over-play bad news. Expresses confidence our economic machine can withstand postwar adjustments.

The Dutch have an old proverb which goes "In a fog, you can see anything." This seems particularly appropriate in discussing the fog obstructing the business outlook at the present time. We can see anything in this fog that we want to see. I have no special radar devices to pierce this fog. I realize that economists are expected to do a certain amount of crystal-gazing, but I am dubious that the tools we have are adequate for this purpose. My view is that the economist can do the most good by concentrating on an analysis of where we have been and where we are currently. In this work, I believe that the most important objective should be to maintain a balanced point of view. We have a very complex

Wesley Lindow

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*An address by Mr. Lindow before the Pittsburgh Control of the Controllers Institute of America, Pittsburgh, Pa., April 18, 1949.

EDITORIAL

As We See It

Where Shall We Be in 1970?

When starting on a long journey by automobile no person in his right senses cuts his study of the road map short when he has found where the road he has chosen will take him by nightfall. He has a destination in mind which is far beyond the end of one day's journey. He lays out his route from the moment he starts until he has reached his predetermined destination.

It would obviously be infinitely more foolish to map the course of our own national affairs in any less thoughtful and forward-looking fashion. Yet it appears to us that precisely such a policy characterizes much that is planned and done in Washington in this day and time. We are well aware, of course, that those who are laying out some route or other for the nation for some period of time (which they probably believe is a long, long time) are and have long been bringing just this charge against all those who oppose their doings. "Planlessness," they call it, and add the assurance that they are looking far into the future.

Yet we submit that exactly the opposite is true. What these planners are doing, whether they are aware

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What's Ahead for the Businessman?

By LEON H. KEYSERLING*

Vice-Chairman, Council of Economic Advisers

Presidential adviser maintains we are holding our own in this "difficult year of transition" and the current employment and production records spell a bright outlook for 1949. Predicts adequate profits should and will accompany high business activity. Declares government policies are determined by sole motive of furthering maximum employment, production, and purchasing power.

Let me try to describe a little bit, in broad outlines, what I think has been happening to our economy this year, and last year, and why I believe that optimism is well-warranted for the rest of 1949 and thereafter. Last year we were operating at what I might call maximum levels of almost everything. We had extremely high employment, pushing against the labor force, and running to more than 61 million employed people.

Leon H. Keyserling

By the summer of the year we had demands of all kinds straining against our productive resources. We had very, very high national income in almost every quarter of the economy, and we ran our gross national product, our output, up above $250 billion a year. And with that we had what we call an inflationary situation, a rising of prices, wages, and incomes.

The significant thing about that situation in 1948 was this: it was normal in the sense that it was the natural outgrowth of a war. It was not normal in the sense that it could be maintained indefinitely, and we have to grasp those two concepts: first, that nothing that happened in 1948 was very much to be unexpected, and, in that sense, it was normal. And yet some of the things that happened in 1948 could not be expected to go on indefinitely, and therefore they were not normal.

From that I think we can derive certain conclusions as to the significance of what is happening in 1949. Now the things that happened in 1948, that could not be expected to go on forever, were these: in the first place, we could not expect to have just exactly the same kind of pattern of production and demand in each succeeding year that we had in 1948. Because then we were re-stocking, we were completing war reconversion, we were investing a great deal in the plants and equipment, after the war period, when plants for peacetime production had, in some respects, become rather impoverished.

In that respect we had to expect in 1949, or shortly thereafter, a change in the pattern of production and demand which, for long-term adjustment, would call for a shift somewhat more in the direction of a larger output on the part of the consumer industries, relative to the heavy industries.

The second thing that was happening in 1948 that was normal in the sense of being only to be expected then, but which we could not expect to go on indefinitely, was in the price-income structure. Now, I am not saying this critically at all, and that is what I mean when I say it was normal. But it was easier in 1948—and I am generalizing—to make a very high rate of return on a given level of activity, which was a high level of activity.

To state it in its simplest terms, the reward for industry by and large—and I do not think you will misunderstand me — was very, very high and rather easy in 1948, as it had been in 1947.

Of course there are exceptions. That was another consequence of the fact that the ability to sell in 1948 did not really depend, as much as it does in the long pull, upon the balance between prices and incomes, because there were many other factors entering into the situation, quite aside from government expenditures, which I will treat separately.

1948 Demand Backlog

The other factor entering into the situation is that we still had, in 1948, as a consequence of the war, a very high backlog of demand, accompanied by a very large accumulation of well distributed savings as a by-product of the way the war was financed.

So that business was not pressed as hard in 1948 as it is in more normal years, to make the kind of adjustment between prices and buying power for the masses of consumers generally, that challenge it as a long-term problem.

Now we come into 1949, and we get nearer to a situation where we have to abandon what was normal in 1948, but cannot be normal in the long pull. And the question is: how well have we done that? How well are we doing it? How well are we likely to do it? And what consequences will that have for our economic future? And I am not embellishing this because as business people you probably know what I am talking about even better than I do.

I think thus far the outlook is optimistic, for this reason—I will try to state two alternative courses of development, based upon economic history, and then indicate which of the two I think we are more nearly following now.

Alternate Adjustments

When your come into the kind of adjustment or transitional period such as we have in 1949, there are two ways in which it can operate. One way in which it can operate is for levels of employment and production to fall rapidly relative to price adjustments, and therefore to force price adjustments. The other way for it to happen is for the price adjustments in many major areas of buying and selling to run somewhat ahead of the drop in employment and production, and therefore possibly to take place rapidly enough and systematically enough to make the drop in employment and production on a large scale not inevitable, not necessary, and perhaps not unavoidable.

Now, recognizing that we have got to have some adjustments in this transition period, and the question is which of those two courses are we mainly following. I am hopeful that thus far, by and large, with individual differentiations, we are following more largely the second course. I am not much of a historian, but I think that this is true: that rarely if ever, in our recent industrial history—taking the economy as a whole—have we had decreases in employment and production which, measured against the high levels from which we started, have been as small as in this adjustment period thus far related to the size of price adjustments that have taken place.

To give one single example of that, in the agricultural field agricultural prices have dropped something like 18% in a relatively short period and I do not think we have had a previous commensurate period where a drop of that size in prices has been accompanied by a drop in production and employment as small related to the number of people employed and the amount of production, as in this period.

In other words, we are not going through 1949 perfectly, and could not expect to go through it perfectly.

Great Gain Over Previous Readjustments

I think that has been a tremendous gain, partly in consequence of businessmen's statesmanship as contrasted with 1920-21 and 1929-30, and partly in consequence, too, of government policies which were the subject of bitter contest at the time of their inception, but which, in the main, are largely accepted.

Now, due to that variety of factors, we have come thus far through 1948 and 1949, with what seems to me to be, in terms of the price-income adjustments that have taken place, a remarkably small decline in employment and production.

I might just cite two instances of that, the first on employment, which indicates the sensational over-magnification by the newspapers of some of the things that happened. I venture to say that for every 100 or 200 people who have noticed the recent figures about the increase in unemployment, there are only five or ten

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*From transcript of a talk by Mr. Keyserling at meeting of Modern Industrial Bank, New York City, April 20, 1949.

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Current Standing of Poll on NASD

Analysis of additional ballots substantiates earlier conclusion, based on previous returns, that large majority of securities firms, aside from being out of harmony with the NASD and its policies, believe that they have seriously impaired their ability to adequately discharge their responsibilities. More comments in this issue from firms regarding NASD's "5% mark-up" vs. welfare of small business.

Further below we present the results up to press time (April 27) of the poll conducted by the CHRONICLE for the purpose of obtaining factual data regarding the attitude of the securities industry towards the National Association of Securities Dealers, also its policies and methods of operation. To this end, a questionnaire was addressed to all firms, whether members or non-members of the NASD, the sole 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 jurisdiction of the NASD.

We will, in the very near future, comment editorially and in detail on the results of this important and impartial undertaking. Meanwhile, we should like to observe that our sole motive in conducting the survey was to ascertain and make public the actual facts as to whether the NASD has been a force for good or the reverse insofar as the securities industry is concerned. We have, of course, long believed that the latter was the case. Some other sources, as is their privilege, have reasoned to the contrary.

The only way to obtain the facts, naturally, was to solicit the opinion of those affected, either directly or indirectly (as in the case of non-members) by the operations of the NASD. Hence our decision to poll each individual firm, both large and small, as to the merit or demerit of the organization itself and its "rules" and policies. In accordance with standard practice followed in conducting such surveys, the individual firm had the option of either signing or not signing the ballot.

We present herewith the results of the poll up to press time on April 27 and further on will be found some more of the comments made by securities firms as to the effect, if any, that the NASD's "5% mark-up" philosophy has on the market for securities of small business enterprises. (Other comments appeared previously in our issues of April 14 and April 21.)

CURRENT RESULTS OF NASD POLL
(RETURNS FROM NASD MEMBERS)

Total ballots returned	988		
(1) *5% "Yardstick":*			
Favoring	213	or	21.5%
Opposed	**746**	**or**	**75.5%**
No opinion	29	or	3.0%
(2) *Questionnaire for Reports on Spreads:*			
Favoring	227	or	23.0%
Opposed	**734**	**or**	**74.3%**
No opinion	27	or	2.7%
(3) *Examination of Books and Records Where Neither Complaints nor Charges Are Pending:*			
Favoring	203	or	20.5%
Opposed	**756**	**or**	**76.5%**
No opinion	29	or	3.0%
(4) *NASD Trial System:*			
Favoring	116	or	11.7%
Opposed	**842**	**or**	**85.2%**
No opinion	30	or	3.1%
(5) *Rule Forbidding Discount to Non-Members:*			
Favoring	270	or	27.3%
Opposed	**683**	**or**	**69.1%**
No opinion	35	or	3.6%

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Importance of Hard Work in Securities Selling

By THOMAS A. BAXTER*

Partner, Vance, Sanders & Company, Boston

Stressing difficulties and pitfalls in securities selling, Mr. Baxter points out serious nature of the investment business, and urges salesmen to work hard and make interest and welfare of their clients prime motive. Notes change in character and qualifications of securities salesmen since 1929. Upholds "canned sales talks" and contends securities business is a profession of highest skill and standards.

The subject assigned to me is "The Importance of Hard Work in Selling Securities," or "Why A Securities Salesman Should Work to Make A Living."

In the first place, why shouldn't he? To be perfectly honest with you young men, I have never known anybody in the course of my lifetime who, not having to work for a living, ever amounted to anything. For some reason, which I don't pretend to know, the great Father of us all decreed (or perhaps we should say found out by bitter experience) that man, whom he created in His own image, didn't turn out to be worth very much unless he had something specific and in most cases constructive to do. It may be that a lot of you know men who, in spite of having had a reasonably good financial background to begin with, turned out to be pretty good constructive citizens, but I am very frank to tell you that I don't. Now mind you as I am not talking about all the things which we were given but only those things that are commonly called in this world, material wealth. In the last analysis none of us has anything that we weren't given. And in all probability none of us is sufficiently grateful for the things that we were given.

Thomas A. Baxter

I know men who were given the capacity always to be constructive; who are never satisfied with the *fait accompli*, who continuously and continually try to improve not only the circumstances in which they themselves live, but the circumstances that surround them and surround most of their fellow men, even though they themselves do not personally have a direct personal contact with such circumstances. We like to admire such men and I guess it's right that we should, but neither they nor we should overlook the fact that those qualities of character were given to them: they had nothing whatever to say about it. It is perhaps justifiable to say that George Washington was duty bound to live up to his responsibilities: "to whom much is given from him shall much be expected." What of Abraham Lincoln, Alfred E. Smith and literally hundreds of other great Americans who came from what appeared to be nothing yet were possessed of the highest qualities of which mankind is capable.

Do you love your fellow man in the sense that Abou Ben Adhem loved him? Do you really want to do the best that you can for him, in the process of making a living for yourself? Are you going to be a little sick at heart when the securities that you have sold to a man of moderate means, turn out to be not as good as you thought they were when you sold them? Are you going to feel a little queer in the midriff when the stocks that you sold him at 35 go down to 20 or worse? Are you going to wish that you won't meet him on the street and are you prepared to run around the corner to avoid meeting him, if, as and when these things do happen? Do you honestly feel content with yourself about the securities that you sell clients? Are you thoroughly sold on the honesty, integrity and good judgment of your sales manager and of your house? Are you firmly convinced that the sun rises and sets on the * * * Trust Co. of New York as I was when I was your age, and are you going to be horribly disappointed when you discover that your idols have mud feet just the same as the rest? Are you sure, insofar as any human fallible mind can be sure, that the securities that you sell Widow Jones for the $3,000 that she is taking out of the savings bank, are going to do a better job for her than the savings bank will do? If you're not, brother, go on home and talk to yourself conscientiously and put yourself in the other fellow's boots, then decide whether you would like to be sold this particular issue at that particular amount of money.

Serious Nature of Investment Business

Slowly I began to realize what a serious business this investment business of ours really is. I began to do a little work after supper, within the limits of my meagre statistical ability. After all, you know, men, you can't be a good salesman and a good statistician too: the occupations are almost antipathetic and you have to make up your mind reasonably early in your business, which one you are going to be. I personally have no love for figures and reasonably early in my business life decided that there was one thing that I did want to do, and that I hoped I was capable of doing, and that was to sell somebody something. I also realized, based on the advice of a dear old sage, then President of the Investment Bankers Association of America, Henry R. Hayes of Stone, Webster and Blodgett, that in his words "there are no such things as ethics in business, it's either good business or it isn't good business." In other words, what the old gentleman was trying to tell us was that unless you play the straight, honest game in business, especially our kind of business, you're just not going to last.

One doesn't need to pretend to know it all: In fact I am in-

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*A lecture by Mr. Baxter, eleventh of a series in a course on Investment Salesmanship, sponsored by Boston University and the Boston Investment Club, Boston, Mass., April 12, 1949.

Do You Want Articles Under One Cover?

On this page we give an additional lecture in the series on Investment Salesmanship, sponsored by the Boston Investment Club and Boston University, transcripts of which are being published in the CHRONICLE. (Previous lectures appeared on page 4, in our issues of March 3, 10, 24 and 31; April 7, 14 and 21.) The Boston Investment Club is anxious to learn the maximum potential interest for copies of a brochure to contain all of the respective lectures. Inquiries in that regard should be addressed to Dr. Douglas H. Bellemore, Chairman, Economics and Finance Department, Boston University, Boston, Massachusetts.—Editor.

What U. S. Policies Can Further Europe's Recovery?

By PAUL REYNAUD*

Former Premier and Finance Minister of France

Former French Government leader calls on America to further world prosperity by private investments. States multilateral rather than bilateral trade must be developed in Europe, for which she must find more dollars. Asserts indirect aid provided by American taxpayers has been logically and efficiently used.

I have to speak on Europe—Europe, her wounds both visible and invisible, her convalescence, her future and still uncertain recovery. Can one speak of all this without first considering her position in the world of yesterday and the world of today? Once upon a time civilization was divided by no man's land, oceans and deserts. Today an ocean or a desert can be crossed between sunrise and sunset.

Therefore, the two opposing civilizations—the one based on our respect for human rights . . . the other, that of totalitarianism—are in conflict everywhere in Europe, in China, throughout the world.

Centuries ago, in North Africa, in Spain, in France even, the forces of Christianity and Islam came to blows, but in those days Islam's influence did not go beyond the area she had conquered, while today, in every corner of the world, communism has appeared . . . surging from the soil like an artesian well which flows with more or less force according to conditions prevailing.

So, a country, dreaming today of isolation, immune from contact with the woes of the rest of the world, would appear as if she were still cloaked in the mists of the Middle Ages.

Miracle of Western Europe

There are people who think that it was perfectly natural that before the war, Western Europe, with an area less than half that of the United States, almost completely devoid of raw materials, could support a population about twice as large as your own. This was *not* natural; indeed it was a miracle.

That this miracle could happen was due to the fact that in the 19th Century, Europe was the producing factory of the world. At the end of that century, when Europe's population was only one-tenth of that of all the world, nine-tenths of all goods that found their way to the markets of the rest of the world, came from Europe.

Then Europeans began to compete with themselves, and they built factories in the distant lands of their customers. But what they lost as exporters, they recouped as investors, and at the same time they provided for the public services of the world since shipping, transport, insurance, banking and engineering services were all carried out by the Europeans. This is why, before the war of 1914, Europe was so rich that she was spending less than she was earning despite the fact that her population had grown enormously. The British Isles, for instance, had seen the number of its inhabitants increase from 11 millions in 1800 to 46 millions at that time.

The European nations, using only a fraction of their income for their own consumption, applied the balance to increase and develop their investments abroad.

Two Kicks Into the European Ant Heap

Such was the position in Europe. Then one nation, which had shown remarkable tenacity for work, and earned the world's admiration because of its scientific knowledge and courage, but animated with the ferocious demon of world domination, chose to kick over, on two occasions, the European ant heap, which centuries of patience and efforts had laboriously and clevely put together.

The two world wars have gravely affected the white man's prestige. The second of these has caused, besides, a cataclysm which has left the globe still shaking and throbbing. Already we know that never again shall we see the world of before the war, or the Europe of before the war.

The world's economic balance has been put out of gear by the fact that the industrial production in the United States has almost doubled, while everywhere else, and particularly in Europe, it has declined seriously through the effects of the war. It is true that in Europe the level of production has now passed that prevailing in 1938, but it is nevertheless not sufficient to satisfy the needs of countries where populations have increased and where it is necessary that part of the production is used to retore the ruins scattered by the war.

Accordingly, a lack of balance has arisen between American products and that of the rest of the world. If the increase of production had been general, its direct results would have been to raise the standard of living in all countries. But, instead, exports from U. S. A. to the rest of the world have had the immediate effect of disorganizing the commercial equilibrium of American trade, and this even in the countries of Latin America, since Europe has by no means the monopoly of hunger for dollars.

Europe's case, however, is by far the most serious. Graves and ruins did not constitute the whole harvest sown by the war. Besides the ruins that one can see, there are others which are invisible. They are the worse. Europe has lost the resources she possessed, which enabled her to purchase from abroad the raw materials she needs for her industries. The clever mechanism which regulated her life supply is broken, as we shall see.

Before the war, 30% of the raw materials which Europe purchased from abroad were paid for with her "invisible income," that is, the dividends derived from her foreign investments and payment for the services she rendered to the rest of the world. This source of income has now almost disappeared, as a result of the war. Yet she must, just as she did before the war, obtain the raw materials she needs from abroad, for,

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*A speech by Mr. Reynaud made before U. S. Council of International Chamber of Commerce, April 27, 1949.

Observations . . . . .

By A. WILFRED MAY

STOCKHOLDER ATTRACTIONS AND DISTRACTIONS

Movies, Lunch, Lights, Liberalism—and Sex

It is right that the increased attendance at current annual meetings of stockholders is encouraging to all who favor the "democratization" of the American corporate system. Likewise, steps in the right direction are the increased volume of the attendant discussion as well as the rising reader interest in the ensuing press accounts. But they are only *halting steps.* For, to the extent that the discussion and stockholder-inspired agitation are not maintained on a logical, constructive and serious plane, they are likely to be serving merely as a "red herring" diverting attention and statesmanlike action away from the many broad and crucial problems confronting the American investor.

A. Wilfred May

The serious problems will elicit the average shareholder's interest only if they are dramatized with sex appeal, it is contended by public relations experts and stockholder *provocateurs* and *avocateurs.* That this contention about the indispensability of the d r a m a t i c is to some extent warranted is currently substantiated by the general disappointment over the outcome of the Mongomery Ward stockholders' meeting last Friday. After the preceding great build-up that had led the public to lick its chops in anticipation of a grand "scrap" to oust the colorful Sewell Avery, the actual proceedings, lacking an adversary or open controversy, disappointed as an anticlimactic dud. Alas, instead of a fist fight or a good show, only four questions were asked, and even they were cooperative.

In view of this public foible for glamor, it is essential that the shareholder orient himself regarding the scope of the real difficulties besetting him. By no means should even his serious concern be confined to his management or other intra-company matters. The American investor today must fight for his very survival against the many encroachments of his government as evidenced in taxation and fiscal policies, and in its socializing processes. His status is being undermined by the competing pressure groups in the community, as labor and agriculture, who, because of their greater political strength and abler strategy, are able to wangle all the subsidies. Then too there are the direct onslaughts being made against the investor's gross income by the company's own employees.

These surely are most trying basic problems, calling for wise and concentrated attention. Whether they can be successfully surmounted or not, surely in constructive efforts toward their solution there is no place whatever for distraction by additional pressure groups *within* the community of shareholders.

But evidently this is not fully realized. Added to the existing gadgets for stockholder enlightenment and protection, including lunch and soft drinks, flash bulbs, movies and road shows displaying company products, there has now emerged agitating stockholder groups comprised of and confined to women.

With their aims and agitation based on the fundamentally false concept that female holders of stock are *shareholding women,* instead of *women shareholders,* this newly-started pressure group emerges as another element confusing the public and obfuscating the real issues. In capturing the interest of certain of their male brethren, these stockholder-feminists are waving the flag of "liberalism."

The confusion under which these groups are laboring is epitomized by the proposal being advanced from the floor at nearly every annual meeting now, that women be elected to board directorates because they are women, in lieu of such really relevant qualifications as business ability, experience, financial knowledge, integrity, etc.

If directors are to be chosen, or stockholders classified, according to their sex, why not also according to color, race, or creed?

In addition to its illogic and unsoundness, establishing the procedure of choosing an individual for a directorate because of her sex, or in spite of it, actually constitutes, I venture to suggest, quite an insult to the lady chosen as well as to womankind in general.

Irrespective of management abuse, there are many company matters, such as financing programs, depreciation policy, cumulative voting, director stock ownership, at least meriting stockholder enlightenment. Unfortunately, however, the *human interest* appeal seems to form the keynote of the distaff organizations' message to their like-sexed followers. Following are some key excerpts from the current prospectus of the most voluble of these organizations:

The "Woman's Angle"

"Until recently 'the woman's angle' was confined to reporting the refreshments (an attendance draw at meetings) such as U. S. STEEL'S perennial pumpkin pie in May, and GENERAL MILLS' mammoth cake given to the 'Lady who has come the farthest' to attend their regional meetings—who will also have the most trouble getting home with the prize. Until formation of the FWSAB the tendency of the press was to play up the little woman humorously.

"At annual meetings in 1948 cameramen preferred human interest shots to 'cheese cake.' Management posed happily with dowagers in flowered hats. Top space-stealer in the press was a child 'stockholder' who sat through 'BIG STEEL'S' meeting (with model-like calm) to pose on lap of President Fairless in J. P. Morgan-with-the-midget tradition.

"This year the large number of women stockholders attending the CONSOLIDATED EDISON and STANDARD OIL CO. (NEW JERSEY) meeting (about half were women) made NEWS. Moves toward putting a woman on the board of directors of 'BIG STEEL' by Wilma Soss, a U. S. STEEL stockholder and founder of the FEDERATION OF WOMEN SHAREHOLDERS, made headlines again this year."

* * *

Four our part, we hope neither the SHAREHOLDING LADIES, the LADY SHAREHOLDERS or the PROGRESSIVE STOCKHOLDERS of both sexes, stop on that level! We hope they go on to get the "dull" facts instead of either headlines or the cheese-cake!

The State of Trade and Industry

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

Despite declines in the output of some goods the past week, increases in other lines had an offsetting effect, which resulted in over-all industrial production being maintained at a high level for the period. Compared with the level of a year ago, no appreciable variation in the level of aggregate output was noted.

Continued claims for unemployment insurance declined approximately 2% in the week ended April 9. New unemployment as reflected in initial claims rose very slightly in the same week and were 27% above the corresponding week a year ago.

Employment, hourly earnings and the number of hours worked in manufacturing industries all declined during March, the Labor Department reported on Wednesday of last week.

An industry-by-industry breakdown of employment trends from mid-February to mid-March showed that for the third straight month the number of jobholders in non-farm industries declined more than could normally be expected. The drop during the month was 150,000 compared with an increase of 300,000 over the same period last year.

Total non-farm employment was 43,848,000 in mid-March compared with 43,997,000 in mid-February. The mid-March level is about 750,000 below the figure for March, 1948, B. L. S. said, and this about corresponds with the drop in manufacturing employment of the year.

* * *

In the automotive industry a serious threat to schedules was represented the past week by the CIO United Auto Workers strike at the South Bend plant of Bendix Aviation Corp., which has already stopped Nash assemblies. This plant also furnishes brakes for General Motors divisions, Packard and Hudson, and continuation of the strike could close both Packard and Hudson in a week or two, states Ward's Automotive Reports.

So far this year car production in the United States, according to estimates by Ward's, amounts to 1,387,817 units compared with 1,163,292 units a year ago and truck output at 413,633 compared with 450,730 units for the like period in 1948.

* * *

A decline of 35% was registered in United States exports of steel and iron products during 1948 as result of a rally in European output. The decrease amounted to 2,196,000 net tons from the previous year, the American Iron and Steel Institute announced on Monday of this week. The 4,680,000 tons exported was 7.1% of total shipments compared with 10.9% in 1947.

* * *

On Friday, last, the Federal Reserve Board took the long-sought step that business has been clamoring for by a modification of "Regulation W" which cuts instalment credit down payments from 15% to 10%, effective April 27. In addition, the maximum maturity of instalment credit was increased from 21 months to two years.

Under the revised regulations, purchasers of automobiles will still be required to make a down payment of one-third the purchase price of the car. All goods costing less than $100 will be exempt from its provisions.

The Reserve Board's latest liberalization of "Regulation W" is the second such move within two months. Last March 7, it reduced down payments on everything but autos to 15% from 20% and extended maturities to 21 months from the previous requirement of 15 to 18 months.

* * *

Business failures continued to increase in March, rising 24% to 849, a postwar high. They were, however, about 300 below the total reported in prewar 1940 but almost 80% larger than in the comparable month of 1948. In fact, they exceeded those in any other March since 1942.

March failures involved total current liabilities of $97,444,000, a volume exceeded only twice on record, in October, 1948, and April, 1932. One exceptionally large casualty inflated the liability total, but excluding this $55,000,000 failure, liabilities were the largest in any March since 1933. These liability reports do not include any figures to represent the value of offsetting assets.

* * *

Brisk Easter shopping in the few days before the holiday was instrumental in raising the dollar volume of retail trade moderately above the level of the previous week. Total consumer purchases were slightly above those of a year ago with demand continuing to center on moderately priced goods.

As many buyers strove to replace dwindled stocks, the total dollar volume of wholesale orders was maintained at a high level; it was very moderately above the level of the similar week a year

(Continued on page 37)

Advocates Return to Gold Standard

N. Y. Board of Trade supports Reed Bill providing for gold coin standard at $35 per fine ounce.

Advocating a return of the Gold Coin Standard, the New York Board of Trade reports that it has notified Congressman Daniel A. Reed, of its support of his measure, (H. R. 3262), providing for a gold coin standard at 35 non-gold dollars per ounce of fine gold.

Directors of the Board at their last meeting, received a report from George F. Bauer, who represents the International Trade Section on the Board's directorate.

Explaining the Board's position, Mr. Bauer said, "This subject has been under intensive study by the Directors of our Board for many months past. The Directors had both sides of this question presented to them by the ablest exponents. We, in the Board, supported an effort in this direction in the last Congress, and therefore, continue to support it in the Bill now introduced by Congressman Reed.

"It is a curious spectacle to observe that gold of 9/10th fineness is quoted in our non-gold dollars at d i f f e r e n t prices throughout the world whereas our money is supposed to be stabilized at a fixed quantity of the precious metal. If our American dollar means anything in International Trade as well as to us here at home, it should have a fixed relation to gold and there should not be one price in European capitals, a different price in South Africa and still a different price in Asiatic financial centers.

"The United States should take the lead by its example in encouraging all nations to provide their currencies with stable values in gold rather than making them subject to the political maneuverings within the nations.

"As we go forward to help rehabilitate a devastated world, it becomes increasingly necessary for us to facilitate the exchange of goods between nations and an important instrument toward that end are currencies of which the c o m m o n denominator, understandable anywhere, is gold."

Joins Brainard, Judd Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Alden C. White is wih Brainard, Judd & Co., 75 Pearl Street.

Business—Factor in American and World Development

By HON. CHARLES SAWYER*

Secretary of Commerce

Commerce Secretary reviews prominent place of business in settlement and upbuilding of America, and points out present role of U. S. as leading credit nation in providing worldwide economic development. Explains implications of "Point Four" in President Truman's "Bold New Program," and stresses need of cooperation of private business and government in substantially increasing investment activities of American citizens in other parts of world.

We celebrate here today a memorable event in American history. Three hundred and forty-two years ago a group of 104 men in three ships made a landfall at Cape Henry after sailing for 128 days across the wintry seas of the Atlantic. Although not the first arrival by colonists on the shores of what was to become the United States, this was the first landing that was destined to result in a permanent English settlement. All of us have read the story of Captain Newport and Captain John Smith. We have been profoundly moved by the struggles of the colonists against the perils of hunger, disease, bad weather, and death at the hands of the Indians. We have heard about their political and religious ideals, the shrewdness and courage of Captain John Smith, the despair that seized some of these voyagers and started them on their way back to England, the timely arrival of supplies and other settlers which give them the courage to begin anew.

Charles Sawyer

In telling this story, however, few historians emphasize the fact that these early settlers were, for the most part, financed by businessmen who were risking their fortunes, while these adventurers were risking their lives, on highly uncertain, but potentially profitable business ventures. The basic urge was to make a fortune in the New World.

Queen Elizabeth had been dead for three years when Captain Newport's trip to the New World was organized. During her reign England had begun to realize its strength. The poetry of the time is full of brave words and big new ideas. A character in one of the popular Elizabethan plays says, "Be free, all worthy spirits, and stretch yourselves." The English felt strong, especially after the defeat of the Spanish Armada, and they were, in fact, stretching their muscles and their minds.

*An address by Secretary Sawyer at Memorial Service in Tribute to First Landing of Permanent English Settlers at Cape Henry, Va., Cape Henry, Va., April 24, 1949.

The businessmen of the time, as well as the writers, scientists, and explorers, were experimenting with new ideas. They had discovered a new way to work together to take advantage of opportunities across the seas. No one man had enough money to do business with other countries on a big scale, but men were forming pools of money by organizing joint-stock companies. Two of the most successful were the Muscovy Company doing business with Russia and the Levant Company doing business along the shores of the eastern Mediterranean. The risk involved in the financing of a voyage to Constantinople or to the Spice Islands was too great for any one man to undertake; but by subscribing to the stock of a trading company, individuals could share the risks and the profits.

A Joint-Stock Company Settled Virginia

It was the formation of such a joint-stock company that led to the first settlement in Virginia. The company was called the London Company—later renamed the Virginia Company. A share cost twelve pounds, ten shillings. Each man who bought a share of stock was called an "adventurer." These "adventurers" met once every three months to talk over the affairs of the company, and each stockholder had a vote in choosing the board of directors.

In keeping with her long tradition of individualism, England chose to entrust her foreign economic ventures to her private citizens, assisting them in numerous indirect ways. At the same time that Englishmen as private citizens were investing their money in the development of new settlements in America, France and Spain were also exploring and developing the New World. The British methods, however, proved to be more effective. Even after England had lost her American colonies, London banks lent millions of pounds to help the United States build railroads, canals, and factories. Throughout the Nineteenth and early part of the Twentieth Century, British capital helped to push back frontiers and develop resources over all the world.

By the outbreak of World War I, British overseas investments amounted to about $20 billion, as much as the rest of the world combined. The other main sources of foreign capital at this turning-point in world history were France ($9 billion) and Germany ($7 billion). The foreign investments of American citizens at this time were estimated at about $3 billion—barely one-half of the amount of foreign capital we then utilized within our own borders.

World War I Changed Foreign Investment Pattern

The First World War and its aftermath changed this pattern. Much of the industrial plant of Europe was destroyed or damaged. France needed capital to rebuild its economy. Germany was changed from a large investor into a perennial borrower. Many investments were wiped out by the overthrow of governments or by runaway inflation.

In the decade that followed, American capital was called upon to finance the world with funds that would formerly have come from London, Paris, or Berlin. By 1929, the United States was second as a world lender only to Great Britain, accounting for about one-third of all foreign capital invested abroad.

Financial Power Shifted to U. S.

The Great Depression and a second world holocaust completed the shift of financial power from the Old World to the New. The economic strength of England and the rest of Europe has been s a p p e d, and the complicated machinery of international trade thrown badly out of gear. The actual devastation of war did not reach our shores. We were thus enabled to reap the fruits of the great technical advance our civilization had made, and to drive our production to the record-breaking levels required to fight and win the war.

Now, in time of peace, we produce most of what the rest of the world needs and wants, and we produce it abundantly. Many parts of the world need to share the secret of that abundant production.

In the President's inaugural address on Jan. 20, 1949, he recognized this need. He 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 underdeveloped areas . . . I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development."

Thus briefly but dramatically, the President sketched in rough outline a picture of practical idealism, breathtaking in the sweep of its possibilities and yet down-to-earth in its recognition of the concrete help we can give some other countries from our great storehouse of technical knowledge and private capital.

It is interesting to note that the things which the President sug-

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From Washington Ahead of the News

By CARLISLE BARGERON

That was truly a tear-jerking story of Washington slums that went out over the country, with pictures, a few days ago. If any impetus had been needed for Senate passage of the Taft-Ellender-Wagner housing bill, it would have given it. The story probably will give the needed push in the House where the bill was stymied in the 80th Congress.

Carlisle Bargeron

Within a "stone's throw" of the Capitol, so the story went, in a land of plenty, the best of all lands, people were found to be living in "shacks" without benefit of indoor toilets. In the accompanying pictures there were five Senators right there looking at the squalor, appalled that such conditions could obtain under the Stars and Stripes.

The only thing wrong with the story is that Mrs. Roosevelt gave it wide and intensive publicity long before the war; it was revived in a spectacular way a good five years ago and a good $100 million has been spent towards eradicating it, or rather towards slum clearance in Washington. In the country as a whole, untold millions have been spent in recent years for slum clearance. The T-E-W bill appropriates additional millions. As I have reported before in this space, the slums, in spite of this spending of millions, have not been eliminated and I am quite sure that long after the spending of the T-E-W millions, they will still be with us—for picture purposes and for visits of heart-bleeding Senators.

What has happened all over the country, as the investigators for the House Appropriations Committee found out last year, is that instead of tearing down the slums, the local authorities built new housing projects on other sites. In the years of housing shortage, it would have been ridiculous, in fact, to tear down anything in which people could and wanted to live.

However, I have come to be pretty casehardened to these things. What concerns me more is the possible effect this legislation, together with his advocacy of health legislation, may have upon the political career of Senator Taft. To my mind, this should be the concern of every Conservative American.

There is no doubt that this bending to the Left on the Senator's part, as it is being interpreted, rightly or wrongly, has not done him any good in Conservative quarters and despite the claims of the Liberal pundits, I don't think it has picked him up a single vote among "independents," and certainly it hasn't from among the Leftists.

The arch Conservative Joe Grundy of the Pennsylvania Manufacturers' Association remarked feelingly to a group on the eve of the last Republican National Convention that "Taft is a Socialist." This is laughable, but it is a fact that the Dewey forces had sold the old man on this idea with a view to getting the convention support of the bulk of the Pennsylvania delegation.

But as bearing on his fight for reelection in Ohio next year, Taft's recent scolding of his Republican colleagues for not warming up to his housing and health proposals left a lot of scars. He received the plaudits of the so-called Liberal Republicans and was warmly praised by the "liberal" Eastern press. The New York "Times" and the "Herald-Tribune" had the first kind word to say about him in many moons. They have in the past been quite impatient towards him because he does not have the "global" mind of Vandenberg and it is my guess that they will be right back on his neck when he makes another effort to shave even as much as five cents from ECA funds.

The question is whether in the battle of his political life next year he may not find himself receiving less than enthusiastic Conservative support when he is certain to be up against an all-out campaign of Labor and "Liberals." In the knock-down-and-drag-out affair it is to be, he will need such a support of the Conservatives, or, indeed what might be called the "decent" element to pull him through, as few men have ever needed before.

He has his rivals in the Senate, of course—members of his own party. There are among such a collection of individualists as Senators are, many who resent his leadership, who think that leadership should be theirs. They are rejoicing just now over a letter which a former warm supporter of Taft's has written him to the effect that he has been found to have clay feet and which the writer has circulated among the Senators. Men of this mind would like nothing better than to see Taft eliminated from public life next year.

They are very foolish men. I can't imagine any greater calamity the Conservative cause or the Republican Party could suffer. Taft is the symbol and his defeat, you may rest assured, would not be attributed to the lack of Conservative warmth towards him because of his advocacy of the health and housing measures. Full credit would be taken by and given to the Leftist group. It would have a tremendous impact upon the country.

Taft's explanation of his espousal of this "liberal" legislation, incidentally, is reasonably logical. Always, he explains, we have recognized that one-fifth of our population has to be assisted. This is, of course, a fact. There has always been free medical attention and free food and lodging for those needing it. His housing and medical bills are simply recognition of the fact that this charity has moved to the Federal level. But he wants to confine the Federal Government's part to furnishing the money. Frankly his two bills are an exaggerated concept of what should be done for this one-fifth. With this possible slip from Conservative grace, however, he is so far above his colleagues, of any stripe, that I am for him 100%.

Prefabricated Houses

By ROGER W. BABSON

Mr. Babson sees good factory built houses as real solution of holding down building costs. Scores labor leaders and building codes as instrumental in making new houses expensive. Says present idea each family must build a different house is crazy.

Government building of "millions" of new homes by local carpenters and bricklayers, is not the solution of the housing problem. In fact, such a forced program would cause both labor and material costs to go even higher, and hence further check private building.

Roger W. Babson

The real solution lies with good factory built houses. **What Holds Back Building Costs?** The answer is twofold: (1) Local labor leaders are responsible for the high costs and poor quality of new houses by limiting the hours of work and the amount of work done; (2) the public is responsible for thinking that every family must have a custom-made house built by local labor.

Labor leaders and building codes have been instrumental in making new houses expensive. These codes make the building of a prefabricated house, with electric wires and plumbing pipes all installed, impossible. These cannot be inspected by local politicians, as they are hidden in the cement studs. This prevents the erection of factory-built houses which are our only hope.

Cellars and Inspectors

The original purpose of a cellar was to serve as a place to keep vegetables, fruits, cider, etc., free from freezing during the cold winter. Then, when coal stoves began to be installed, the cellar was used to store wood and coal. Now, with oil and gas heating, these cellars are no longer of use On thousand five hundred dollars can be saved by forgetting them. Two thousand five hundred more can be saved by the use of modern building codes, and reasonable building inspectors.

At last, building inspectors and old-fashioned codes have run afoul of the big shots of the labor movement. Hence, for the first time I see a real chance of John Q. Public getting a better house for less money. This is a most important event and has great possibilities.

Reuther's Revolutionary Suggestion

Here is what Walter P. Reuther, President of the United Auto Workers, said in Detroit, Feb. 11: "The housing industry is the most antiquated in the country. It is not able to provide the necessary housing to meet the demands of the 500,000 new families created annually. The answer to the whole problem is mass production and use of the men and ideas which carried the country through the war.

"We have the know-how to split atoms and make a plane which can go 600 miles per hour, but that know-how never has been applied to housing. I propose the establishment of a National Authority to handle conversion of certain idle airplane plants to make prefabricated houses, and at the same time keep personnel trained in aircraft production. Construction labor would not suffer from the mass production. Instead, it would be relieved of the fear of seasonal unemployment."

Houses vs. Automobiles

Mr. Reuther's statement especially interests me because of his connection with the automobile industry. I have always claimed that the automobile engineers and manufacturers hold the key to the solution of the housing problem. The heretofore prevalent idea that each family must build a different house is crazy. This is one reason why bricklayers, carpenters, electricians, and painters have us by the throat.

Of course, houses should not all be alike any more than are automobiles. Houses should be different sizes, differently arranged, and different colors; **but so are automobiles.** I am told that over 100 different automobile models are on the market today in 12 different colors. Certainly, we all should be able to select a house which suits us from 100 different designs in 12 colors.

Carpenters Need Not Worry

There still will be plenty of repair work and remodeling to keep local carpenters and painters busy. Therefore, to have Mr. Reuther, the President of one of our most powerful labor unions, come out in favor of factory built homes is a tremendous event. If he will fight for this program, as he fought for others, the housing problem will soon be solved.

Jay N. Whipple Named

Jay N. Whipple, partner of Bacon, Whipple & Co. of Chicago,

Jay N. Whipple

has been proposed for Board of Directors of the Thor Corporation, to be voted upon at the company's annual meeting May 26.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

John A. Richards has become affiliated with Paine, Webber, Jackson & Curtis, 364 North Camden Drive. He was previously with Buckley Brothers.

Progress of European Recovery

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

Asserting progress toward European recovery has been encouraging, Secretary Snyder stresses improvement in internal finance and fiscal policies of Western European nations. Points to decline in inflationary trends, but warns task of monetary stability is difficult and European nations must increase exports by lowering exchange rates and thus making their goods cheaper in dollars. Looks for greater U. S. investments abroad and calls for reduction of trade barriers.

The progress of economic recovery in Europe is a matter of vital importance to you officers and representatives of the Federal Reserve Banks and to the business community as a whole. In dealing with this question today, I do not propose to discuss the techniques of procurement and the banking operations with which you are familiar. I propose, instead, to look at the subject from the broad viewpoint of what has so far been accomplished, and what we can expect in the course of the next 2 years.

John W. Snyder

The American aim is to assist in bringing about that degree of economic and financial stability in Europe which will make possible a return to normal international financial relations, in which chief reliance for capital investment will be placed on the private market.

Thus far, progress toward economic recovery in Europe has been encouraging. When the program started in 1948, production in Europe was still behind prewar levels. The financial situation was, to say the least, disquieting. Many of the European countries were suffering from grave inflation, and there appeared to be little immediate prospect of arresting it. Fiscal problems were serious, and makeshift solutions only added to the existing disorder.

Of equally grave import, the political situation was far from favorable. Communists sought to interrupt production in order to spread distress and chaos in Europe.

Today, the threat of Communist sabotage to the recovery program is being met with the force of democratic power and determination.

Our combined efforts toward economic recovery and political peace have been intensified. Threats still exist, as you well know, but this last year gives us a basis for greater confidence in the future of Western Europe.

A notable increase in Western European production occurred during 1948 with total output of factories and mines 14% above the 1947 level and nearly equal to that of 1938. Favorable weather conditions helped to raise crop production considerably above 1947, although it was still below prewar levels. Output per worker increased as a result of larger supplies of fuel and raw materials, job training programs and more food for workers, but it had not yet returned to prewar levels in many industries.

Marked improvement also occurred in Western Europe's balance of trade with the outside world. Where as, in 1947, less than 40% of the participating countries' imports were paid for from the proceeds of exports, this ratio will probably exceed 50% during the fiscal year 1948-49.

Internal Finance Improved

In the field of internal finance, the situation has also improved measurably. There has been a healthy movement toward sounder fiscal policy. In many countries resolute efforts are being made toward balanced budgets. Of course, in some countries, much greater efforts must still be made. To finance governments by non-inflationary means has necessitated increasing the tax burden and, as far as possible, required the deferment of expenditures for objectives which could be postponed. And we all know how extremely difficult it is to cut expenditures where there are insistent demands upon government to repair the damages caused by war. In large part this work of immediate reconstruction has been completed. The tasks ahead remain formidable, and there are some questionable spots in the present economic picture, but on the whole, the European countries have faced the situation with courage.

With few exceptions, the rapid rise of prices has stopped. In the case of Italy and France, restrictions were imposed on the extension of credit by the commercial banks. Cutting down the volume of currency and rationing of bank credit were two methods of attacking inflation. The object was to reduce excessive demand for commodities by the use of financial restrictions while at the same time increasing those commodities in short supply. A relative stabilization of prices is making possible greater stability in all areas of the economy. With the European price spiral largely arrested and a measure of budgetary stability in prospect, the internal financial situation can form the basis of a sound international economy.

The European Recovery Program was not intended as a relief program, though we had to provide the foodstuffs and raw materials needed to tide the population over the postwar shortages resulting from the exhaustion of stocks, crop failures and the decline in international trade. The program is based on the belief that with assistance from this country, Europe will be able to stand on its own feet by 1952, provided that the European countries individually and collectively take the appropriate steps to cope with the problem of their Western Hemisphere deficit. Some of these steps are financial, some of them may involve a considerable reorientation of production and trade.

The period following the second World War has greatly aggravated the dollar deficit problem of the Western Hemisphere countries which existed as a very real problem in the inter-war period. European countries have traditionally bought more from the United States and other Western Hemisphere countries than they sold here. They made up the difference by their income from investments, by earning dollars for shipping services, and by earnings dollars through triangular trade with areas that had a dollar surplus on current account.

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*An address by Secretary Snyder before the Federal Reserve Bank Conference of Ninth District Bankers, Minneapolis, Minn., April 23, 1949.

What ECA Has Accomplished

By PAUL HOFFMAN*

Administrator, Economic Cooperation Administration

Mr. Hoffman, after explaining ECA funds are not given gratis to western European business concerns, recounts progress of European Recovery Program. Tells how Kremlin's drive in Europe has been accomplished by use of Fifth Column, and not by risk of costly war. Gives data of Western European progress under ECA aid and stresses importance of establishing convertible currencies to overcome trade barriers and resumption of normal trading. States reasons why ECA should be continued.

It is a very great privilege for me to speak to you. I accepted the invitation with pleasure—in the first place, because it gave me an opportunity to thank you for the very fine support you have given ECA. The effectiveness of that support, I think is quite remarkably demonstrated in the vote which took place in Congress quite recently on the extension of the ECA act. That vote was 70 to 7 in the Senate and 354 to 48 in the House.

Paul G. Hoffman

But you mustn't get the idea that you are too perfect, because there is something you have not explained to the American public about ECA. You have not explained how counterpart funds are used.

This morning I met with a group of Englishmen who have been touring the country for a month. One of the Engishmen asked me: "Mr. Hoffman, why is it that everybody in America thinks that we foundrymen are being given equipment by the United States Government?"

Of course, I don't need to explain to you that they are not given equipment. When a foundryman needs equipment, what he does is go to his government, prove his need of equipment, and if he proves it he gets dollars for pounds. But he puts up the equivalent amount in pounds for those dollars. Those pounds are deposited in a special account that is spent for recovery purposes on the approval of the government in question and ECA.

That is why your front pages as well as your editorial columns have not been filled with stories about scandals in the use of goods sent from America. It is not because we are smart; it is because of that very wise provision of the law.

*Stenographic report of an address by Mr. Hoffman before the American Society of Newspaper Editors, Washington, D. C., April 21, 1949.

It is true that the money put up by the American taxpayer does find its way into the counterpart fund and is spent for recovery, but it is spent from a fund and on approval and doesn't go to individuals.

I know that explanation is unnecessary, but you will help us greatly if you are willing to get across the story of the counterpart.

I have no prepared paper. There are several reasons for that. The principal is that in this job of handling those rather large funds there is always a danger that it may make one a bit cocky. . . .

I read my testimony before the Congress after I had given it. I read it through and I said in every instance, "I cannot be as moronic as that. I don't split infinitives. I do know how to parse a sentence." But nevertheless, there they are in black and white. So when I read the transcript of these off-the-cuff remarks to you, I'll be put in my place. I'll be a humble American citizen, just trying to do a job—and that is extremely important.

I would like to start out with a statement about your business—which interests me. Not about my business, but about yours. The subject of newsworthiness.

The closer an event is to the home city of a newspaper, the more space is given the event. But, the further an individual gets away from the city, if he belongs to that city, the more space is given to his doings. I speak with some feeling because I have always been ignored in Washington but if I go abroad the papers are filled with my strange doings overseas and the impression is built up in Congress—it is dangerously built up—that I spend all my time on junkets. I have been to Europe three times since I took this job a year ago. I went around the world once. Just as a matter of informatiion my total time on those trips was five weeks. I have been in Washington more than 11 months, almost unnoticed while I am here. That trip around the world took 14 days. No one could possibly hope to see the trees on that kind of a trip, but perhaps you can see the forest, and the forest, to my way of thinking, is the drive that the Kremlin is making for world conquest. We read about it in your columns and editorials. But in Korea, China Japan, India, Syria, you don't need to read about it. You feel it. It is in the air. And I tell you that I believe that not since the days of Genghis Khan has there been as evil a force loose in the world as the force of this drive on the part of the Kremlin. You can't help getting a little emotional about it if you sense what it is doing to the people in other parts of the world.

It is too comfortable here. It is pretty hard to get excited when you are sitting down in a comfortable chair in a comfortable city. But it can't help but get right into your bones in these other countries.

The Kremlin's Drive

The Kremlin's drive for world conquest, it seems to me, comes from two directions. One, of course, is military aggression, and that is a third World War. That occupies much of our thinking and I don't know any way to prevent that except through military preparedness here and military preparedness on the part of the free nations of Europe. I do think if we prepare adequately in Europe and here that that third World War can be prevented, and I for one want to make it perfectly clear that I think it must be prevented. In other words, a third World War must not come because the consequences would be consequences none of us could take. If you think that one through, the answer is there must not be a third World War. Whatever we have to do to prevent that third World War's coming must be done.

Now the second threat—that of the fifth column activities of the Kremlin—is not a threat; it is a fact. In other words, Russia has

(Continued on page 38)

Current Standing of Poll on NASD

(Continued from page 3)

(6) *Should Maloney Act Be Repealed?:*

Favoring	636	or	64.4%
Opposed	269	or	27.2%
No opinion	83	or	8.4%

(RETURNS FROM NON-MEMBERS OF NASD)

Total ballots returned 192

(1) *5% "Yardstick":*			
Favoring	23	or	12.0%
Opposed	**148**	**or**	**77.0%**
No opinion	21	or	11.0%
(2) *Questionnaire for Reports on Spreads:*			
Favoring	20	or	10.4%
Opposed	**159**	**or**	**81.8%**
No opinion	15	or	7.8%
(3) *Examination of Books and Records Where Neither Complaints nor Charges Are Pending:*			
Favoring	10	or	5.2%
Opposed	**169**	**or**	**88.0%**
No opinion	13	or	6.8%
(4) *NASD Trial System:*			
Favoring	7	or	4.0%
Opposed	**176**	**or**	**91.1%**
No opinion	9	or	4.9%
(5) *Rule Forbidding Discount to Non-Members:*			
Favoring	6	or	3.0%
Opposed	**178**	**or**	**93.0%**
No opinion	8	or	4.0%
(6) *Should Maloney Act Be Repealed?:*			
Favoring	**152**	**or**	**79.2%**
Opposed	22	or	11.4%
No opinion	18	or	9.4%

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

We present now more of the comments (others appeared previously in our issues of April 14 and April 21) made by dealers relative to question No. 4 which appeared on the reverse side of the ballot and is reproduced herewith:

"(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?"

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.

NEW YORK CITY

In our opinion, the 5% mark-up rule has definitely restricted the market for securities of smaller corporations. We know that it takes a lot of selling to interest an investor in purchasing the stocks of such corporations and unless there is an extra incentive in it, the salesman is going to take the line of least resistance and talk about the stocks of larger and better known corporations although in many cases the stocks of smaller corporations may be a far better purchase. This also has its effect on the ability of smaller corporations to do financing because a great many dealers and salesmen and customers are discouraged by the after-markets on the stocks of smaller corporations, which are sold orginally with a substantial commission but where it is impossible to obtain interest from the salesman when he can no longer make what he considers an adequate commission for the work involved.*

PHOENIX, ARIZ.

Good, if any.*

SMALL CALIFORNIA TOWN

None.

LOS ANGELES, CALIF.

Murderous.

LOS ANGELES, CALIF.

Personally, I am of the opinion that a 5% mark-up is adequate compensation and do not believe that a larger mark-up would make for a better market for the securities of smaller corporations. It would simply widen the market quotations.

LOS ANGELES, CALIF.

It greatly limits the smaller companies from obtaining adequate capital. Under present inflated conditions, a great deal of which will remain with us, our business should be able to charge enough to make a reasonable profit. Pricing is a fundamental under competitive free enterprise and should not be regulated in an industry.*

*Commented anonymously.

(Continued on page 34)

Possibilities of New Foreign Lending

By DR. MAX WINKLER*
Bernard Winkler & Co.

Maintaining that foreign lending is indispensable to foreign trade and our domestic prosperity, expert declares it has been unduly discredited because of over-publicizing of exceptional past abuses. Dr. Winkler advocates specific safeguards other than U. S. Governmental guaranty, in order to build investor appeal anew. But above all, the international political climate is the crux.

America's economy is dependent upon foreign trade.

Foreign trade is dependent upon our ability and willingness to extend credits and loans to foreign countries, political subdivisions or corporations. The foreign loan, in the view of competent observers, is the *sine qua non* to foreign trade.

Dr. Max Winkler

The correlation between foreign loans and foreign trade was proved abundantly by our experience covering the decade and a half beginning with World War I and ending with the world economic crisis late in 1929. During this period loans and credits extended abroad aggregated $17,612 million, an appreciable portion of which was used for refunding purposes. American foreign trade during the same period totalled $133,290 million. Assuming a reasonable profit on our foreign trade during the period in question, the total is sufficient to offset whatever losses may have been sustained by our investors abroad.

The principal reason why foreign investments fell into disrepute derives from the fact that a governmental body investigating foreign flotations stressed the adverse features of foreign lending and confined its analysis to those foreign bonds with respect to which there may have been irregularity or abuse. Even though the total of such loans represented an infinitesimal fraction of all our foreign loans, the fact that stress was laid upon these irregularly floated issues, was apparently sufficient to discredit all foreign lending.

New Issue Sale May Be Difficult

It is agreed that foreign lending is essential to America's prosperity, but in view of the attitude on the part of private investors, the sale of new foreign issues may prove very difficult, because of experience and adverse propaganda, without anyone in high places attempting to explain the former and counteract the latter.

Immediately after World War I, Americans speculated heavily in foreign securities, most of which were payable in internal currencies. The losses were huge, due to the collapse of these. It has been estimated that losses sustained by Americans through the purchase of marks and mark loans alone reached the stupendous total of two and a half billion dollars. As a result of these losses, resistance on the part of the public to buying new foreign securities was very great. It was felt that the two great obstacles to foreign lending, or rather the successful placing of foreign bonds were: fear of war and depreciation of exchanges.

New Clauses

To overcome the above hindrances, the banking fraternity resorted to stipulations which would eliminate, at least in theory, these difficulties. Virtually all the foreign loan contracts contained, *inter alia*, two clauses, one of which was to the effect that in the event of war, payments would continue to be made to all holders, irrespective of nationality. The other clause provided that payments would be made in U. S. gold dollars of the weight and fineness at the time of the loan. There is no doubt that the response to new foreign issues was to some degree due to the introduction of and to the investors' reliance upon these clauses.

The Second World War Situation

When World War II broke out, the clause about payment to investors, regardless of nationality, was conveniently ignored, and when the United States and other important countries dropped the gold standard, payment in gold was also, in the main, forgotten.

In order to appeal to the investing public anew, it will be necessary to do something more effective than was done after World War I. Many debtors who were unable, or unwilling to meet payments, argued that the default was caused by their inability to obtain dollars. In order to overcome this point, I would suggest that with new offerings of foreign loans, a stipulation should be made that payment would be made in U. S. dollars, or in the event that a debtor should be unable to obtain dollars, in native currency at a rate in terms of dollars, no lower than prevailed at the time of the loan contract. It further should be stipulated that such native currency should be available to the creditor or anyone designated by him, without any restrictions whatsoever. It should also be stipulated that such native currency would be accepted at full face value in payment of taxes levied by the debtor government or political subdivision.

U. S. Guaranty a Mistake

I believe it would be a mistake to insist that new foreign loans carry a guaranty by the U. S. Government. The less the government participates in business the better will be the economy of the country, in the long run. Furthermore, government guarantees are fraught with danger politically: A private banker may reject an application for a loan with impunity. A government may not be able to do this.

I am also of the opinion that setting aside specific securities such as customs and other revenues or assets are of little value. An obligation of a government is as good or as bad as that government's promise to meet it. However, I would suggest a stipulation in new foreign lending, especially in undeveloped or underdeveloped countries, which is bound to have an appeal to the enterprising American investor: The sponsors of foreign loans should devise what I would term a Prosperity Index which would take into account various economic, financial and social factors. The obligations would carry a certain specific rate of interest more or less in line with monetary rates, but would pay an additional amount, representing a percentage based upon the Prosperity Index.

I believe with the above safeguards and stipulations, foreign lending in new areas as proposed in point IV of the President's Inaugural Address, would be not only feasible but successful.

The most important factor to consider is the general international atmosphere, or as some call it, climate. So long as serious tension continues in the world and so long as there is fear of an impending catastrophe, the situation will not be conductive to the successful marketing of international securities, however attractive and protected. If the government is genuinely serious about the successful application of point IV in the President's Inaugural Address, steps will have to be taken to eliminate or reduce to a minimum the prevailing fear over new international disasters.

*A talk by Dr. Winkler before United States Associates, International Chamber of Commerce, New York City, April 22, 1949.

Schwanz & Co., Inc. Formed in Illinois

(Special to THE FINANCIAL CHRONICLE)

AURORA, ILL. — Schwanz & Co., Inc., has been formed with offices at 104 Fox Street to engage in the securities business. Officers are Fred W. Schwanz, President; Emil O. Schwanz, Vice-President, and Fred D. Schwanz, Secretary and Treasurer. Emil O. Schwanz was formerly Vice-President of Slayton & Co., Inc. Fred D. Schwanz was with William H. Flentye & Co.

Also associated with the new firm will be John M. Weiss.

Adams & Campbell With Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Albert B. Adams and Kenneth E. Campbell have become associated with Shields & Co., 510 West Sixth Street. Both were formerly with Buckley Bros.

Two With Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Carl B. Ruble and Andreas A. Schell have become connected with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Ruble was previously with Bartling & Co.; Mr. Schell was with G. Brashears & Co.

Mutual Funds

By HENRY HUNT

First Quarter Sales 25% Ahead of Last Year

During the 1st quarter of '49, gross sales of mutual funds amounted to $78,800,000, 25% above the $62,600,000 total reported for the 1st quarter of '48. Furthermore, net sales as a result of decreased redemptions ran some 50% ahead of the same period last year. In sharp contrast, the number of shares traded on the New York Stock Exchange **declined** nearly 5% during the same periods.

As of March 31, 1949, net assets of 80-odd leading mutual funds amounted to $1,562,000,000 as compared with $1,443,000,000 a year ago.

Nearly all types of mutual funds have reported improved sales so far this year with balanced funds showing the largest increase on both a dollar and a percentage basis.

In recent months, more and more member firms have decided to get aboard the mutual fund "band wagon." It looks as if their motto is, "Better late than never."

The Formula Method of Investing

It is a well known fact that the average investor is prone to buy stocks after an extended rise in the market and to sell stocks, or take no action, after an extended decline.

"Common sense dictates that he should do the reverse. But emotionalism, the lure of quick profits on the one hand and the fear of further losses on the other, has far more effect on investment decisions than most of us are willing to admit.

"Even among professional investors, trustees, managers of estates and the like, the emotional factor exists—although to a lesser degree than with the average individual.

"Some years ago the idea of formula plan investing was worked out to eliminate this human frailty, the emotional element that tends to warp the judgment of even the most experienced investors.

"During the past decade, formula plan investing has been successfully used by the managers of large endowment funds such as those of Yale, Vassar, and Oberlin and also as an aid in the investing of many institutional funds. Likewise, many individual investors have discovered a new feeling of relief and security through the utilization of formula investment. Today, it is generally accepted as one of the soundest ways to conserve capital in declining markets and to augment capital during advancing markets of major proportions.

"While no formula plan obtains the maximum profit possible in a major market cycle, over a period of years such a plan should produce far better results than the average investor obtains either through a 'buy 'em and hold 'em' policy or through trying to pick the tops and bottoms of market swings."—Quoted from a **National Securities and Research Corp.** folder.

Corporate Assets vs. Stock Prices

"The lowly value at which the market currently appraises corporate earnings and assets is again illustrated by the following table which shows certain issues currently owned by Selected American Shares which are selling at prices at or below the amount of earnings plowed back in the past 10 years. As Interstate Department Stores has not yet reported 1948 earnings, the Interstate figure contains an estimate for that year:

Stocks	1938 Mean Price	10 Year (1939-1948) per Share Earned	Paid	Plowed Back	Recent Price
Atchison	33½	$145.86	$47.00	$98.86	93¼
Canadian Pacific	6½	18.56	6.00	12.56	12¾
Foster-Wheeler	20¼	45.07	5.25	39.82	24½
Great Northern	21½	73.35	21.00	52.35	39⅜
Illinois Central	13½	92.26	----	92.26	27
Interstate Department Stores	12	33.05	10.70	22.35	19¾
Lockheed Aircraft	21¾	43.98	15.00	28.98	21½

"Time alone will tell whether corporate assets are currently on the bargain counter. Currently, however, it may be said with considerable assurance that bargains are much less convincing in other sectors of the economy."—From "These Things Seemed Important," issued by **Selected Investments Co. of Chicago.**

Market Outlook

"In the present instance the investment outlook is unusual in that, although the trend of general business activity is downward, most of the other factors, including a number which have depressed investors over the past several years, seem to be changing in a favorable direction. The investment situation thus boils down to a low price level and a favorable trend in the non-business factors on one hand against probable contraction in business and earnings on the other.

"A temporary business decline is likely to have little effect upon the longer-range earnings outlook of well managed companies in sound industries. In fact, a situation which is **temporarily** unfavorable sometimes presents very attractive longer-range investment opportunities. **In most depressions in the past the best time to purchase common stocks has been a few months after the start of the general business decline. Even in such an unfavorable year as 1907 this held true.**

"While the numerous uncertainties obviously call for continued caution, the longer-range outlook, in our view, contains more strongly favorable possibilities than it has for several years."—An excerpt from **Axe-Houghton's** "News."

"Wall Street Doesn't Sell Stocks"

"Fortune" ran an article in the April issue under the above title. It serves to underline the increasing public interest in the investment trust industry. Describing the difficulty of selling common stocks to individuals in the lower income backets, it reads:

"Many people sincerely believe that equity investment is by nature too speculative for the low-income investor. Emil Schram, for example, last year said: 'It has been our objective to encourage the smaller investor to buy U. S. Government bonds where risk is

Prominent Personalities

(16th of a Series)

WILLIAM A. PARKER
President, Incorporated Investors

William A. Parker, a "Proper Bostonian," was one of the pioneers in the open-end investment company business. In 1925, when he was a salesman with a Boston brokerage house, he joined a small group of men to organize Incorporated Investors. Parker's Boston background, in particular his work with the administration of the Ames' Estate, had made him very familiar with the work of the Boston Trustee. This peculiarly Boston institution, with its tradition of responsibility, prudence and care for the preservation of purchasing power through common stocks, established the philosophy of the early investment companies in this country.

William A. Parker

Looking back, now that the assets of open-end investment companies have topped a $1½ billion, Parker is proud to have been a pioneer in the creation of the goliath which the business has become. In the early days, when the portfolio of his company consisted of investments of not over 100 shares in each of 16 companies, today's list of more than **$60 million** in nearly 90 corporations would have seemed almost inconceivable. In those days Parker was tramping the streets all over the country selling the mutual fund "gospel" to anyone who would listen. Ever since his company has reached maturity, however, he has devoted his time principally to management.

In the tradition of most Boston trustees, outside responsibilities weigh heavily on his "spare" time. Until recently Chairman of Disaster Relief for the city (his most tragic assignment, the Cocoanut Grove fire in which 498 perished), he is now Vice-Chairman of the Boston Red Cross. He is also a member of the board of managers of the Massachusetts Eye and Ear Infirmary and a trustee of The Provident Institution for Savings. In his home town, North Easton, he has served for many years as financial advisor for public funds, such as those of the Library, Schools, Highways and Church, etc. His directorships, past and present, include Commonwealth and Southern, Rayonier, Loew's, First National Bank of Boston, Fiduciary Trust Company and many others. In addition to these activities, he is a perennial candidate to head up fund-raising campaigns for Boston's numerous charities.

While these duties take up much of this time, Parker finds some time for recreation. He used to call himself a good second-rate golfer, but now prefers to sail the coast of Maine and the waters of the Bahamas in search of fish. The past year was an unusually successful one for him, piscatorially speaking, as he managed to catch several striped bass in northern waters and some elusive bone fish off Bimini.

At all times, Parker reads voraciously among financial and industrial reports and analyses. A firm believer in long-term capital appreciation as opposed to hunting for current income, he is always searching for growth situations. Highly conservative in politics, he is not conservative about the future of the mutual fund business. He believes that it is vitally necessary that the new owners of the country's wealth stake out an interest in the free enterprise system and that mutual funds are the logical place for their funds.

Grady, Berwald & Co. To Be Formed in NYC

Effective May 2, the business and personnel of Berwald & Co. will be consolidated with F. L. Grady & Co., Inc. and the firm name will be changed to Grady, Berwald & Co., Inc. Offices will be at 30 Pine Street, New York City. Officers of the new firm will be Edmond P. Rochat, President; Otto A. Berwald, Vice-President and Treasurer; G. Nelson Mergott, Vice-President and Secretary; and Frank L. Grady and Charles M. Kaiser, Vice-Presidents.

F. L. Grady & Co., Inc. was formed in 1933. Berwald & Co. was formed Jan. 1, 1944 as successor to Robert C. Mayer & Co., Inc. which had been established in 1915.

C. V. Converse Co. Formed

ALLENTOWN, PA.—C. Vaughn Converse has formed C. V. Converse & Co. with offices at 514 Hamilton Street, to engage in the securities business. Mr. Converse was previously a partner in Converse, Pokorny & Co. and in the past conducted his own firm in Allentown.

minimized.' Others, however, do not share Mr. Schram's extreme solicitude. Risk taking, they point out, is fundamental to capitalism.

"One trouble, of course, is that the average man doesn't understand the fluctuating character of the purchasing power of money. He obtains an illusory feeling of safety from fixed-return investments and dollar savings. There is too, a lamentable lack of public understanding of stocks and the stock market. Too often the average man thinks of a stock only as something to take an occasional flyer in, something to gamble with. He doesn't think of stocks as a repository of savings—a way of participating in our corporate enterprise and national growth.

"How then can Wall Street reach the millions of prospering small capitalists of Main Street? No one would seriously suggest that brokers should hit the pavements and try to peddle single shares of A. T. & T. The high cost of such a method would have to be passed on to the customer, and the results would certainly prove disastrous. On the other hand it is becoming obvious that Main Street is Wall Street's last hope for keeping the necessary stream of equity capital flowing.

"Fortunately there is one way that ownership in U. S. industry can be sold to the little man fairly, profitably, and on a sound and tested basis. That way is through a device known variously as the open-end investment company or the mutual fund. Essentially this is a pool of money contributed by individuals who share in the profits resulting from its investment. The advantage to the small investor of such amalgamated investment is that he gets professional management for his money and does not have to put all his eggs in one basket. The advantage to the market as a whole is that some new blood is pumped into its woefully anemic body."—From the **Parker Corporation's** "Letter."

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York held its 13th annual dinner at the Waldorf Astoria Hotel on April 22. Pictures taken at the dinner appear in today's issue of the "Chronicle," starting on page 23. Arthur C. Sacco of Detmer & Co., Chicago, Ill., was awarded a Keller Motors Corporation Station Wagon.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles bowling league completed another highly successful season April 14 with a bowling Carnival and banquet. A special match between the top bowlers labeled the "Kreams" and the lowest average boys called the "Krums" resulted in the "Kreams" overcoming a 194 pins-per-game spot representing 100% of the difference in averages to win going away by 74 pins as they bunched strikes in the ninth and 10 frames of a final game.

The winning "Kreams" were: Scotty Stout, First California Co., Captain; Neiland Van Arsdale, Blyth & Co., Inc.; Bob Diehl, Dempsey-Tegeler & Co.; Bill Miller, Fairman & Co.; Bill McCready, Geyer & Co.; and Pete Brittain. The never-say-die "Krums" team consisted of Captain Forrest Chipley, Quincy Cass & Associates; Jim Fraser, Stern, Frank & Mayer; Jack Kelsey, Wm. R. Staats Co.; Al Walker, Floyd A. Allen & Co.; Joe La Puma, Barbour, Smith & Co.; and Bud Dorroh, Wm. R. Staats Co. Needless to say the "Krums" had the gallery support all the way.

Following the special match, a handicap headpin tournament was held with high-series winners being Bill McCready, first; Scotty Stout, second; and Nick Kirwan, Dean Witter & Co., third. High single game winners were Brooke Townsend, first; Bill McCready, second; and Nick Kirwan, third.

Adjournment to the University Club for dinner and entertainment was highlighted by presentation of awards. The champion team and receiver of the perpetual trophy was Bob Diehl; Joe Ryons, Pacific Co. of California, and Jack Kelsey, who finished five games in front. Hi-Season individual series was won by A. S. McOmber, Revel Miller & Co., with a 688 as Scotty Stout, owner of hi-season average of 179, took the hi-single game honors on his 242. The team hi-series and single game awards were both won by the McOmber-Johnson-Dorroh combine with 1,628 and 625 respectively. An appropriate special award was given to Forrest Shipley for consistency of accomplishment in face of extreme odds.

Bob Diehl, the league Secretary and keeper of the records, assisted by Joe Ryons, handled party arrangements and due recognition was made to Treasurer Bud Tuttler, Edgerton Wykoff & Co., who supplied sufficient funds to meet all expenses with a surplus.

Reports Decline in Plant Expansion Contracts

F. W. Dodge Corporation estimates 19% drop in 1st quarter of 1949, compared with previous year.

A decline in the rate of industrial plant expansion in the 37 states east of the Rocky Mountains during the first quarter of the year was reported April 21 by F. W. Dodge Corporation, a fact-finding organization for the building industry.

Contracts for manufacturing buildings awarded in the eastern sections of the United States aggregated $147,605,000 in the first three months to reflect a 19% drop from the total of $181,240,000 reported for the corresponding period of last year. The figures do not include machinery or equipment used in manufacturing.

The decline was attributable to sharp drops in the rate of awards by the chemical, food products, and textile processing groups, and by declines in the iron and steel, lumber and woodworking mechanical groups.

All other major processing and mechanical industries showed increases in building contracts awarded.

Awards in the paper and pulp group, among petroleum processing and refineries, automobile and aircraft industries, and in the stone, clay and glass products industries were up substantially.

Agricultural Prices, Plant Expansion and the Economic Outlook

By LOUIS H. BEAN*

Office of the Secretary, U. S. Department of Agriculture

Government economist asserts stable and rising economic level requires assurance farm income will not collapse, and businessmen change plans for cutting down capital expenditures. Maintains in relation to normal prosperity requirements we have shortages in steel capacity, power, fertilizer, and other basic materials.

The economic outlook is bound up with two of the most unstable factors in the economic cycle, agricultural prices and industrial capital expenditures. For the immediate future, both of these factors suggest substantial stability in total employment and purchasing power. For the long run, the maintenance of a stable and rising economic level would require making sure that farm prices and income do not collapse under abundant production, and that businessmen either alter their present plans to bring capital expenditures down by 40% in the next five years or encourage offsetting expansion in other parts of the economy.

Louis H. Bean

The course of agricultural and industrial prices during the past year or more has followed the pattern of 1920, but not with the intensity that brought on the 1921 depression. Since V-J Day, in 1945, prices have moved in about the same way as they did after the 1918 armistice, allowing for a longer time interval after World War II, but the agricultural price support program and the large and relatively stable Federal budget are reasonable assurances against another drop in agricultural prices this year such as we experienced in 1948.

*A talk by Mr. Bean at the forum of the Modern Industrial Bank, New York City, April 20, 1949.

Prospects for Farm Income

Farmers' plans for sustained acreage and livestock numbers and intentions to feed a record stock of corn to meat animals point to the maintenance of the record high level of farm output. Consequently, farm purchasing power this year will be determined by the level of farm prices. The Bureau of Agricultural Economics has just estimated that with lower prices in prospect, farm cash income for 1949 may be about 10% under that of 1948—$27.5 billion compared with $31 billion in 1948.

Business executives have reported to the Department of Commerce and the Securities and Exchange Commission that they plan to spend on new plant and equipment an amount only 5% below the 1948 record of $19 billion, the larger part of this curtailment being planned for the last half of 1949. These expenditures are of course predicated on the expectation that sales will average this year about the same as in 1948.

If farm cash income can be kept at about the $27 billion level and business expenditure for new plant and equipment at $18 billion, the national income could be expected to stay above $200 billion (compared with $224 billion in 1948). While farm cash income and business capital expenditure are not strictly comparable since farm cash income represents a combination of both farm expenditures for both capital and consumer goods, the two may be combined to show their basic relation to the national economy in prosperity years. For example, in 1929, when farm cash income amounted to $11.3 billion and business capital expenditure to $9.2 billion, the national income was $87.4 billion, or 4.3 times the combination ($20.5 billion). In 1930, national income was 4.5 times the combination, and in 1936 and 1937, the ratio was 4.8 and 4.7, respectively. In 1948, with farm cash income at $31 billion and business capital expenditure at $19.2, the national income of $224 billion was again 4.5 times the sum of the farm and business figures ($50.2 billion). These stable relationships under comparable conditions of full employment point up the basic interdependence between agriculture and industry. Farmers have a vital interest in a high and sustained volume of industrial capital investment and business has an equally vital stake in prevent-

(Continued on page 39)

Canadian Securities

By WILLIAM J. McKAY

The natural economic tide continues to exert increasing pressure on the artificial barriers which permit the maintenance of wartime restrictions and overvalued currencies. In spite of the obvious trend and efforts in many directions to liberalize world trade and foreign exchange, the British system of bureaucratic controls still constitutes an apparently insurmountable obstacle.

As in the case of Canada it has been possible in the past to advance a logical case for the maintenance of the existing currency parities and *ipso facto* the continuance of supporting restrictions and controls. Canada moreover did not hesitate to raise the parity of the Canadian dollar when the economic trend suggested an accentuation of inflationary pressures; when the tide has turned clearly in the opposite direction however, suggestions of similar corrective action meet with official disapproval. During the period of the seller's market British denials of sterling devaluation were backed by logical economic arguments which were uncontradictable at that time. It was stated, however, that in the event of the disappearance of the seller's market the question of currency adjustment would receive further consideration. This change has now taken place and was officially acknowledged in a statement by the British Board of Trade that the problem was no longer one of production but of selling.

Further recognition of this fact is evidenced by the recent price-cutting of British automobiles—Britain's leading export—in an effort to meet increasing competition in the world's market. For these reasons therefore Britain must consider the question of exchange adjustment. The only practical alternative would lie in the general paring of British export prices. This, however, is not an economic solution under present conditions in view of the British handicap of nationalized industries and the additional costs imposed by the system of elaborate bureaucratic controls.

Meanwhile other countries, notably Belgium and France, are taking devious steps to break the foreign exchange deadlock and thereby lower their own export price-level. Sweden on the other hand threatens to take direct action by formal devaluation of the kronor vis-a-vis the U. S. dollar only. In this event the overvaluation of the pound would be even more glaringly exposed.

At the same time there is mounting impatience here concerning the failure on the part of the countries which benefit from ECA assistance to promote conditions favoring a freer exchange of goods and currencies. To an increasing decree British adamancy on the question of currency adjustment stands out as the principal stumbling-block which bars the attainment of this objective. Moreover the British Commonwealth as a whole is not undivided in its views on this subject. South Africa openly advocates sterling devaluation in order to raise the price of gold. Australia expects to be able to avoid the action taken by New Zealand in raising the exchange parity, as a similar result would be achieved by Britain taking the initiative to devalue sterling. In the case of Canada, not only the gold-mining interests but also a large body of public opinion opposed the step taken by the Canadian authorities in placing the dollar at parity with the U. S. dollar.

In the event of a Conservative victory in the forthcoming Dominion elections, one of the first steps to be taken by the new administration would undoubtedly be the lifting of exchange restrictions and thereby permitting the Canadian dollar to find a natural level. Thus Canada might anticipate the logical sequence of events, and by taking the initiative might avoid subsequent enforced action as a result of the intolerable pressures set up by the chain-reaction of currency devaluations within and without the British Commonwealth.

* * *

During the week there was a continued state of inertia in both the external and internal sections of the bond market. The corporate-arbitrage after earlier firmness was subsequently weaker, but free funds, although the volume of turnover was small, were consistently steady. Pressure on the sterling futures in the New York free market and the possible influences of the imminent Canadian elections still exert curiously little effect on free funds and the Dominion internal bonds. The stock markets after a sharp decline following the break in New York staged a moderate recovery in later sessions. Basemetals displayed the greatest degree of weakness following a further cut in the price of copper. The golds on the other hand still met with investor demand at the lower prices.

Major Einstein With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Major B. Einstein has become associated with Merrill Lynch, Pierce, Fenner & Beane, 511 Locust Street. He was formerly a partner in Waldheim, Platt & Co.

William J. Anderson, Jr.

BOSTON, MASS.—William J. Anderson, Jr., will engage in a securities business from offices at 60 State Street. He was previously an officer of Anderson & Millett, Inc.

With Uhlmann & Latshaw

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Hanan A. Eisen has been added to the staff of Uhlmann & Latshaw, Board of Trade Building, members of the New York Stock Exchange.

Bache Co. Announces Expansion Move on 70th Anniversary

Bache & Co. has established a Syndicate and Securities Distribution Department with A. Glen Acheson as its director.

A. Glen Acheson

Harold L. Bache

The expansion move was announced by Harold L. Bache managing partner, at a special luncheon at the Bankers Club in commemoration of the firm's 70th Anniversary which will be observed Sunday, May 1.

Mr. Acheson, who has a record of more than 30 years service in he financial district, formerly was a general partner in Lazard Freres & Co. and F. S. Moseley & Co., prior to which he was an Assistant Vice-President of Chase-Harris Forbes Corp. Mr. Acheson served in the Navy in both World Wars, holding the rank of Commander in World War II.

"The entrance of Bache & Co. into this field marks a significant milestone in our road of progress," Mr. Bache said at the luncheon. "It is consistent with the long-established policy of the Bache organization to keep abreast of customer demands for a complete, well-rounded service.

"The establishment of this new department under the direction of Mr. Acheson further expands our activities into the important field of syndicate and security distribution. Our many thousands of customers who are engaged in various industrial pursuits and enterprises, are welcome to consult and discuss with us their financing problems."

Mr. Bache then touched on the history of the firm, tracing its background from its original predecessor, Leopold Cahn & Co., which was established on May 1, 1879 by Leopold Cahn, an uncle of Jules S. Bache, who joined the firm a year later as cashier.

On Jan. 1, 1892, Jules S. Bache—who had become a general partner—reorganized the firm as J. S. Bache & Co. Harold L. Bache joined the firm in 1914 and became its managing partner when the firm was reorganized in 1945 as Bache & Co., following the death of Jules S. Bache.

From its inception, the Bache organization has kept pace with the swift flow of industrial and financial expansion and has played a leading part in the growth of the nation's security and commodity business.

Today the firm has 17 general partners, and 3 limited partners. It maintains 40 branches with numerous correspondents, and holds memberships in the New York Stock Exchange and 23 other commodity and security exchanges. Abroad the firm has offices in Toronto, London and Paris, and a correspondent in Mexico City.

In closing, Mr. Bache said:

"As we face our seventy-first year, we say, in the words of Oliver Wendell Holmes: 'To be seventy years young is sometimes far more cheerful and hopeful than to be forty years old.'"

Britain Seeks Greater Exports to Dollar Area

By PAUL EINZIG

Dr. Einzig recounts British plans to increase her exports to dollar area so as to be in more balanced position when ECA ceases in 1952. Says British Board of Trade sets up special division to encourage and facilitate exports to North America and has dispatched special representatives to U. S. to stimulate sale of British goods.

LONDON, ENG.—One of the high points of the Budget debate was the declaration made by Mr. Harold Wilson, President of the Board of Trade, on the government's policy regarding Britain's exports to the United States and to Canada. There is but little hope that by the termination of ERP the currencies of countries in relation of which Britain has an export surplus would become convertible into dollars. For this reason it is of paramount importance for Britain to increase exports to the Dollar Area. To that end the government has adopted or is adopting a series of devices.

Dr. Paul Einzig

The government intends to let industry know the dollar export targets. The aim is to increase the grand total of exports to North America from $544,000,000 in 1948 to $720,000,000 in 1950. The Board of Trade will publish specific objectives for broad groups of commodities. During the past year this system of targets for production and exports worked reasonably well, and the knowledge of the figures aimed at does seem to provide a stimulus. It certainly provides a stronger incentive than mere exhortations that industries must do their best to increase their dollar exports.

What is more important, the government intends to give priority to exporters to North America in the matter of allocation of raw materials and other production facilities. In this respect the existence of controls has placed the government in a very strong position. Mere exhortations could be ignored by manufacturers tempted to sell to markets where highest profits could be obtained. In prevailing conditions such markets are mostly in soft currency countries; for it stands to reason that prices in such countries are relatively high—indeed, that is one of the causes of the "softness" of their currencies, so that British exporters can easily sell their goods at favorable prices. On the other hand, it is usually much more difficult to sell to hard currency countries where prices are relatively low. In order to be able to export to the Dollar Area, British exporters have to be content with relatively small profits. The diversion of exports from Western Europe or the Sterling Area to the Dollar Area entails sacrifice. Exporters can be forced to make that sacrifice if the alternative is a lower allocation of raw material supplies.

In order to eliminate administrative difficulties, a separate division has been created in the Board of Trade to deal with exports to the United States and Canada. This should go some way towards simplifying the task of exporters who had to deal until now with several government departments, involving much delay and inconvenience.

Four government officials have been dispatched to New York, New Orleans, Chicago and San Francisco. They will be concerned with promoting trade in their respective regions. Each of these consuls will be assisted by an experienced businessman. Through these and other channels the government will give exporters detailed information and advice regarding market prospects.

The government intends to be liberal in the allocation of the dollars required for initial expenditure in connection with the export drive to the Dollar Area. Hitherto it has been a fairly widespread complaint among businessmen that they have been handicapped in their efforts by the tight-fistedness of the Treasury. In future there will be dollars made available for market research, advertising, the establishment of agencies and selling and servicing organizations in the U. S. A. and Canada.

The President of the Board of Trade also promised special facilities by the government's Export Credits Guarantee Department. This department was set up some 25 years ago for the purpose of encouraging exports by insuring exporters against losses arising from bad debts. It has always been prepared to grant guarantees against risks which commercial insurance companies were not prepared to insure. Quite recently the resources at its disposal have been raised to £500,000,000. For the sake of earning dollars, the government is prepared to encourage exporters to assume certain risks.

The government and British industrial interests are fully aware that there is no hope for a really substantial increase of British exports to the United States unless these exports cease to be confined largely to luxuries. The aim is to find markets for goods of medium price and quality which could be sold on a large scale. The question is, to what extent will American official quarters and business interests tolerate such a penetration of British exports into what hitherto has been the almost exclusive preserves of American industries. Nothing was said about this aspect of the problem during the debate, but it was very much present in the minds of several official and unofficial speakers. It is fully realized that even a reduction of the American tariff wall would not in itself ensure that British goods would be welcomed. Among exporters with experience in trade with the United States there is a widespread fear of the "invisible tariff." In many instances American customs authorities applied very unfavorable interpretations of their regulations, as a result of which unexpectedly high tariff rates were charged, converting an anticipated profit into a dead loss.

British businessmen and officials recently in the United States are inclined to be optimistic about the possibility of a change of attitude in this respect. For they have encountered a new spirit among their American opposite numbers, a higher degree of understanding towards the difficulties of Britain and Western Europe, and towards the imperative need for balancing their dollar imports to a large degree with the aid of dollar exports. Even now the interests directly concerned in safeguarding the American market for American products are likely to put up a hard fight, but official circles in Washington realize that the alternative to admitting more European goods would be either cutting down exports to Europe or financing the surplus in some form of assistance after the termination of the Marshall Plan.

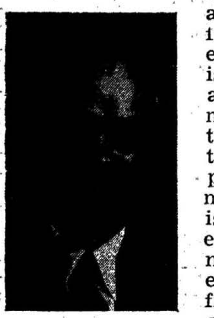
"When Would You Seek Equity Capital?"

By HARRY A. McDONALD*

Commissioner, Securities and Exchange Commission

Commissioner McDonald, in commenting on depression in stock market and the decline in new equity financing, lays cause in large part to reluctance of business corporations to sell new stock issues in present market. Calls this procrastination "a serious mistake." Stresses role of investment banker as counsellor to business on financial matters and advocates payment of larger dividends by corporations. Sees trend toward dependence of corporations on mass of people to absorb stock issues, and calls for fair treatment of new shareholders.

It is very easy to be enthusiastic when the market is up. I know the satisfaction that is experienced when a new issue goes out the window and then a strong demand pushes the price higher and higher. In such times customers are content and receptive; in fact, they sometimes seem almost grateful. The calendar of new issues is full, as management seeks to take advantage of the prevailing market optimism. There is enough business for everyone. Office overhead ceases to be a worry.



Harry A. McDonald

What a different picture when the market is down. The share turnover drops below the break-even point; new issues dry up as management hesitates to risk a market test of its securities. Business turns elsewhere for funds—to the banks, or to other credit sources. Expansion plans are curtailed and restricted to funds from internal sources. Public financing is a last resort, undertaken hesitantly, and through debt rather than equity. You can't meet office overhead with that kind of business.

We have been in such a period now for many months. Since the market break of Sept. 3, 1946, the market has kept in a very narrow groove. Since the first of this year the Dow-Jones industrial average has fluctuated in a range of only 10 points. Record high corporate earnings and favorable yields create not a stir. The relaxation of margin requirements last month, long urged as a partial panacea for industry doldrums, provided only a brief spurt of prices and volume. The market seems to treat any news, whether good or bad, as bearish. One wonders whether this is just the darkness before dawn, or whether it is the best that can be hoped for.

I am not a market prognosticator. The SEC has 1,137 registered investment advisors. I am not one of them. I don't know any better than you do if the market is going up or down or if it will continue on its present plateau.

Business Will Require Capital

I do know that regardless of what the market does, American business will continue to require capital in large amounts to replace and expand its plant. Our figures show that American business anticipates spending $18.3 billion on new plant and equipment in 1949. This is not much less than 1948's record $19.2 billion.

I also know that a substantial part of this vast sum will have to be raised through the sale of new securities. Last year American industry marketed $4.7 billion of new bonds and $1.2 billion of new preferred and common stock — a total of almost $6 billion of new money raised from private and institutional investors. We can anticipate about the same volume of new securities this year. We can also expect that the institutional investors this year, as last, will have about $3.5 billion of new funds to invest in corporate securities. They will continue to exert a strong attraction for debt financing and many corporations will succumb to that attraction. But the rest, almost half, will have to come from private investors. What form should this financing take?

For many years now the SEC has served as a sort of financial conscience—constantly putting in a word for the merits of equity financing. Except as to companies registered under the Public Utility Holding Company Act our efforts are necessarily limited to verbal entreaty. But we are not alone in this endeavor. As one commentator has pointed out, "Hardly a week goes by that someone doesn't write an article on some aspect of the problem of the 'shortage of equity capital'." Mr. Winthrop W. Aldrich recently, in speaking about the utilities phrased the issue this way:

"If there is a flow of capital—I do not mean debt, I mean equity capital—to the utilities they will exhibit the vigorous economic virtues that go with risk capital. If there is no such flow of equity capital to the utilities, they will be obliged to go further into debt and will run down hill not only in financial health but in their capacity to render those services to the public for which they are chartered."

At the SEC we do not make a fetish of any particular numerical ratio of debt to equity, but we do have touchstones—and we do insist, to the limit of our powers, on a balanced capital structure. A particular ratio which is healthy for one company may be inadequate or overly conservative for another. A certain amount of leeway and flexibility is necessary. The important thing is that there always be a sufficient equity cushion to withstand the shocks of the business cycle.

American industry, overall, has financed its postwar construction program on a highly conservative basis. Over two-thirds of its expenditures have come from internal sources—reserves and undistributed profits—which is, in effect, equity money. However, there has been considerable variation between industry classifications and among companies in the same industry. Industrials, on the whole, have very little debt. Only one of the major automanufacturers, for example, has any significant amount of long-term debt outstanding. Utilities, on the other hand, can properly handle a sizable proportion of debt in their capital structures. Their heavy investment in plant, relatively stable earnings, and long-term growth trend makes it feasible for them to undertake a certain amount of fixed charge financing. But even here there is a limit to the degree of inflexibility which

(Continued on page 41)

*An address by Commissioner McDonald before the Philadelphia Securities Association, Philadelphia, Pa., April 27, 1949.

NYSE to Receive Additional Nominees

The proposed amendment of Article VII of the Constitution of the New York Stock Exchange, to provide for a Nominating Committee consisting of six members and three allied members instead of three members and two allied members, submitted to the membership on April 8, 1949, having been adopted, a special election will be held on Monday, June 20, 1949, for the election of the additional three members and one allied member. This will require the Nominating Committee for 1949 to submit the names of additional nominees.

The Nominating Committee will hold an open meeting in the Board of Governors' Room on the Sixth Floor of the Exchange Building at 3:15 p.m. on Tuesday, May 3, 1949, for the purpose of receiving suggestions for the positions to be filled at the special election.

All members and their partners are cordially invited to attend this meeting to suggest candidates for the additional nominations. Those unable to attend may suggest candidates by letter. For the convenience of any members or partners who may wish to appear individually, the Nominating Committee will hold meetings on Thursday, May 5, and Tuesday, May 10. Appointments may be arranged by communicating with John C. Korn, Secretary of the Exchange.

As heretofore announced, the following have been nominated to serve as members of the Nominating Committee for 1950, and will be balloted on at the annual election on May 9, 1949:

Three members of the Exchange: Page Chapman, Jr., William M. Meehan, Mark C. Meltzer, Jr.

Two allied members of the Exchange: Joseph W. Dixon, W. Fenton Johnston.

No governor and no member of the present Nominating Committee is eligible for election to the Nominating Committee for 1950.

LETTER TO THE EDITOR:

Says TVA Furnishes Power To Atomic Energy Commission

W. L. Sturdevant, Director of Information of TVA, says it has contract to furnish 225,000 kw for Oak Ridge, with more to come.

Editor, The "Commercial and Financial Chronicle":

We have just read Carlisle Bargeron's column, "From Washington Ahead of the News," on page 7 of your April 7 issue, in which he claims that TVA power had nothing to do with the atomic energy project at Oak Ridge, Tennessee.

We would like to refer you to the "Congressional Record" of June 15, 1948, page 8357, in which a letter from Sumner T. Pike, Acting Chairman of the Atomic Energy Commission, states that AEC has contract with the TVA for 225,000 kw. of power, that the average load at that time was 211.000 kw., and that future developments or an emergency might result in a need for more than 50,000 kw. additional of TVA power and "possibly several times that figure." As a matter of fact, the AEC has recently announced a large expansion at Oak Ridge and in connection therewith has asked TVA to supply an additional large block of power. Of course, the fact that TVA did supply power for the Oak Ridge project was known long before this, the Army Officer in charge having made known immediately after the atomic bombs were dropped at Hiroshima and Nagasaki that one of the major reasons for the location of the Oak Ridge plant was the ability of TVA to provide a large amount of electric power on a fast schedule.

The fact that AEC built a steam plant of its own at Oak Ridge, for purposes we do not know except that you will note the reference in Mr. Pike's letter to "type" of power generated at the plant, certainly doesn't alter the fact that the Oak Ridge plant has from the beginning and does now depend upon TVA for large amounts of electric power.

TENN. VALLEY AUTHORITY.
W. L. STURDEVANT,
Director of Information.

Knoxville, Tenn.,
April 21, 1949.

Savings Bank Bond Men Elect Officers

The Savings Banks Bond Men of the State of New York have announced the election of the following officers. President—Jarvis S. Hicks, Jr., Vice-President, Long Island City Savings Bank; Vice-President—John M. Ohlenbusch, Assistant Treasurer, Bowery Savings Bank; Secretary—Oscar T. Madsen, Vice-President, Manhattan Savings Bank, and Treasurer—Rufus F. Duff, securities investment officer, Excelsior Savings Bank.

Join Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—U. S. G. Cherry and Leslie A. Morgan have joined the staff of Dean Witter & Co., 632 South Spring Street. In the past Mr. Morgan was with Franklin Wulff & Co.

Business Man's Bookshelf

Briton Hadden—A biography of the Co-Founder of "Time"—Noel F. Busch—Farrar, Straus and Company, Inc., 53 East 34th Street, New York 16, N. Y.—Cloth—$3.00.

Nielsen a Director

Gerald B. Nielsen has been elected a Director of York Axle

Gerald B. Nielsen

& Forge Co., York, Pa. Mr. Nielsen is a partner of Schafer, Miller & Co., New York City, members of the New York Stock Exchange.

With C. W. Scranton Co.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, CONN.—John A. Schoonover has become associated with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

With Paul A. Davis Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—John D. Talbot is with Paul A. Davis & Co., Ingraham Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

One of the best brochures of bank literature—for form, printing and historic institutional interest has just come to hand. The 105-page illustrated brochure is called "The First Hundred Years—The Chronicle of a Mutual Savings Bank" and was issued to commemorate the 100th anniversary of the East River Savings Bank.

This mutual savings institution maintains 10 offices and has had only nine Presidents during its entire history. The present incumbent, Joseph A. Broderick, became head of the bank in 1937 when its deposit, were $160,185,-033, comparing with a deposit line of $291,440,202, Dec. 31, 1948 owned by 192,968 depositors. Mr. Broderick has a lifetime of banking experience standing to his credit, having served as New York State Bank Examiner from 1910 to 1914 and the Federal Reserve Bank in Washington from 1914-1919 on the Preliminary Organization Committee, then as Chief Examiner and later as Secretary of the Federal Reserve Board. From 1919 to 1928, Mr. Broderick was Vice-President of the National Bank of Commerce of New York when he was appointed Superintendent of Banks of the State of New York.

In February, 1936 Mr. Broderick was appointed by the President of the United States as a member of the Board of Governors of the Federal Reserve System, which office he held until he became President of the East River Savings Bank.

The inside covers of the brochure reproduce the panoramic mural which was painted by Dale Stetson on the east wall of the main banking room of the bank's Cortlandt Street office. The mural is divided into five panels presenting a sweeping bird's-eye view of New York City along the winding East River with its bridges showing long distance perspective of upper New York and Long Island. This East Wall mural is nearly a block in length and is worth a visit to the bank's handsomely appointed banking room.

Reminiscent of the days when the East River Savings Bank opened for business Jan. 1, 1849, the brochure contains several pictures of old New York—Jenny Lind, the Swedish Nightingale; horse drawn fire engines racing through the streets; sailing vessels that made South Street look like a forest of trees; and other Knickerbocker landmarks.

An interesting summary in the brochure of the prevailing rates of savings bank interest causes one to wonder whether interest rates will ever again attain the 7% per annum peak which the East River Savings Bank paid to its depositors from January, 1867 to July, 1869 and January, 1870 to January, 1872 and January, 1873 to July, 1874.

In keeping with the times, it is also interesting to note that the bank's interest rates from July, 1940 to July, 1948, has been 1½% on sums from $5.00 to $7,500.

Miss Dorcas Elisabeth Campbell, Assistant Vice-President of the bank, wrote the brochure and deserves praise for doing an exceptionally fine piece of work.

* * *

Emerson W. Stiles of the Chemical Bank and Trust Company has been elected President of the Alumni Association of the New York Chapter, **American Institute of Banking**, it was announced on April 25.

Other officers elected were William S. Vanek of Manufacturers Trust Company, First Vice-President; Frank Sixt of National City Bank, Second Vice-President; Norman H. Gaffrey of the New York Clearing House, Treasurer; Miss Wilhelmina A. Wendel of Barr Brothers and Company, Secretary.

* * *

Kelley Graham, Chairman of the board of **The First National Bank of Jersey City**, announced on April 21 the election of Kingsbury S. Nickerson as a Vice-President and a director. Mr. Nickerson has served as President of the Pittsfield National Bank, Pittsfield, Mass., for the past three years. Prior to his former association, Mr. Nickerson was with Chemical Bank & Trust Company since 1929, resigning as an Assistant Vice-President in 1946 to become chief executive officer of the Massachusetts bank.

K. S. Nickerson

* * *

Formal proposals were made for consolidation of **First National Bank & Trust Co. of Paterson, N. J.**, and two banks in neighboring Clifton, **Clifton Trust Co.** and **First National Bank of Clifton**, it is learned from the New York "Herald-Tribune" of April 24, which also went on to say:

"The Paterson bank under this proposal, which is still to be acted upon by stockholders, would operate the two Clifton banks as branches.

"The institution resulting from this merger would have resources of about $150,000,000, according to a joint announcement by directors of the three banks. Clifton Trust Co. now is understood to hold control of First National Bank of Clifton.

"R. Raymond Peterson, high in the councils of the American Bankers Association, is Chairman of the board of the Paterson bank. Benjamin P. Rial is President. Presidents of the Clifton Trust and First National of Clifton are Rufus B. Rittenhouse and Harry N. Gilmore, respectively. No indication so far is available as to officers of the merged banks. Stockholders will be asked to vote on the merger in a few weeks.

"The two Clifton banks were reported more than a year ago as about to be merged with Passaic National Bank & Trust Co., but stockholders turned down the proposal."

Business Leaders Urged to Help Further Truman's Foreign Investment Proposal

U. S. Council of International Chamber of Commerce advocates joint committee to make private capital investing abroad practicable. Recommends: (1) getting maximum private participation; (2) joint government-business exploration of pitfalls; (3) long-term government purchases of strategic raw materials; (4) elimination of burdensome taxation; (5) statutory registration of agreements; (6) government loans for circumscribed projects under private execution, and (7) technical missions under government auspices.

The United States Council of the International Chamber of Commerce on April 26 recommended to President Truman that he appoint a committee of government officials and business and financial leaders to explore the whole field of implementation of Point Four, and then to make policy recommendations to stimulate a free flow of private capital investments at an international level.

Warren Lee Pierson

Warren Lee Pierson, Chairman of the USC-ICC Committee on Business Participation in Foreign Economic Development, in releasing its report on "Intelligent International Investment," said: "When President Truman in Point Four of his Inaugural Address called for a bold new program to develop the underdeveloped areas of the world, he referred to the necessity of having private capital investments.

"We believe that American businessmen should be ready, and are anxious to be ready, to take the initiative in developing an expanding world economy when the necessary temporary measures such as ERP go out of the picture in 1952.

"But we also believe that the achievement of effective accomplishments in the field of foreign investments requires a climate in which the skills, resources and good will of American businessmen can operate to the full advantage of all who shall participate in this undertaking.

"We do not believe that either the plans for such an undertaking or the results can be achieved overnight. We do not believe that truly productive measures can be brought into being with businessmen working in one corner and government officials in another. Now as never before those men whose task it is to bring their knowledge and resources into action, and those men whose task it is to work for the world environment in which this can happen, need to have understanding and joint effort. The role of the United Nations and such agencies as the International Bank and Monetary Fund need earnest consideration.

"That is why we believe that the President should appoint a committee of men from government, business and finance, to study the whole matter."

A Recommended Program

The USC-ICC report lists eight points which the organization believes are elements of an integrated program for achieving the goal of an expanding world economy. These eight points are:

(1) An unequivocal statement on the part of the United States Government that it does not itself intend to supply, and in fact cannot supply, foreign countries with the technology and capital which they require to develop their resources and skills; that it looks primarily to private enterprise to provide these things; and that its efforts will be concentrated on getting maximum private participation in the program.

(2) The creation of a business "climate" in other countries which will be attractive to private investment.

(3) Joint government and business exploration, in the light of their many pitfalls, of various government inducements to private foreign investment, especially government guaranties or insurance of investment risks.

(4) Long-term government contracts for the purchase of strategic raw materials.

(5) The elimination of burdensome taxation on foreign investments.

(6) Statutory registration of agreements between United States business interests and foreign business interests for the exchange of methods and processes under immunity from punitive provisions of the antitrust laws.

(7) Government loans for closely circumscribed types of projects under private execution in order to increase opportunities for private investment in foreign countries.

(8) Technical missions to foreign countries under government auspices to advise on carefully selected development projects.

Government Insurance

The third item above—referring to government insurance of noncommercial risks—is discussed in the report as follows:

"Various proposals have been made for government guaranties or for governmentally sponsored insurance against certain risks of private foreign investment. Other inducements, including tax inducements, have been put forward. The specific proposals which have been brought to the attention of the U. S. Council are the following:

"(A) The United States Government might offer guaranties against certain risks of private foreign investment, in particular the risk of inconvertibility of foreign currencies and possibly also the risk of loss as the result of war, civil strife, or confiscation.

"(B) The United States Government might offer insurance on a voluntary basis against the above risks in consideration of the payment of suitable insurance premiums.

"(C) Private insurers might be invited to offer protection against specific nivestment risks with or without the protection of reinsurance by the United States Government up to some high percentage of the risks underwritten.

"(D) The United States Government might allow, for tax purposes, a very rapid depreciation of foreign plants owned by U. S. Nationals.

"(E) The United States Government might extend loans for private foreign investments, repayment to be dependent upon profits.

"(F) The United States Government might assist capital importing countries in establishing guaranty funds in the United States. These funds would assure continuity of service on investments registered by the central banks or other agencies of the capital importing countries and would be in the form of escrow deposits of gold or the equivalent with the Federal Reserve Bank of New York. After being built up by

(Continued on page 43)

Dealer-Broker Investment Recommendations and Literature

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

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.

Finances of the State of California and Proposition No. 4 — Analysis — Kaiser & Co., Russ Building, San Francisco 4, Calif.

Also in the same bulletin are data on the **San Francisco Oakland Bay Toll Bridge, Imperial Irrigation District,** and **Assessed Valuations vs. Market Values.**

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

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

Portfolio Diversification—Study containing data on **Monsanto Chemical, Cities Service, Standard Gas & Electric, Liggett & Myers Tobacco,** and **J. P. Stevens**—Peter P. McDermott & Co., 44 Wall St., New York 5, N. Y.

Television—Memorandum—Television Shares Management Co., 135 South La Salle Street, Chicago 3, Ill.

* * *

Alaska Airlines — Analysis — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Canadian Investment Fund — Analysis—Milner, Ross & Co., 330 Bay Street, Toronto, Ont., Canada.

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

Dome Mines, Limited — Study and opinion—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Dunningcolor Corp. — Descriptive literature—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Also available are memoranda on **Lock Nut Corp., Disticraft, Mohawk Liqueur Corp., Interstate Engineering, Kingsburg Cotton Oil Co., L'Aiglon Apparel, Portsmouth Steel Corp.,** and **Minneapolis & St. Louis Railroad.**

Grinnell Corp. — Analysis — Amott, Baker & Co., 150 Broadway, New York 7, N. Y.

Also available are circulars on **51 East 42nd Street, Grant Building, Lincoln Building, Pittsburgh Hotels, 870 Seventh Avenue Corp., Waldorf-Astoria Corp., Wall & Beaver Streets Corp.,** and **Westinghouse Building.**

Haile Mines, Inc.—Analysis of interesting speculation — Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Hamilton Manufacturing Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason St., Milwaukee 2, Wis.

Also in the same issue is a detailed report on **Nekoosa-Edwards Paper Co.**

Lehigh Valley Railroad Company—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Lockheed Aircraft Corp.—Circular—Ernst & Co., 120 Broadway, New York 5, N. Y.

Manufacturers Trust Company—Analysis—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Missouri Pacific — Circular — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Mullins Manufacturing Corporation—Analysis—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

National Airlines, Inc.—Special review—John H. Lewis & Co., 63 Wall St., New York 5, N. Y.

National Dairy Products Corporation —Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is a discussion of income opportunities in sound guaranteed **Rail Stocks.**

N. O. Nelson Company—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Ohio Water Service Company—Analysis—Blair F. Claybaugh & Co., 52 Wall Street, New York 5, N. Y.

Pinellas County, Fla.—Circular—Allen & Co., 30 Broad Street, New York 4, N. Y.

Plomb Tool Co.—Data—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Public National Bank & Trust Co. of New York—Circular—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

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

Security Insurance Company of New Haven—Analysis—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Shamrock Oil & Gas Corp. — Circular — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

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

Terminal Tower Co.—Circular—Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio.

Also available is a leaflet on **Bingham-Herbrand.**

Texas Pacific Land Trust—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are analyses of **Missouri Pacific Reorganization, Northern Pacific,** and leaflets on **Bulolo Gold Dredging, Central Foundry, Chicago, Rock Island & Pacific, Magnavox, Richfield Oil, Ruberoid, Southern California Edison,** and **Texas Eastern Transmission.**

Tucson Gas, Electric Light & Power Co.—Memorandum in the April issue of "Public Utility Stock Guide"—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

University of Kentucky Library & Service Building Revenue and Stadium Revenue Bonds—Detailed circular—The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

West Point Manufacturing Company—Memorandum—Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

COMING EVENTS

In Investment Field

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 day and outing at the Bel-Air Country Club.

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.

June 28, 1949 (Omaha, Neb.)
Nebraska Investment Dealers Bond Club spring frolic at the Omaha Country Club, to be preceded by a cocktail party June 27 at the Omaha Athletic Club in honor of out-of-town guests.

Sept. 9-11, 1949 (Oregon)
Pacific Northwest Group of the Investment Bankers Association 1949 meeting at the Gearhart Hotel, Gearhart, Oregon.

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.

Sutro Bros. Co. Open Inv. Trust Dept.

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, has announced the formation of an investment trust department, effective May 1. The new department will be under the supervision of Ernest H. Steiner, formerly with Sartorius & Co., as manager, and Arthur H. Koch, formerly with Herbert E. Stern & Co., as assistant manager.

With Wm. F. Dowdall Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. —Pierre L. Papin, Jr., has joined the staff of Wm. F. Dowdall & Co., 319 North Fourth Street.

ADVERTISEMENT ADVERTISEMENT ADVERTISEMENT

UNION PACIFIC RAILROAD COMPANY

FIFTY-SECOND ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1948.

To the Stockholders of Union Pacific Railroad Company:

The Board of Directors submits the following report for the year ended December 31, 1948, for Union Pacific Railroad Company, including Oregon Short Line Railroad, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company, whose properties are leased to Union Pacific Railroad Company. The lessor companies have certain income and charges, and the figures in the Income Account, other than those relating to transportation operations, and in the Surplus Account and General Balance Sheet and tabulations and tables relating thereto are stated on a consolidated basis, *excluding offsetting accounts between companies.*

INCOME.

	1948	1947	Increase	Decrease
Transportation Operations				
Operating revenues	$437,583,131.76	$410,053,704.83	$27,529,426.93	
Operating expenses	321,403,215.52	300,454,623.61	20,948,591.91	
Revenues over expenses	$116,179,916.24	$109,599,081.22	$6,580,835.02	
Taxes	59,998,483.29	58,431,619.97	1,566,863.32	
Railway Operating Income	$56,181,432.95	$51,167,461.25	$5,013,971.70	
Rents from use of joint tracks, yards, and terminal facilities	1,847,718.31	1,845,195.27	2,523.04	
	$58,029,151.26	$53,012,656.52	$5,016,494.74	
Hire of equipment—debit balance	$12,767,594.14	$12,920,785.80	--------	$153,191.66
Rents for use of joint tracks, yards, and terminal facilities	3,285,924.75	3,234,639.51	--------	48,714.76
	$16,053,518.89	$16,255,425.31	--------	$201,906.42
Net Income from Transportation Operations	$41,975,632.37	$36,757,231.21	$5,218,401.16	
Income from Investments and Sources other than Transportation Operations				
Income from oil and gas operations—net†	$26,540,409.12	$16,957,217.95	$9,583,191.17	
Dividends on stocks owned	2,711,350.50	2,343,818.00	367,532.50	
Interest on bonds and notes owned	2,124,657.19	2,273,337.40	--------	$148,680.21
Other interest income	139,616.35	140,205.89	--------	589.54
Rents from lease of road and equipment	255,503.73	279,527.54	--------	24,023.81
Miscellaneous rents	513,938.07	512,984.35	953.72	
Miscellaneous income	54,323.13	3,528,178.27	--------	3,473,845.14
Total	$32,339,808.09	$26,035,269.40	$6,304,538.69	
Total Income	$74,315,440.46	$62,792,500.61	$11,522,939.85	
Fixed and Other Charges				
Interest on funded debt	$5,946,176.08	$7,487,770.82	--------	$1,541,594.74
Interest on unfunded debt	382,331.18	368,404.78	$13,926.40	
Miscellaneous rents	27,864.11	28,928.43	--------	1,044.32
Miscellaneous charges	669,456.30	459,901.03	209,555.27	
Total	$7,025,847.67	$8,345,005.06	--------	$1,319,157.39
Net Income from All Sources	$67,289,592.79	$54,447,495.55	$12,842,097.24	
Released from "Reserve against possible refunds on U. S. Government shipments"	164,730.97	1,547,973.23	--------	$1,383,242.26
Total for Disposition	$67,454,323.76	$55,995,468.78	$11,458,854.98	

DISPOSITION

		1948	1947	Increase
Dividends on Stock of Union Pacific Railroad Co.:				
Preferred stock:				
2% paid April 1, 1948	$1,990,862.00			
2% paid October 1, 1948	1,990,862.00	$3,981,724.00	$3,981,724.00	
Common stock:				
2½% paid April 1, 1948	$5,557,275.00			
2½% paid July 1, 1948	5,557,275.00			
2½% paid October 1, 1948	5,557,275.00			
4½% payable January 3, 1949	10,003,095.00	26,674,920.00	22,229,100.00	$4,445,820.00
Total Dividends		$30,656,644.00	$26,210,824.00	$4,445,820.00
Transferred to Earned Surplus—Unappropriated		$36,797,679.76	$29,784,644.78	$7,013,034.98

†Excludes Federal income taxes.

Operating results for year 1948 compared with year 1947:

	1948	1947	Increase	Decrease	Per Cent
Average miles of road operated	9,751.91	9,772.88	--------	20.97	.2
OPERATING REVENUES					
Freight	$359,724,653.06	$330,468,521.09	$29,256,131.97	--------	8.9
Passenger	42,369,214.94	46,412,313.47	--------	$4,043,098.53	8.7
Mail	12,501,509.49	10,261,533.72	2,239,975.77	--------	21.8
Express	5,735,702.67	5,635,676.10	100,026.57	--------	1.8
Other passenger-train	7,149,236.34	7,121,572.81	27,663.53	--------	.4
Switching	3,652,444.78	3,303,997.27	348,447.51	--------	10.5
Other	6,450,370.48	6,850,090.37	--------	399,719.89	5.8
Total operating revenues	$437,583,131.76	$410,053,704.83	$27,529,426.93	--------	6.7
OPERATING EXPENSES					
*Maintenance of way and structures	$60,680,925.70	$53,128,675.48	$7,552,250.22	--------	14.2
*Maintenance of equipment	72,865,946.49	69,181,744.75	3,684,201.74	--------	5.3
Total maintenance	$133,546,872.19	$122,310,420.23	$11,236,451.96	--------	9.2
Traffic	9,333,131.80	8,486,055.96	847,075.84	--------	10.0
Transportation	154,397,878.83	146,741,603.94	7,656,274.89	--------	5.2
Miscellaneous operations	13,112,488.13	13,130,293.97	--------	$17,805.84	.1
General	11,012,844.57	9,786,249.51	1,226,595.06	--------	12.5
Total operating expenses	$321,403,215.52	$300,454,623.61	$20,948,591.91	--------	7.0
Revenues over expenses	$116,179,916.24	$109,599,081.22	$6,580,835.02	--------	6.0
TAXES					
State and county	$14,971,732.00	$13,885,835.00	$1,085,897.00	--------	7.8
Federal income	$34,840,293.00	$30,449,589.61	$4,390,703.39	--------	14.4
Federal unemployment insurance	801,145.21	4,802,208.64	--------	$4,001,063.43	83.3
Federal retirement	9,302,092.38	9,169,136.76	132,955.62	--------	1.5
Other Federal	83,220.70	124,849.96	--------	41,629.26	33.3
Total Federal	$45,026,751.29	$44,545,784.97	$480,966.32		1.1
Total taxes	$59,998,483.29	$58,431,619.97	$1,566,863.32		2.7

	1948	1947	Increase	Decrease	Per Cent
Railway operating income	$56,181,432.95	$51,167,461.25	$5,013,971.70	--------	9.8
Equipment rents (debit)	12,767,594.14	12,920,785.80	--------	$153,191.66	1.2
Joint facility rents (debit)	1,438,206.44	1,489,444.24	--------	51,237.80	3.4
Net railway operating income	$41,975,632.37	$36,757,231.21	$5,218,401.16	--------	14.2
Per cent—Operating expenses of operating revenues	73.45	72.27	.18	--------	.2
FREIGHT TRAFFIC (*Commercial Freight only*)					
Tons of revenue freight carried	52,156,787	56,420,476	--------	4,263,689	7.6
Ton-miles, revenue freight	29,167,846,419	31,738,920,871	--------	2,571,074,452	8.1
Average distance hauled per ton (*miles*)	559.23	562.54	--------	3.31	.6
Average revenue per ton-mile (*cents*)	1.233	1.041	.192	--------	18.4
Average revenue per freight-train mile	$12.93	$10.34	$2.59	--------	25.0
†PASSENGER TRAFFIC					
Revenue passengers carried	2,624,444	2,999,793	--------	375,349	12.5
Revenue passengers carried one mile	1,774,949,510	2,116,424,457	--------	341,474,947	16.1
Average distance hauled per passenger (*miles*)	676.31	705.52	--------	29.21	4.1
Average passengers per passenger-train mile	109.10	129.07	--------	19.97	15.5
Average revenue per passenger-mile (*cents*)	2.387	2.193	.194	--------	8.8
Average revenue per passenger-train mile, passengers only	$2.60	$2.83	--------	$.23	8.1
Average total revenue per passenger-train mile	$3.79	$3.81	--------	$.02	-

	1948	1947	Increase
*Includes depreciation, amortization and retirement charges:			
Maintenance of way and structures	$6,460,560.90	$5,930,611.85	$529,949.05
Maintenance of equipment	12,456,540.92	10,253,350.73	2,203,190.19

†1947 figures restated to include motor-car trains.

GENERAL BALANCE SHEET—ASSETS.

	December 31, 1948	December 31, 1947	Increase	Decrease
Investments:				
Road and Equipment	$1,160,143,725.23	$1,110,377,934.30	$49,765,790.93	
Less:				
Receipts from improvement and equipment fund	$23,823,091.13	$23,823,091.13		
Appropriations from income and surplus prior to July 1, 1907, credited to this account	13,310,236.52	13,310,236.52		
Total	$37,133,327.65	$37,133,327.65		
Road and equipment property	$1,123,010,397.58	$1,073,244,606.65	$49,765,790.93	
Donations and grants (Credit)	*$12,139,823.29*	*$11,998,756.59*	*$141,066.70*	
Reserve for depreciation — road and equipment (Credit)	*$177,300,386.33*	*$173,878,433.87*	*$3,421,952.46*	
Reserve for amortization of national defense projects (Credit)	*$58,481,517.12*	*$57,803,237.17*	*$678,279.95*	
Sinking funds	$307.50	$222.50	$85.00	
Capital and other reserve funds	$9,078.55	$143,773.28	--------	$134,694.73
Miscellaneous physical property	$31,827,411.94	$28,427,836.23	$3,399,575.71	
Reserve for depreciation — miscellaneous physical property (Credit)	*$15,467,041.65*	*$14,172,864.54*	*$1,294,177.11*	
Investments in affiliated companies:				
Stocks	$20,308,013.24	$20,304,013.24	$4,000.00	
Notes	321,402.14	329,594.43	--------	$8,192.29
Advances	8,463,608.98	8,491,049.55	--------	27,440.57
Total	$29,093,024.36	$29,124,657.22	--------	$31,632.86
Investments in other companies:				
Stocks	$64,048,872.42	$64,048,872.42		
Bonds and notes	23,055,404.79	22,797,809.23	$257,595.56	
Total	$87,104,277.21	$86,846,681.65	$257,595.56	
Reserve for adjustment of investments in securities (Credit)	*$33,842,953.87*	*$33,842,953.87*		
Total Investments	$973,812,774.88	$926,091,531.49	$47,721,243.39	
Current Assets:				
Cash	$32,917,116.72	$43,312,877.48	--------	$10,395,760.76
Temporary cash investments (U. S. Government securities)	86,640,024.00	96,302,249.82	--------	9,662,225.82
Special deposits	397,085.82	605,496.84	--------	208,411.02
Loans and bills receivable	524,339.48	789,140.00	--------	264,800.52
Traffic and car-service balances —net	10,324,099.16	11,272,427.22	--------	948,328.06
Net balance receivable from agents and conductors	3,992,815.99	4,343,868.03	--------	351,052.04
Miscellaneous accounts receivable	16,362,179.64	16,791,552.92	--------	429,373.28
Material and supplies	41,592,665.99	35,940,295.93	$5,652,370.06	
Interest and dividends receivable	548,227.83	1,030,301.84	--------	482,074.01
Accrued accounts receivable	12,111,549.30	12,529,733.69	--------	418,184.39
Other current assets:				
Baltimore and Ohio Railroad Co. capital stock applicable to payment of extra dividend of 1914	105,841.30	106,897.30	--------	1,056.00
Miscellaneous items	2,983,909.32	1,023,344.83	1,960,564.49	
Total Current Assets	$208,499,854.55	$224,048,185.90	--------	$15,548,331.35
Deferred Assets:				
Working fund advances	$115,177.50	$108,634.79	$6,542.71	
Other deferred assets	3,396,700.14	3,499,086.48	--------	$102,386.34
Total Deferred Assets	$3,511,877.64	$3,607,721.27	--------	$95,843.63
Unadjusted Debits:				
Prepayments	$2,001.36	$2,622.00	--------	$620.64
Other unadjusted debits	1,578,542.32	1,490,011.17	$88,531.15	
Total Unadjusted Debits	$1,580,543.68	$1,492,633.17	$87,910.51	
Grand Total	$1,187,405,050.75	$1,155,240,071.83	$32,164,978.92	

J. R. Williston & Co. To Admit Two Partners

F. Donald Arrowsmith and John H. Welch, member of the New York Stock Exchange, will be admitted to partnership in J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange on May 1. Both were partners in Arrowsmith, Post & Welch which is being dissolved as of April 30.

Geo. H. Jaques With du Pont, Homsey Co.

BOSTON, MASS.—du Pont, Homsey Co., 31 Milk Street, announce that George H. Jaques is now associated with their organization. Mr. Jaques in the past was President and Treasurer of the firm of H. L. Nason & Co., Inc. (now dissolved).

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Albert D. Gauthier, Howard A. Ives, Ernest C. MacLean, and John P. Masterson have been added to the staff of Walston, Hoffman & Goodwin, 550 South Spring Street. Mr. Gauthier was previously with Holton, Hall & Co., Mr. Ives was with C. E. Abbett & Co., Mr. MacLean with Sutro & Co., and Mr. Masterson with Merrill Lynch, Pierce, Fenner & Beane.

C. Lee Scovil Dead

C. Lee Scovil of Cranford, died at the age of 76 after a long illness. Mr. Scovil, who was retired, prior to forming the financial advertising firm of Scovil Bros. & Co., was with Spencer Trask & Co. for 34 years.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Conditions remain favorable in the money markets and a substantial demand obtains for Treasury obligations. . . . However, it is not believed that this need for acquiring eilgible Treasury obligations will be too vigorous until some of the impending developments have been cleared up. . . . The loan trend indicates the commercial banks must soon find other outlets for funds that have been put recently in short-term governments. . . . Non-bank investors also have been looking around for other investments, with certain insurance companies that have been out of the corporate bond market for a long time now taking on some of these securities. . . .

Considerable switching and swapping is being done with some institutions going from eligibles into restricted issues, while others are moving from long banks into the shorter maturities. . . . Trades are being made from the short 2s into the 2s due 1952/54. . . . Buying has been in evidence in the 2¼s due 1956/59, with the bulk of this demand reportedly coming from the Southwest and Pacific Coast areas. . . . The longest bank-eligible has been under some pressure, but as a whole the buying is believed to have been better than the selling. . . .

JUNE FINANCING FORECASTS

The government bond market seems to be in one of those waiting periods again, which probably means that prices will move in a trading range, until the uncertainties overhanging it have been cleared up. . . . The announcement of the June financing should go a long way toward resolving many of these problems. . . . The mid-year operation could be the key as to what is going to happen in the government market and there are plenty of guesses as to what is likely to be done. . . .

One segment of the financial district believes that only certificates will be used to take care of the maturing issues. . . . In conjunction with this there would be an opening up of the F and G bonds to both bank and non-bank investors. . . . Others feel there will be certificates and notes with the restricted obligation, either specific ones or the whole list being made eligible for purchase by commercial banks. . . . There are some who put forward the opinion that bonds will be part of the June financing. . . .

MONEY MANAGERS AT ODDS

The monetary authorities apparently are not in agreement yet as to the June financing. . . . It is indicated the Federal Reserve Board would like to have notes or bonds or both available to holders of the maturing obligations. . . . Undoubtedly a lifting of the distinction between eligible and restricted bonds would be part of the program. . . . An orderly bond market is still very important and since the concern now is about how far the eligibles might advance (unless the supply is increased) some action along these lines would appear to be in order to prevent these securities from moving up too sharply. . . .

The Treasury, on the other hand, seems to have other ideas and these appear to follow the pattern that has been used in the past, namely, certificates and the reopening of the F and G bonds to both the deposit banks and non-bank investors. . . . This type of refunding would most likely result in higher prices for the longer eligibles, unless the restricted issues are made available to commercial banks. . . . But will the Treasury be inclined to go along with the latter feature? . . .

BUSINESS CONDITIONS IMPORTANT FACTOR

The business situation will also be given plenty of consideration in the coming operations because efforts will probably be made to help stabilize the economy. . . . Further liberalization of Regulation W seems to indicate growing concern over economic conditions. . . . Here is where the reserve positions of the member banks might come into the picture because a fillip to business could come through further easing of credit. . . . But required reserves cannot be reduced unless the available supply of long eligibles is added to. . . . The Federal Reserve Banks are practically out of these securities and the latest Treasury figures, those of Jan. 31, 1949, show them holding only a handful of these obligations. . . . Since then, these positions have no doubt been reduced further. . . .

A reduction in reserve requirements, with the restricted issues made eligible to commercial banks, should have a favorable effect upon the ineligible bonds. . . . This might even bring in profit-taking by non-bank holders. . . . If this should take place it would give these institutions funds that might go into mortgages, other loans or corporate bonds, which would aid in stimulating business. . . .

CURRENT MARKET ACTIVITIES

Despite the many imponderables, sizable blocks of securities are being taken out of the market, particularly the 2¼s due 1959/62. . . . Savings banks continue to be the main buyers of the restricted obligations because their investable funds are increasing quite rapidly. . . . The partially-exempts have had a better tone and the 2¾s due 1960/65 are being well taken when they appear in the market despite the uncertainty as to what might happen to them pricewise if the eligible taxables should move off because of making the restricted bonds eligible. . . . The 2% bonds have been under accumulation with out-of-town institutions now getting competition from the large money center banks. . . .

The position of the budget, the likelihood of higher taxes and deficit financing are items that are getting some attention now from money market followers. . . . No one seems to have the answers to all of these but it is believed the excess of expenditures, which seems to be in the making could be offset by social security revenues. . . . However, a continued declining business trend probably means that taxes will not be increased. . . . This could mean that deficit financing would be used if necessary to meet Treasury needs. . . . Time alone will tell what is going to happen.

Securities Salesman's Corner

By JOHN DUTTON

Sometimes business is right under our nose and we overlook it. The other day I was talking to a friend in the insurance business and he told me that there are about six investment firms in his town of approximately 50,000 people. He related that in a period of over 10 years he had not even been solicited once by a salesman of any of them. "After all," he complained, "maybe I am not known as the most likely prospect in town, yet I do have a good business and have been favorably regarded for many years; you would think that at least some one would find out what companies I represent and possibly ask me to buy some good insurance stocks, but they haven't done so."

Here was a man who was not in the securities business, yet he sensed the opportunity for creating business where none existed before. That is where the well-trained insurance men have been doing a good job. In other words, they CREATE opportunities and they keep on trying. This man told me he asked one of his friends for business over and over again. One day this man questioned him regarding the number of times he had asked for business. He replied, "Oh, I can't remember, possibly I've asked you 10 or 20 times, and I suppose I will keep on asking. The worst thing that can happen is that you will say NO, and someday you may say yes." How about applying that type of pleasant persistence to merchandising securities? That doesn't mean that one should waste time on unqualified prospects—but it does illustrate how important persistence can be if applied properly.

Getting back to prospecting for new business among people who might be your next door neighbor, why not make up a list along the lines of offering securities to meet certain specific needs? For example, how about your friends with children who may be looking forward to college eight to 10 years hence? A good mutual fund with its superior income over other forms of savings—to augment life insurance—should be suggested. Or those who would like to save toward retirement? Or business firms with surplus cash? Or the doctor, or your dentist?

Or how about introducing some of your business friends to the companies with whom they are already familiar? The insurance man wondered why some one did not try to sell him some stock in the companies which he represented. There is the oculist—he knows of American Optical and Bausch & Lomb. The druggist knows Merck; McKesson & Robbins, etc. The grocer knows General Foods, Standard Brands, National Dairy, etc. The distributor of household appliances knows Philco, DuMont, Radio Corp., Bendix Home Appliance, etc., etc. So on down the line. Why not get up a list of people in these various lines of business? Obtain some reports on some good companies. Go around and see them. Show them how they can obtain generous income today on sound companies with which they are familiar. THE MAIN IDEA HERE IS TO HAVE AN ENTERING WEDGE, OR A GOOD TALKING POINT, that will help you to open the account. From there on you can start to do a real job of building up a portfolio of worthwhile securities.

This is the broad outline of a plan. If it is worked out properly and systematically followed, business should result. The main objective is to open new accounts and build them up from scratch. The best part of this type of business is that it is unspoiled, and if you carefully protect such accounts by judicious selection of portfolio securities, it can be a profitable and very satisfactory campaign in every respect.

Consumer Credit Restrictions Further Eased

Federal Reserve Board now allows 24-months term for payment and cuts down first payment to 10% of purchase price. Automobiles not included.

On April 22, the Federal Reserve Board issued new instalment credit regulations, effective April 27, under which the maximum time limit was extended from 21 to 24 months and the down payment on all articles, except automobiles, was reduced from 15% to 10%. The Board also released from credit restrictions all articles costing less than $100. The previous exemption was $50.

This is the second time since March 6 that the Federal Reserve Board has of its own accord eased instalment credit restrictions, which were imposed at the Administration's request as a curb on inflation.

In commenting on the Board's action, Chairman Thomas B. McCabe stated: "Most of the commodities subject to the regulation (known as Regulation W), are now in supply at prices more favorable to the consumer than prevailed last year. Any increase in credit to which relaxation of the regulation might contribute would not, under present circumstances, be a significant element in reviving inflationary pressures." Mr. McCabe also warned, however, "if such a condition were to arise again, I am sure the Board would act promptly to meet the situation."

Francis I. du Pont Co. Opens Los Angeles Br.

LOS ANGELES, CALIF.—Francis I. du Pont & Co., members of the New York Stock Exchange, have opened a branch office at 634 South Spring Street, under the management of Charles F. Sill. Associated with the new branch are Thomas J. Euper, Joseph Brandon Bruner, William R. Ehni, Benjamin C. Haile, Harrison B. Heim, E. Bruce Jensen, John P. Shather, and Williard R. Steckbauer. All were previously with Cohu & Co., of which Mr. Sill was a partner.

Bear, Stearns & Co. To Admit L. Dickson

Bear, Stearns & Co., 1 Wall St., New York City, members of the New York Stock Exchange, will admit Leonard Dickson to partnership May 1. Mr. Dickson has been with the firm for some time in charge of the investment advisory department.

Ludlum to Form Firm

Theodore T. Ludlum will form Theodore T. Ludlum and Associates to conduct a securities business. Mr. Ludlum was formerly with Edward E. Mathews Co. in Boston.

Promoting Welfare

The second job of the Republican Party "is to generally promote the welfare of the people, to abolish as far as you can hardship and poverty in the United States. That is incident to the economic machine giving enough production so that you can do that job. And very few countries in the history of the world have ever been able to do it.

Robert A. Taft

"The poor we have always with us. I feel, however, this about the free enterprise system. I think it produces the highest average production, highest average standard of living, highest employment in the world, far better than any Socialist system, no matter what the Socialist system may be on paper, probably because of the tremendous incentives, rewards given by the system.

"That very fact of those incentives and rewards shows that our system is based on inequality. If your system is going to work, a man can't get more under that system than he deserves, than he actually earns with his own labor and his own mind and his own ability and his own willingness to take risks, his genius and his daring."—Senator Robert A. Taft.

But he must be able to get and keep what he deserves, and when that is done, government has done about all it can to "promote the welfare of the people."

Realty Men Hear Conflicting Forecasts

Harrison L. Todd, President of New Jersey Association of Real Estate Boards, sees no inevitable depression ahead, while DeLoss Walker, editor and traveler, tells a Canadian Real Estate Board only a miracle can prevent a severe slump.

Speaking at Asbury Park, N. J., on April 21, Harrison L. Todd, President of the New Jersey Association of Real Estate Boards, scouted fears of a severe depression.

"It is true that consumer and business spending has declined

Harrison L. Todd

De Loss Walker

slightly," Mr. Todd said. "Prices of many products are softening. Shortages have been largely eliminated.

"But construction volume has remained high, in fact so far this year is running ahead of a year ago commercially. Housing starts are running about even with last year, and current estimates for 1949 construction are set at $18 billion, the same as 1948.

"The only danger I can see to avoidance of a serious slump is the possible failure of government to understand and appreciate the crucial role of business decisions, especially investment decisions, in maintaining prosperity. So long as we have a private enterprise, private profit economy—and ours is predominantly such an economy—the outlook for profit and the supply of venture funds will be essential factors in determining the level of business investment expenditures. And so long as we have a high saving economy, which we do, a high level of investment expenditures will be necessary for maintaining prosperity.

"Government policies which regard the main function of profits as a hunting ground for the tax collector would be an important ingredient in a prescription for depression. So also would a system of government controls over prices and investment which expose every business investment expenditure to the risk of arbitrary decisions by a government agency."

In a less optimistic view, DeLoss Walker, an economist and speaker on economic matters and world affairs, in the course of an address before the Conference of the Great Lakes District Real Estate Boards held at Windsor, Ont., on April 21, stated:

"It is not possible to continue along present lines of action and prevent a depression; at best we can only postpone it. Before we get needed changes and adjustments, there must come an understanding from the people themselves. People are the keynote to this problem. People produce and consume, manage and labor, buy and sell, loan and borrow; people vote. Trying to solve any one of these problems is futile. They are all tied in to a movement. The answer is an understanding by the masses. The question is, who's going to give this understanding? At present the ignorance and confusion continues, even increasing in its extent and intensity."

Mr. Walker went on to say that "The causes of a great depression are being found in our ignorance. Part of this being a belief that government, strikes, or some form of violence or force can change economic truths. This belief is deep-rooted, and can destroy our balance and prosperity."

Edward Burke Director

CHICAGO, ILL. — Edward M. Burke, Vice-President of F. S. Yantis & Co., Inc., was elected a director of Harrison Wholesale Company.

Form Nat'l Ass'n of Investors Brokers

"One of the first projects of the newly formed National Association of Investors' Brokers will be to encourage educational meetings for investors throughout the country," according to Thomas B. Meek, Francis I. du Pont & Co., who was elected President of the new group at a meeting held April 20 at the Columbia Club. "We are seeking the key men in our profession in each community who are anxious to help in revitalizing the securities markets and do their part in preventing the American system from going by default," Mr. Meek stated.

"By forming a strong group across the country it will be possible to bring a more intimate knowledge to many communities on how the securities business operates. Also men who are dealing with the public will be able to express their viewpoint and the viewpoint of millions of investors to Washington and to the Exchanges," he continued.

Initial headquarters of the new organization will be in New York, but it is the intention that headquarters and meetings will be located in various cities.

The first group of Officers and Governors was drawn from the representatives of eight cities who attended the meeting yesterday, but Governors will be elected from each city as organizations are formed there and regional Vice-Presidents will also be appointed as the movement grows.

Officers and Governors elected April 20 were:

President—Thomas B. Meek, Francis I. duPont & Co., New York City.

Executive Vice-President—Frank M. Collins, Hornblower & Weeks, Chicago.

Regional Vice-Presidents—Raymond J. Laude, Goodbody & Co., Detroit; William H. Arnold, Eastman, Dillon & Co., Philadelphia; John Hardin, Hirsch & Co., Baltimore.

Secretary—N. Leonard Jarvis, Hayden, Stone & Co., New York City.

Treasurer—Donald C. Blanke, Eastman, Dillon & Co., New York City.

Executive Committee Chairman—Jack B. Huhn, Bache & Co., New York City.

Governors from New York—Richard M. Ross, Dean Witter & Co.; Armand Fontaine, Merrill Lynch, Pierce, Fenner & Beane; Robert J. Davidson, Fahnestock & Co.; Archie M. Harris, Merrill Lynch, Pierce, Fenner & Beane; Maurice Glinert, Hirsch & Co.

Governors from Chicago—Samuel Weissman, Merrill Lynch, Pierce, Fenner & Beane; E. William Ohman, Merrill Lynch, Pierce, Fenner & Beane.

Governor from Philadelphia—George W. Martyn, W. E. Hutton & Co.

Also, there were appointed committees to start working on projects in which the new Association will be interested, as follows: Investors' Educational Program, Permissive Incorporation, Commission Rates and Trading Hours, and Tax Legislation.

S. L. Feibleman Now Is With Stern & Co.

Stern & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that S. L. Feibleman, formerly Manager of the New York office of T. J. Feibleman & Co. of New Orleans, is now associated with them and will handle their unlisted business in New Orleans and other Southern securities.

Texas IBA Group Meets in Houston

HOUSTON, TEXAS—The annual meeting of the Texas Group of the Investment Bankers Association is being held at the Shamrock Hotel April 28 and 29.

Program for the two days is:

THURSDAY BUSINESS SESSION

Thursday, April 28

9:00 a.m.—Registration—Registration Area—Exhibit Hall.

10:00 a.m.—Opening of Fourteenth Annual Meeting—Conference Rooms—Exhibit Hall. *Presiding*—Robert E. Moroney, Moroney, Beissner & Co., Houston, Chairman, Executive Committee, Texas Group, IBA. *Address of Welcome*—Mr. Moroney.

10:15 a.m.—*Address*—Hal H. Dewar, Dewar, Robertson & Pancoast, San Antonio, President, IBA. *Address*—Murray Hanson, General Counsel, IBA.

11:00 a.m.—*Address*—Gardiner Symonds, President, Tennessee Gas Transmission Co. —*Subject*—"Gas Goes to Market."

11:20 a.m.—*Address*—Morgan J. Davis, Vice-President, Humble Oil & Refining Co. *Subject*—"The Continental Shelf."

11:45 a.m.—*Cocktails*—Grecian Room—Ladies Included.

12:15 p.m.—*Luncheon*—Shamrock Room—Ladies Included.

Presiding—Robert E. Moroney.

Speaker—Robert K. McConnaughey, Commissioner SEC.

1:30 p.m.—*Adjournment.*

THURSDAY ENTERTAINMENT SCHEDULE

1:45 p.m.—Houston Ship Channel Trip—Buses leave front of hotel promptly at 1:45 p.m. Boats leave Shipside at 3:00 p.m., proceed down channel to Texas City, return to San Jacinto Battlegrounds by 6:00 p.m.

5:00 p.m.—Buses for those who did not make boat trip leave front of hotel at 5:00 p.m., to reach San Jacinto Battlegrounds by 6:00 p.m.

6:30 p.m.—Cocktails, dinner and dancing, San Jacinto Inn at Battlegrounds. Dancing stops at midnight.

12:30 a.m.—Buses leave San Jacinto Inn for return to Shamrock.

FRIDAY BUSINESS SESSION

Friday, April 29

10:00 a.m.—*Presiding*—Robert E. Moroney, Chairman, Texas Group of IBA. Minutes of Previous Meeting. Secretary and Treasurer's Report. Committee Reports by Committee Chairmen: *Legislation Committee*—Chas. C. Pierce, Rauscher, Pierce & Co., Dallas. *Unlisted Securities Committee*—Gordon Crockett, Shields & Co., Houston. *Membership Committee*—John H. Rauscher, Rauscher, Pierce & Co., Dallas. *Education Committee* — Edward D. Muir, Russ & Co., San Antonio. *Speaker*—Jack Taylor, University of Texas. *Municipal Committee*—Wm. C. Jackson, First Southwest Corp., Dallas.

Other Business: Report of Nominating Committee—John D. Williamson, Dittmar & Co., San Antonio. Election of Officers and Executive Committee.

11:50 a.m—*Adjournment.*

FRIDAY ENTERTAINMENT SCHEDULE

12:00 Noon—Cocktails, Luncheon and Style Show in honor of ladies—Emerald Room.

1:30 p.m.—Buses for Golfers leave front of hotel for Houston Country Club.

2:00 p.m.—Golf—Houston Country Club—Competition for Snyder Cup.

6:30 p.m.—Buses leave Houston C. C. for return to Shamrock.

7:30 p.m.—Cocktail Party and Reception in honor of Mr. and Mrs. Hal H. Dewar, Grecian Room.

8:30 p.m. — Dinner — Emerald Room—Dancing.

Members of the Executive Committee of the Group are Robert E. Moroney, Moroney, Beissner & Co., Houston, Chairman; M. E. Allison, M. E. Allison & Co., San Antonio, and Jesse A. Sanders, Jr., Sanders & Newsom, Dallas, Vice-Chairman; A. E. Bernet, Schneider, Bernet & Hickman, Dallas, Secretary-Treasurer; D. T. Richardson, Underwood, Neuhaus & Co., Houston; Henry M. Beissner, Moroney, Beissner & Co., Houston; J. Marvin Moreland, Rotan, Mosle and Moreland, Galveston; and Wm. N. Edwards, W. N. Edwards & Co., Ft. Worth.

Members of the Convention Committees were: Joseph R. Neuhaus, Underwood, Neuhaus & Co., General Chairman; Allerton Cushman, Rowles, Winston & Co. (Registration); Edward Rotan, Rotan, Mosle and Moreland (Program); Wm. J. Shawell, J. R. Phillips Investment Co. (Entertainment); Wilbur E. Hess, Fridley & Hess (Transportation); and Claude T. Crockett, Moroney, Beissner & Co. (Publicity).

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Once again last week for the third time within two months the Federal Reserve Board acted to ease the credit restrictions.

In the latest instance the Board modified "Regulation W" which is the provision controlling consumer credit. Most of the consumer durable goods affected by this order are now in plentiful supply and in almost all cases at prices more favorable than a year ago. With increasing signs of a slow down in business activity and consumer buying the liberalization of down payments and time allowances on purchases was made in recognition of the changed nature of economic conditions.

Earlier in the year when the first signs appeared that inflation had run its course, the Board made similar adjustments in consumer credit controls. Also in one of the other areas of the credit structure, the stock market, margin requirements have been eased within the past few weeks.

These developments in and of themselves are not particularly significant as they affect only a relatively small proportion of the total credit structure. The trends indicated and the attitude of the Federal Reserve Board as shown by the changes are of more importance. They reflect a flexible policy on the part of the Federal Reserve Board in using credit and monetary authority as the condition of economy seems to warrant.

Last year when inflationary pressures were pronounced and exerting their influence on prices, the Board acted aggressively by raising reserve requirements at Central Reserve Cities and by asking for and obtaining from the Congress additional authority over consumer and bank credit.

As a result of these actions, reserve requirements at Central Reserve Cities, New York and Chicago, were raised by two percentage points on three successive occasions. At Reserve Cities and Country banks, the authority granted by the Congress was utilized and requirements were increased once by two percentage points. Also consumer credit controls were changed to shorten the length of time permitted in the purchase of consumer goods.

The situation with respect to economic conditions and the business outlook has changed considerably since a year ago. Practically all types of finished goods have returned to a buyers' market. Even steel, one of the most critical industrial items of last year, is now readily obtainable and in some particular types production cut backs have been made. In most other industrial goods the situation is similar and in some lines such as household appliances there is evidence of excess inventories. The situation is summarized in the decline of the Federal Reserve Board Index of production and the rise in unemployment over the past few months.

It is against this background that the Federal Reserve Board has acted to ease credit controls. It is also these events which point to the next logical move, a reduction in bank reserve requirements.

However, there are several obstacles to such action at the present time, logical as it seems from the economic point of view. In the first place, there is the overall problem of debt management. A cut in reserve requirements at this time for all member banks could put a strain on the existing interest rate structure. This in turn might complicate the refunding problems of the June maturities which are substantial.

A reduction of two points in required reserves on demand deposits would mean that the banks would have about $2,000,000,000 of additional resources to invest or lend. Such an amount of funds, plus the fact that loans have been declining, could cause the banks to move into the longer term bonds to maintain earnings. However, the Board has in the past discouraged the banking system from increasing their holdings of such obligations. There has been some thought given to the possibility that the Federal Reserve would at the same time it reduced reserve requirement make one of the longer term issues eligible for bank investment, possibly the 2¼s of 1959-62. Under normal circumstances these obligations would not become eligible until 1952. Such action, if taken, would absorb some of the available funds from reduced reserves. Thus the problem of using reserve requirements as a means of credit control cannot ignore the realities of managing the huge debt.

The other factor which further complicates the present situation is that the Board has asked for additional authority over bank credit beyond the expiration date of its temporary authority on June 30. If Congress does not extend the time limit or grant additional power, reserve requirements will be reduced automatically by 2% on demand deposits at Reserve City and Country banks. Thus the Federal Reserve Board is in the position of asking for additional authority for eventualities which at the moment seem remote. Yet if they reduce reserves on their own before Congress acts, they weaken their bargaining position. There are some individuals, who claim that business conditions have already made unlikely and unnecessary an extention of the existing authority. The outcome is still in doubt.

In the meantime, the trend of business loans, economic conditions, and the problems of the June maturities are forcing the hand of the Federal Reserve. From the longer-term point of view it appears that lower reserve requirements are assured.

F. A. Krayer to Be Partner In E. W. Clark & Co.

Frederick A. Krayer will acquire the New York Stock Exchange membership of Sydney P. Clark, and on May 5 will become a partner in E. W. Clark & Co., Locust at 16th Street, Philadelphia, members of the New York and Philadelphia Stock Exchanges.

Albert Harris Opens

Albert Harris will conduct an investment business from offices at 11 West 42nd Street, New York City.

President Submits Health Program

In special message to Congress he calls for broad action by Federal Government in framing and executing a broad compulsory health insurance scheme, which would include extensive aid in providing medical facilities, education and research.

On April 22, President Harry S. Truman submitted to Congress a special message outlining a comprehensive system of compulsory health insurance and proposing expanded Federal aid in providing medical facilities, education and research.

The text of the President's message follows:

In a special message to the Congress on Nov. 19, 1945, and in a number of messages since that date I have recommended the enactment of comprehensive legislation to improve the health of the people.

President Truman

The issues involved in these recommendations have been debated all over the country—in Congressional hearings, in medical societies, and in public forums. Out of all this discussion has come a large measure of agreement. There has been increasing recognition of the need for positive, planned action to bringe adequate health services within the reach of all our people. With respect to most of my recommendations, there is no longer any substantial difference of opinion.

Legislation has already been enacted which is helping substantially to provide better health services and medical care.

For example, Federal funds are now being made available to help in building badly needed hospitals. The Federal Government's programs of medical research have been expanded. Additional grants have been made available to the states to aid in establishing and maintaining public health services.

However, the action thus far taken falls far short of our goal of adequate medical care for all our citizens. If we are to deal with the problem realistically and in its true dimensions, action is required on a broader scale.

We are in an era of startling medical progress. The technical resources available to the physician are tremendously greater than a generation ago. But to make these resources effective, he must use much more complicated, more exact equipment. He must turn to specialized laboratories and technicians for help. He must apply new techniques and must secure more effective drugs and appliances.

As a nation we have not yet succeeded in making the benefits of these scientific advances available to all those who need them. The best hospitals, the finest research laboratories, and the most skillful physicians are of no value to those who cannot obtain their services.

Stresses National Health

Now that we have the medical knowledge that can bring good health within our reach to a degree heretofore undreamed of, we must improve the means for putting that knowledge to practical use. Good health is the foundation of a nation's strength. It is also the foundation upon which a better standard of living can be built for individuals. To see that our people actually enjoy the good health that medical science knows how to provide is one of the great challenges to our democracy.

Our objective must be twofold: to make available enough medical services to go around and to see that everybody has a chance to obtain those services. We cannot attain one part of that objective unless we attain the other as well.

Our needs are plain. We are, and shall be for some time, short of physicians, dentists, nurses, medical technicians and public health workers. We need more hospitals and clinics. Medical personnel and facilities are unevenly located in relation to the need in different parts of the country—and are particularly deficient in rural areas. We need broader, better supported medical research. We need much more attention to preventive health care and more adequate public health services. Most of all, we need more widespread use of the modern method of paying for medical care through prepaid insurance.

There is, so far as I am aware, no longer any significant disagreement on these basic objectives. And there is general agreement that the financial problem is at the base of our difficulties.

My first recommendation is that the Congress enact legislation providing for a nation-wide system of health insurance.

The traditional method of paying for medical care cannot meet the health needs of today. As medical education and practice have become better, they have become more specialized and at the same time more expensive. As treatment has become more expensive, families have found it more and more difficult to meet the extraordinary costs of accidents, serious illness or major surgery. Thus, at the same time that our knowledge of how to provide medical care is at its highest point, more and more people are unable to afford it. It is no longer just the poor who are unable to pay for all the medical care they need—such care is now beyond the means of all but the upper income groups.

This is an anomalous situation. It can and should be met through social insurance. Under such a system, regular contributions to the insurance fund will replace irregular, often overwhelming, family outlays for medical care.

Insurance against the costs of medical care has been growing rapidly in this country in recent years. This growth is proof that our people understand the advantages of health insurance and desire its extension.

Unfortunately, however, voluntary plans have proved inadequate to meet the need. Most voluntary plans give only very limited protection. While some 50,000,000 people now have some form of health insurance, this insurance usually provides only limited protection so far as hospitalization is concerned and in most cases makes no provision at all for other medical services. Only 3,500,000 of our people have insurance which provides anything approaching adequate health protection. Most serious of all, since rates in these voluntary plans are not adjusted to income, those who need protection most cannot afford to join.

The only fair and effective means to assure adequate medical care through insurance is to build on the pattern of our existing social insurance plans. As in the case of those plans we should seek to include as many persons as possible within the health insurance system, so that more may benefit, and costs can be more widely shared.

Health insurance is a method of paying for medical care. It will not require doctors to become employees of the government. It will not disturb the freedom of doctors and hospitals to determine the nature and extent of treatment to be given. It will not interfere with the personal relationship between doctor and patient. Under such a plan, patients will remain free to choose their own doctors, and doctors will remain free to accept or reject patients. Moreover, patients, doctors, and hospitals will remain free to make their own arrangements for care outside the insurance system if they so choose.

The administration of the program should, of course, be decentralized to the greatest possible extent. It is also of the utmost importance that the quality of medical care be adequately safeguarded. Both these objectives can be accomplished in large measure by having the administration of the program in each locality guided by a local group in which the skills and judgment of local medical personnel are fully represented. Furthermore, the fullest possible use should be made of the medical schools and their faculties.

Health insurance will mean that proper medical care will be economically accessible to everyone covered by it, in the country as well as in the city, as a right and not as a medical dole.

It will mean that more people will obtain the preventive care which is so important, and that more people will be able to have better medical care. Thus health insurance will provide an effective demand for the additional doctors, nurses and other medical personnel we need to improve our health. The provision of more doctors and medical personnel goes hand in hand with better arrangements for paying for their services.

My second recommendation, therefore, is that the Congress enact legislation to help medical schools expand. Special financial aid should be provided for the construction of teaching hospitals and other facilities and to help the schools cover the cost of larger enrollments. At the same time, scholarship aid should be provided for good students who might otherwise lack the means to undertake the long period of professional training.

Today we have about 190,000 active physicians, of which 145,000 are in private practice. This is not enough. It represents only about 80% of the physicians we require. Unless we take prompt action to expand the medical schools, we shall be no better off ten years from now. We face similar shortages with respect to dentists, nurses, and other professional medical personnel. Obviously, the facilities for professional education will have to be expanded if we are to provide adequate care for our growing population.

Aid to Doctors

Health insurance will have another extremely important result so far as medical personnel are concerned. Since payment of doctors' and other fees will be assured by the insurance system, doctors will be able to practice where they are needed most, without sacrificing income—as too many doctors must now do in rural and low-income areas. Comprehensive health insurance will thus lead to a more equitable distribution of doctors over the country, and we will no longer have the situation where some counties have only one active physician for every 3 000 persons, while other counties have five or six.

My third recommendation is that the Federal Government provide increased aid for the construction of hospitals and other medical facilities in communities where they are needed.

In many cases adequate medical treatment can be provided only in hospitals. Under present circumstances, hospitalization is often impossible, both because of the shortage of hospitals and because of inability of the patient to pay the costs of hospital care.

The enactment of health insurance will, of course, permit more of our people to obtain the hospital care they need. Thus health insurance will make it possible to support hospitals in communities where they could not now be supported. At the same time, it will make the present need for hospital construction even more urgent.

The present Federal Hospital Survey and Construction Act, enacted in 1946, represents an important step in a national program to provide more hospitals. Under this act, expiring in 1951, some funds are provided for the government to contribute one-third of the construction costs of public and other non-profit hospitals.

I recommend that the Congress extend the duration of this program, increase the funds to be made available, and modify the program so that the government's share will take account of the varying financial resources of different states.

Furthermore, the program should be broadened to include aid for the establishment of community health centers, diagnostic clinics and group practice clinics, all of which have proved in recent years to be very effective means of providing better medical care. This aid should be provided in the form of grants to help finance the construction and equipping of public and other nonprofit health centers and clinics and in the form of government guarantees of loans for the establishment of private facilities, similar to the mortgage guarantees the government provides for private housing.

Wants More Preventive Medicine

Closely related to these measures to increase the availability of private medical care are certain actions we should take to improve the public health preventive and disease-control services, which are now inadequate in most areas and totally lacking in many.

At present the government provides grants to assist state and local governments in preventing and controlling certain diseases and to promote maternal and child health services, services for crippled children, and general public health activities.

My fourth recommendation is that the Congress increase the amount of the Federal grants for these activities, consolidate the existing separate grants in so far as possible, and provide for matching by the states, adjusted to their differing financial resources.

Another essential step, if we are to continue to improve our medical care system, is to continue to improve our medical research as more facilities and scientific personnal become available. The government is already contributing substantially to the advance of medical knowledge by conferring fellowships for research in many specialized fields, by providing grants for research by public and nonprofit agencies, and through its own research activities. We must keep alert to every opportunity to add to the program of medical researech through new scientific techniques, such as the use of the products of atomic energy, and through the wise and balanced expansion of research into diseases which have not so far been conquered.

These recommendations are interrelated parts of a comprehensive plan for improving the quality of medical care and making such care more completely available to our people. They represent a sensible and realistic program of action, which complements my recommendations for extending and improving the Social Security System, including the provision of insurance against loss of workers' incomes during periods of sickness or disability.

We should lose no time in making a full-scale beginning on all parts of our health program. At the same time that we are putting health insurance into operation we should be establishing the hospitals and clinics and training the medical personnel that the insurance system will enable us to afford. We cannot, of course, achieve our goals fully until the system has been in operation for some time. That fact emphasizes the need for early legislative action.

Many people are concerned about the cost of a national health program. The truth is that it will save a great deal more than it costs. We are already paying about 4% of our national income for health care. More and better care can be obtained for this same amount of money under the program I am recommending. Furthermore, we can and should invest additional amounts in an adequate health program—for the additional investment will more than pay for itself.

The real cost of our present inadequate medical care is not measured merely by doctors' bills and hospital bills. The real cost to society is in unnecessary human suffering and the yearly loss of hundreds of millions of productive working days. To the individual the real costs are the shattering of family budgets, the disruption of family life, the suffering and disabilities, the permanent physical impairments left by crippling diseases and the deaths each year of tens of thousands of persons who might have lived. This is the price we are now paying for inadequate medical care.

It is plain common sense that we should not permit these needless costs to continue when we have it within our power to reduce them with a practical health program. Where there are differences remaining as to the details of the program, we should not permit these differences to stand in the way of our going forward. They should be threshed out with honesty and tolerance, as is our democratic fashion. We should enact the best possible program and then all of us should get behind it to make it work.

We are striving in this country to see that the strength and flexibility of our political and economic institutions are used to bring the greatest possible good to our people. I consider this health program as part of that endeavor—to adjust to modern conditions without losing traditional values, to bring to the people of this country the full enjoyment of the benefits which our freedom makes possible.

AMA Assails President's Health Insurance

In answer to the President's special message to Congress submitting a national health insurance program, Dr. Elmer L. Henderson, Chairman of the Board of the American Medical Association, on April 24 released a statement in which he asserted the proposed scheme would regiment both doctors and patients under a vast system of bureaucracy.

The text of Dr. Henderson's statement follows:


Dr. E. L. Henderson

President Truman's special message, asking enactment of a national compulsory health insurance program, deserves most careful scrutiny both by Congress and by the American people whose health would be seriously endangered if this Old World scourge is allowed to spread to our New World.

There is neither hope nor promise of progress in this system of regimented medical care. It is the discredited system of decadent nations which are now living off the bounty of the American people—and if adopted here it would not only jeopardize the health of our people, but would gravely endanger our freedom. It is one of the final, irrevocable steps toward state socialism—and every American should be alerted to the danger.

One of the great dangers in political diagnosis of the health needs of the people is the temptation to over-simplification. President Truman has fallen into this error.

The President sets forth an objective which all of us can warmly endorse—namely, bringing adequate health services within the reach of all the people. The doctors of America, in cooperation with the prepaid medical and hospital care plans and the many splendid voluntary health insurance systems, have made great progress in achieving that objective, so we have no quarrel with the President on that score.

President Truman, however, proceeds from a desirable objective to a highly undesirable proposal for achieving that objective. There is a great deal of double-talk in the President's message, but what he actually proposes is a national compulsory health insurance system which would regiment doctors and patients alike under a vast bureaucracy of political administrators, clerks, bookkeepers and lay committees.

Every wage-earner, every self-employed person and every employer would be compelled to contribute exorbitant payroll taxes, eventually mounting to a tax of 8 or 10% on every paycheck, to support this system—and the cost of medical care, instead of being reduced, would be doubled and trebled by bureaucratic overhead.

The record is clear in every country where compulsory health insurance has been adopted. It is cheap in quality, but extravagantly high in price.

The President's message, in some respects, was persuasive and disarming. The ideals and objectives were stated in glowing terms, but the message was completely lacking in any specific statement of the services to which the people would be entitled, or any estimate of the taxes which they would be compelled to pay.

Mr. Truman has been too long away from Missouri, if he believes the American people will sign a blank check for such an ambiguous program. The people will want to be shown.

There are many fallacies and misstatements in the President's message, some of which cannot go unchallenged.

President Truman, for example, is about a decade behind the times in his statistics on the growth of the voluntary health insurance systems.

He reports that only 3,500,000 people have insurance which provides adequate health protection. Ten or 15 years ago that was true. Today, Mr. President, 55,000,000 Americans are protected, under the voluntary health insurance systems of this country, against the costs of hospital care and 37,000,000 policy holders are insured against surgical or medical bills.

Again, the President falls into the error of stating that only limited, inadequate health protection is available under the voluntary health insurance systems. Actually, the voluntary systems are providing better coverage today than any compulsory program yet proposed—at about half the price.

President Truman also makes the amazing assertion that adequate medical care is now beyond the means of all but the upper income groups. On the contrary, any family which can afford a package of cigarettes a day, or a weekly movie, can afford the finest kind of prepaid medical and hospital protection. The cost is about the same.

The most serious misstatement in the President's message—and one which it is regrettable any President of the United States would have uttered—is the repetition of that now completely discredited statement that tens of thousands of persons die needlessly in this country, due to lack of medical care.

The President, in this instance, as in others, undoubtedly based his statement on the distorted report of the Federal Security Administrator, whose listing of "needless deaths" included 40,000 deaths from accidents and 115,000 from cancer and heart disease.

It is shocking that any government department head would seek to impose on the credulity of the American people with such flagrant misrepresentations—and it is unfortunate, indeed, that the President of the United States should have repeated even in part the misinformation contained in this report.

There is a very real need in America for the budgeting of medical costs and American medicine is proud of the part it has played in building the voluntary health insurance systems to meet that need. There is no need, however, for compelling the American people to join a government system.

The voluntary way is the American way—and the people will resolve this problem, in a very short span of years, under the voluntary systems now available to them.

Public Utility Securities

By OWEN ELY

North American Company

North American Company has been distributing to stockholders most of its utility holdings over the last 10 years—first through their distribution as dividends, and later as partial liquidations—to conform to the Public Utility Holding Company Act. Several years ago the company indicated its intention to retire from the utility business and retain its non-utility holdings, but later it decided to remain out of non-utility fields. With the final clearing up early this year of the affairs of a subholding company, North American Light & Power, North American announced its intention to transfer the common stock of Missouri Power & Light Company to Union Electric Company of Missouri (its main subsidiary). It was recently announced that all of the common stock of another subsidiary of Light & Power, Kansas Power & Light, would be distributed to North American stockholders July 1 in the ratio of 1-for-4.

Kansas Power and Light will be the sixth major utility company whose shares have been distributed to North American stockholders. Previous distributions have included shares of The Detroit Edison Company, Pacific Gas and Electric Company, Cleveland Electric Illuminating Company, Potomac Electric Power Company and Wisconsin Electric Power Company. The aggregate value at the dates of declaration of the distributions already made was equivalent to $24.69 per share of North American. This does not include the value of the proposed distribution of Kansas Power and Light.

North American also announced that it would transfer a section of the properties of West Kentucky Coal Company to Union Electric (representing about 25% of the coal reserves but accounting for about 11% of the Company's net income in 1948). Union Electric will thus be provided with substantial fuel supplies conveniently located for river transport to the St. Louis area, which will afford operating economies and greater flexibility in selecting locations for future power plants. After the SEC has approved this plan for splitting the property (they had previously refused to sanction transfer of the entire property to Union Electric) North American proposes to distribute the Coal company's stock to its own stockholders in a 1-for-10 ratio. After these plans are carried out North American Company will retain the following holdings, plus some minor items:

Fully Owned:
- Union Electric Co. of Missouri
- 60 Broadway Building Corp.
- N. A. Utilities Securities Corp.*

Partly Owned:
- Capital Transit (46%)
- Illinois Power (13%)
- Wisconsin Electric Power 6% pfd. (13%)

*There is a minority common stock interest—see later description of this company.

In addition North American Company at the end of 1948 had about $11 million cash assets in excess of its debts. While this cash might be considered earmarked for the investment of $5 million in the common stock of Union Electric prior to June 30, and to repay a $5 million bank loan of Light & Power maturing at the end of 1949, nevertheless current income should suffice to take care of these obligations.

In a recent 22-page study of North American Co., Goldman, Sachs & Co. estimated breakup value as follows per share of North American:

Union Electric	$15.50
Kansas Power & Light	3.60
West Kentucky Coal	2.00
Illinois Power	.80
North American Utility Securities Preferred	.70
Capital Transit	.20
Wisconsin Electric Power Preferred	.20
Current Assets	1.35
Total	$24.35

The estimated value of Union Electric (approximately $133 million) was based on a multiplier of 11½ times, applied to estimated earnings for 1949 of $11,500,000. This multiple seems a little high for an unseasoned stock but would probably be warranted if the dividend payout were 75-80%, or if allowance for a year or so's market seasoning of the stock should be made. Certainly the Company's growth prospects are excellent (it has a very ambitious long-range construction program) and it has a sound and conservative background which should give the stock substantial investment calibre.

Goldman Sachs' appraisal of $31 million value for Kansas Power & Light common reflects 10 times 1948 earnings, which appears reasonable. West Kentucky Coal's stock is appraised at $17,100,000 or only 4.25 times last year's earnings; this seems conservative considering the Company's huge reserves of good-grade coal, its high degree of mechanization, and the overall efficiency developed under North American management.

North American Utility Securities Corp. is a general management investment trust with a diversified list of common stocks. The net adjusted value of the portfolio at the end of last year was $6,176,000. There is no first preferred stock now outstanding, but the second preferred (all held by North American) has an aggregate claim for principle and dividend arrears of nearly $9 billion. While about 19% of the common stock is in the hands of the public (the stock is traded on the Curb), North American claims that there is no equity for the common. The question is now before the SEC and the courts. The Goldman, Sachs study does not attempt to place any values on the large building at 60 Broadway, the investments in Hevi Duty Electric, Muzak, etc. In our opinion these assets might be worth some $5 million or more.

North American Company plans to pay cash dividends at the rate of 25¢ quarterly during 1949 in addition to the distribution of Kansas Power & Light (and possibly West Kentucky Coal). It expects to liquidate its holdings of Illinois Power, Capital Transit, etc., as well as the portfolio of the Securities Corporation when litigation is cleared up. Thus eventually North American's interest will be reduced to Union Electric and the office building together with liquid assets. The 1948 report states: "The plans of North American will thus be related to those of Union Electric Company of Missouri and capital requirements of that company during the immediate future." Whether the SEC will permit retention of these interests in the indefinite future remains somewhat problematical, however.

FRB Makes Technical Amendments to Margin Rules—NYSE Explains Effect of Changes

The board of governors of the Federal Reserve Board on April 21 made two technical amendments in Regulation T and U (margin requirements) in order to facilitate and simplify operations under the regulations. One further liberalizes rules on withdrawals and substitutions. The other simplifies the rules to be followed by brokers and dealers in connection with cash accounts.

According to the amendments, effective May 1, 1949, Regulation T is hereby amended in the following respects:

(1.) The second paragraph of section 3 (b) of Regulation T is amended to read as follows:

"A transaction consisting of a withdrawal of cash or registered or exempted securities from a general account shall be permissible only on condition that no cash or securities need to be deposited in the account in connection with a transaction on a previous day and that, in addition, the transactions (including such withdrawal) on the day of such withdrawal would not create an excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account or increase any such excess."

(2) Section 4(c) (7) of Regulation T is amended to read as follows:

"(7) The 7-day periods specified in this section 4 (c) refer to seven full business days. The 35-day period and the 90-day period specified herein refer to calendar days, but if the last day of any such period is a Saturday, Sunday, or holiday, such period shall be considered to end on the next full business day. For the purposes of this section 4(c), a creditor may, at his option, disregard any sum due by the customer not exceeding $100."

(3) Section 4(c) (8) of Regulation T is amended by adding the following at the end thereof:

"For the purposes of this section 4(c) (8), the cancellation of a transaction, otherwise than to correct an error, shall be deemed to constitute a sale. The creditor may disregard for the purposes of this section 4(c) (8) a sale without prior payment provided full cash payment is received within the period described by subdivision (2) of this section 4(c) and the customer has not withdrawn the proceeds of sale on or before the day on which such payment (and also final payment of any check received in that connection) is received. The creditor may so disregard a delivery of a security to another broker or dealer provided such delivery was for deposit into a special cash account which the latter broker or dealer maintains for the same customer and in which account there are already sufficient funds to pay for the security so purchased; and for the purpose of determining in that connection the status of a customer's account at another broker or dealer, a creditor may rely upon a written statement which he accepts in good faith from such other broker or dealer."

Amendment No. 9 to Regulation U, recently issued by the board of governors of the Federal Reserve System to be effective May 1, 1949, alters the third paragraph of section 1 to read as follows:

"While a bank maintains any such loan, whenever made, the bank shall not at any time permit wtihdrawals or substitutions of collateral that would cause the maximum loan value of the collateral at such time to be less than the amount of the loan. In case such maximum loan value has become less than the amount of the loan, a bank shall not permit withdrawals or substitutions that would increase the deficiency; but the amount of the loan may be increased if there is provided additional collateral having maximum loan value at least equal to the amount of the increase."

STATEMENT ISSUED BY NYSE

With reference to the foregoing amendments, the Department of Member Firms of the New York Stock Exchange issued on April 22 the following comments to its members and member firms:

The amendment to section 3(b) permits the withdrawal of 50% of the net proceeds of sales of registered non-exempted securities on the trade date of the sale.

No withdrawal of any proceeds of a sale may be made on a day after the trade date of sale unless at the time of the withdrawal there is excess loan value in the account equal to the amount of the withdrawal.

If a customer wishes to make a substitution in a restricted account by a sale and purchase of securities both transactions must be effected on the same day. If the purchase is not effected on the date of sale, 50% of the proceeds of the sale must be withdrawn on that day and transferred to an appropriate account in order to preserve the customer's purchasing power. A substitution may not be spread over two or more days by merely effecting a sale and on some later date purchasing stock.

A withdrawal of a security also may be made upon the deposit of its loan value in the account on the same day.

No withdrawal of cash or registered or exempted securities may be made if there is an unsatisfied margin requirement outstanding.

If a customer makes a withdrawal of cash or registered or exempted securities and then on the same day, effects a transaction requiring margin he will be required, either to redeposit the withdrawal on that day, or, deposit on that day the amount of margin required by the transaction. In view of the foregoing, careful consideration should be given to any open orders for the account when withdrawal is to be made before the market closes.

All accounts mentioned in the foregoing comments are general accounts maintained pursuant to section 3 of Regulation T, and have adjusted debit balances which exceed the maximum loan values of the securities in the account, i.e., they are "restricted" margin accounts.

Comments on Special Cash Accounts Section 4(c)

The following are the comments of the New York Stock Exchange to amendment of Section 4(c) of Regulation T:

The amendment to sub-section (7) of section 4(c) has changed the period of time within which the broker is required to take action when full cash payment is not received, from seven calendar days to seven full business days.

NOTE:—The seven full business day period prescribed by section 4(c) is not a privilege extended to the customer and does not confer upon any customer the right to delay payment beyond the time it is practicable for him to furnish full cash payment. It prescribes the time within which the broker himself must take liquidating action because of the customer's failure to meet his obligations. Full cash payment must be obtained promtply; normally such payment should be received by the regular clearance date. Repeated instances where a broker fails to obtain payment by the clearance date would raise a question as to the diligence of the effort made by the broker to obtain funds promptly. It might also raise a question of the good faith of the customer in stating he will make full cash payment promptly.

The amendment has increased the amount which a broker may disregard in a special cash account from $50 to $100.

The amendment to sub-section (8) of section 4(c) provides that a cancellation of a purchase in a special cash account after the purchase has been made, but before full cash payment is received, except to correct an error, shall be considered the same as a sale of the security.

When a security purchased in a special cash account is sold before full cash payment is received, for a period of 90 days after the date of purchase no further purchases may be made unless cash sufficent to pay in full for the additional purchases is on deposit at the time the securities are bought. However, if a security is purchased and sold, and, within the seven full business day period prescribed by section 4(c) (2), full cash payment for the purchase is received, and the proceeds of sale are not withdrawn on or before that day the 90 day period will cease to be applicable on the day payment is received. If a purchase is made in the interim between the date of sale and the receipt of full cash payment for the security sold the second purchase must be paid for in full on the day the order is executed.

Example No. 1—On Monday a customer buys 100 ABC at 33; on Tuesday he calls the broker on the telephone and instructs him to sell the stock at 34, at which price it is sold, and informs the broker he is mailing a check for full payment. On Wednesday the check is received and the 90 day period is no longer applicable on Wednesday upon the receipt of the check, unless the broker fails to collect the check, and provided the proceeds of the sale are not withdrawn on or before the day the check is received.

Example No. 2—On Monday a customer buys 100 BCD at 33, on Tuesday he calls the broker on the telephone and instructs him to sell the stock at 32 at which price it is sold. On Wednesday the customer instructs the broker to buy 100 XYZ at 34 and informs the broker he will mail a check to cover the cost of the BCD. The broker will be required to obtain the full cost of the XYZ before the order is executed on Wednesday, inasmuch as the restriction will not be lifted until full cash payment is received for the security previously sold.

A statement by the customer that payment is in the mail, or will be mailed, does not constitute receipt of the funds by the broker.

If any check given in connection with the foregoing situations is not deposited promptly by the broker and subsequently collected, the account continues to be subject to the 90 day period.

Delivery of securities to another broker or dealer before full cash payment is received will not subject the special cash account to the 90 day restriction, provided the delivering broker obtains from the receiving broker a written statement that the securities are being accepted for a special cash account of the customer in which account there are sufficient funds to make full cash payment for the securities received.

A broker receiving securities into a cash account for a customer may not give a written statement to the effect that funds are in the account to pay for the security received if such funds are the proceeds of a sale of the security to be received.

Security Traders Association of New York

Arnold J. Wechsler, *Ogden, Wechsler & Co.;* D. Raymond Kenney, *Kenney & Powell;* James F. FitzGerald, *W. L. Canady & Co.*, President of the Security Traders Association of New York; Leslie Barbier, *G. A. Saxton & Co., Inc.*

Harry J. Steele, *Fauset, Steele & Co.*, Pittsburgh; Paul I. Moreland, *Moreland & Co.*, Detroit; Joseph C. Eagan, *Frank C. Masterson & Co.;* Wm. Perry Brown, *Newman, Brown & Co.*, New Orleans

Ed Harding, *Pennsylvania Railroad;* Vic Mosley, *Stroud & Co., Inc.*, Philadelphia; Edward H. Welch, *Sincere & Co.*, Chicago, President of the N.S.T.A.; Harold Smith, *Pershing & Co.*

Harry L. Arnold, *Paine, Webber, Jackson & Curtis;* Michael J. Heaney, *Joseph McManus & Co.;* Harry J. Peiser, *Ira Haupt & Co.;* James F. Musson, *B. J. Van Ingen & Co.*

Sal Rappa, *F. S. Moseley & Co.;* William Eiger, *Hart, Smith & Co.;* Irving Stein, *Stein & Co.;* Wm. Hart Smith, *Hart Smith & Co.*

Walter Bradley, *B. W. Pizzini & Co.;* Will Wittich, *Walston, Hoffman & Goodwin;* Graham Walker, *National Quotation Bureau*

Carl Stolle, *G. A. Saxton & Co.;* James J. Lee, *Lee Higginson Corp.*

John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* L. W. Shepler, *Merrill Lynch, Pierce, Fenner & Beane*, President of The Cincinnati Stock & Bond Club, Cincinnati, Ohio; Glen Darfler, *Kneeland & Co.*, Chicago, President of the Bond Traders Club of Chicago; Henry D. Miller, *Nugent & Igoe*, East Orange, N. J.

Thirteenth Annual Dinner

Hal Murphy, *The Financial Chronicle;* W. L. Canady, *W. L. Canady & Co.;* John F. McLaughlin, *McLaughlin, Reuss & Co.;* H. Terry Snowday, *E. H. Rollins & Sons, Inc.,* Detroit

Irving A. Greene, *Greene and Company;* Clifton B. Smith, *Francis I. du Pont & Co.;* John J. Meyers, Jr., *Gordon Graves & Co.;* John M. Hudson, *Thayer, Baker, & Co.,* Philadelphia

Frank Mackessy, *Abbott, Proctor & Paine;* George E. Rieber, *N.A.S.D.;* Maurits Johnson, *Hincks Bros. & Co.,* Bridgeport, Conn.; Ed. Guberlet, *Paine, Webber, Jackson & Curtis;* Henry Schmitt, *Pulis, Dowling & Co.*

E. E. McClure, *Stein Bros. & Boyce,* Baltimore; Ben Van Keegan, *Frank C. Masterson & Co.;* Alfred F. Tisch, *Fitzgerald & Co.;* Theodore R. Young, *Young & Gersten*

Homer Wirth, *Mabon & Co.;* Henry Oetjen, *McGinnis, Bampton & Sellger;* Richard H. Goodman, *Cohu & Co.;* Daniel G. Mullin, *Tucker, Anthony & Co.*

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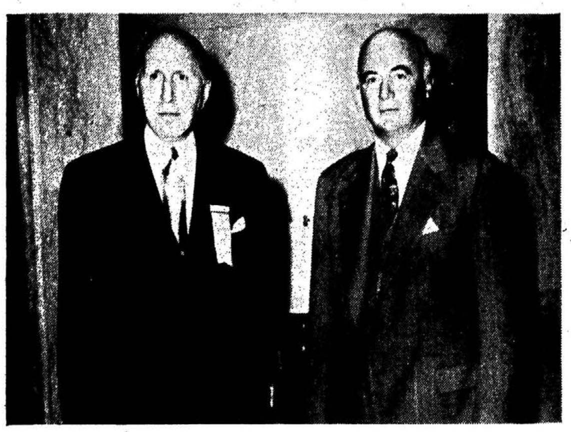

Stan Roggenburg, *Roggenburg & Co.;* Edmund Hanrahan, Chairman of the SEC

Arthur Schwartz, *Bache & Co.;* John Latshaw, *Uhlmann & Latshaw,* Kansas City, Mo., President of the Bond Traders Club of Kansas City; Herbert D. Knox, *H. D. Knox & Co.*

Mickie Rodriguez, accompanied by B. Winthrop Pizzini, *B. W. Pizzini & Co.*

Held April 22nd, 1949

Jules Raymond Gimbernat, Jr., *Gimbernat & Sellwood;* Joseph Janareli, *Joseph Janareli & Co.;* "Hoy" Meyer, *Stern & Co.;* Gus Schlosser, *Union Securities Co.*

John M. O'Neill, *Stein Bros. & Boyce*, Baltimore; Wm. H. Boggs, *Gimbernat & Sellwood*

Samuel I. Gold, *Lilley & Co.;* Charles D. Ogden, *Ogden, Wechsler & Co.;* Jack Conlon, *J. Arthur Warner & Co.;* Nat Krumholz, *Siegel & Co.*

Sam J. Rutberg, *Rutberg & Co., Inc.;* Thomas A. D. Canova, Deputy Director, Savings Bonds Division, U. S. Treasury; John H. Kugel, *Kugel, Stone & Co.*

John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane;* Paul E. Fitzpatrick, Chairman of New York State Democratic Committee; Larry T. Doyle, *Hardy & Co.*

John E. Kassebaum, *Van Alstyne, Noel & Co.;* Herb Blizzard, *Herbert H. Blizzard & Co.*, Philadelphia; Don Sloan, *Sloan & Wilcox*, Portland, Ore.

Dick Abbe, *Richard F. Abbe Co.;* Mort Cayne, *Cunningham & Co.*, Cleveland

T. J. Bryce, *Clark, Dodge & Co.;* Mel Wien, *M. S. Wien & Co.;* Irwin R. Frumberg, *SEC*, New York City

In the Grand Ballroom of the Waldorf Astoria

Vic Reid and Mike Growney of *York Affiliates;* Matt Ryan and Fred Zimmer of *Colonial Trust Co.*

Geo. Frings, *Fitzgerald & Co.;* Robert V. B. H. Harned, *Warren W. York & Co.,* Allentown, Pa.; Wm. F. Thompson, *Greene & Co.;* Paul Fredericks, *Warren W. York & Co.,* New York City; Henry Kuipers, *Louis H. Whitehead Co.*

Richard Hunter, guest; Wellington J. "Duke" Hunter, *Hunter & Co.;* Samuel I. Gold, *Lilley & Co.;* Bernard Weissman, *Siegel & Co.*

Lou Walker, *National Quotation Bureau;* Walter Saunders, *Dominion Securities Corp.*

Senate Gets Bill for Nat'l Monetary Commission

Senators Maybank and Tobey sponsor measure to set up bi-partisan commission, comprising members of Congress, representatives of Executive Departments and private individuals.

On April 11, Senator Burnet R. Maybank (Dem.-S. C.), for himself and Senator Charles W. Tobey (Rep.-N. Hamp.), introduced a bill in the Senate providing for the establishment of a bi-partisan National Monetary Commission. The bill was sponsored by the Committee on Monetary Policy of the Conference of Small Business Organizations, under the chairmanship of Fred A. Virkus. The text of the proposed measure follows:

A BILL

For the establishment of the National Monetary Commission.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Declaration of Policy

Section 1. It is hereby declared to be the policy of Congress to promote and maintain the utmost stability of domestic and international trade, to the end that orderly commercial relationships built up by the citizens of the United States of America both within and without the country shall remain as free as possible from uncertainty concerning and arising from both the relative and absolute values of the currency of the United States, in terms both of commodities and of currencies of other countries.

Establishment of the National Monetary Commission

Sec. 2. For the purpose of better enabling the Congress to carry out the policy set forth in section 1 hereof, there is hereby established a bipartisan commission to be known as the National Montary Commission (in this Act referred to as the "Commission").

Membership of the Commission

Sec. 3. (a) **Number and Appointment**—The Commission shall be composed of 18 members as follows:

(1) Six appointed by the President of the United States, three from the executive branch of the government and three from private life;

(2) Six appointed by the President of the Senate, three from the Senate and three from private life; and

(3) Six appointed by the Speaker of the House of Representatives, three from the House of Representatives and three from private life.

(b) **Political Affiliation**—Of each group of six members mentioned in subsection (a), not more than three members shall be from each of the two major political parties.

(c) **Vacancies**—Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

Organization of the Commission

Sec. 4. The Commission shall elect a Chairman and a Vice-Chairman from among its members.

Quorum

Sec. 5. Ten members of the Commission shall constitute a quorum.

Compensation of Members of the Commission

Sec. 6. (a) **Members of Congress**—Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) **Members From the Executive Branch**—The members of the Commission who are in the executive branch of the government shall each receive the compensation which he would receive if he were not a member of the Commission, plus such additional compensation, if any (notwithstanding section 6 of the Act of May 10, 1916, as amended; 39 Stat. 582; 5 U. S. C. 58), as is necessary to make his aggregate salary $12,500; and they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(c) **Members From Private Life**—The members from private life shall each receive $50 per diem when engaged in the performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

Staff of the Commission

Sec. 7. The Commission shall have power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of the civil-service laws and the Classification Act of 1923, as amended.

Expenses of the Commission

Sec. 8. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, so much as may be necessary to carry out the provisions of this Act.

Expiration of the Commission

Sec. 9. Ninety days after the submission to the Congress of the final report provided for in section 10 (b), the Commission shall cease to exist.

Duties of the Commission

Section 10. (a) **Investigation**—The Commission shall study and inquire into what changes are necessary or desirable in the banking and monetary system of the United States, or in the laws relating to banking and currency, by reason of domestic or international considerations or both. It shall investigate (without limitation) the present requirements and methods covering the matters of legal reserves of banks, eligible deposits thereagainst, open market operations of the Federal Reserve banks, adequacy or paucity of eligible paper other than government obligations, specie reserves, foreign-exchange fluctuations, and any and all other factors in this or other countries which, in its judgment, may relate to the purposes set forth in section 1 hereof.

(b) **Reports**—The Commission shall make such interim reports as in its judgment are desirable. Its final report and recommendations shall be made to the Congress within ten days after the Eighty-second Congress is convened and organized: *Provided,* That the Congress may by concurrent resolution extend the time therefor.

Powers of the Commission

Sec. 11. (a) The Commission, or any member thereof, may, for the purpose of carrying out the provisions of this Act, sit during the sessions or recess of Congress, at such times and places as it may deem desirable; send for persons and papers, administer oaths, summons, and compel the attendance of witnesses, as the Commission or such member may deem advisable. Any member of the Commission may administer oaths or affirmations to witnesses appearing before the Commission or before such member.

(b) **Obtaining Official Data**—The Commission is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this Act; and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice-Chairman.

Donald C. Douglas With Blyth & Co. in Seattle

SEATTLE, WASH. — Donald C. Douglas has joined the Seattle office of Blyth & Co., Inc., 1411 Fourth Avenue Building, according to an announcement made today by E. F. Maxwell, Vice-President in charge.

Mr. Douglas, a native of Seattle, was formerly associated with the investment business in St. Paul, Minnesota, where he was associated with Harold E. Wood & Co., and just recently returned to the Pacific Coast. Mr. Douglas is the son of Superior Court Judge and Mrs. Malcolm C. Douglas. He joined the Air Force during World War II as a pilot and was honorably separated with the rank of First Lieutenant in October, 1945.

Geo. K. Baum Co. Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Alton Gumbiner has been added to the staff of George K. Baum & Co., 1016 Baltimore Avenue.

Railroad Securities

Chicago Great Western is making another attempt to put through an exchange of securities with a view toward eliminating the present preferred stock. Last year it was proposed that holders of the stock be given in exchange for their holdings a combination of income bonds and preferred stock. In June, 1948, an ICC examiner recommended that the application for authority to issue the new securities be denied and the matter was dropped temporarily. It has now been reopened and the Commission has set June 8 as the date for the new hearings.

The company proposes to issue $7,322,080 of new income 4½s, and 73,221 additional shares of common stock. These would be exchanged for the present preferred, with accumulated dividends, at the rate of $20 of income bonds and one-fifth share of common for each preferred share. The preferred is a $50 par stock and is entitled to preferential dividends of $2.50 a share per annum. It is cumulative up to $7.50, which is the amount of the present arrears. No distribution has been made on this stock since $0.62½ was paid in 1946.

Among the reasons given by the company to justify reopening the case were changed market conditions, which make the offer more attractive to preferred stockholders, and the very substantial reduction the company has made in its outstanding debt in the interim. There can be no question but that the management has done an outstanding job on its debt structure. In 1948 alone the company reduced its non-equipment fixed interest debt by $5,282,300, bringing retirements since consummation of the reorganization to a total of $8,852,270. This represents a cut of more than 50%. Total remaining non-equipment fixed interest debt as of the end of last year stood at $8,190,700. This will unquestionably be further reduced by payment of the $180,000 bank loan due Sept. 1 and a $500,000 mortgage issue maturing the first of next year.

The company has also worked aggressively on its income 4½s, 2038. There were $2,373,720 of these bonds acquired and retired last year, bringing the total reduction in income bonds since reorganization to $3,369,820. There were only $2,743,780 remaining outstanding by the end of 1948. With this background there would appear to be adequate justification for the issuance of the $7,322,080 income bonds contemplated in the company's plan. The potential savings accruing to the benefit of the common would be substantial. For annual preferred dividend requirements of $915,260 there would be substituted $329,944 of contingent interest. The latter is deductible before Federal income taxes while dividend requirements are not. Under the plan the amount of common stock would be increased from 352,639 to 425,860 shares.

The management has embarked on an ambitious property rehabilitation program. Also, it has been installing a considerable amount of new equipment, including Diesel power. It is indicated that there is still much to be done with respect to the road property. Nevertheless, the money already spent has paid handsome profits in improved operating efficiency. Evidence of this began to appear last year when the road accomplished the widest year-to-year reduction in its transportation ratio of any major carrier. Its ratio of 40.3% was still above the industry average of 39.5%, but was substantially better than the 1947 ratio of 44.6%. This favorable trend has continued in the current year, with the ratio for the first two months down to 42.8%, compared with 47.2% a year earlier.

With its property needs, and with working capital reduced sharply by debt retirements, the road is not in a position where dividend payments would appear feasible for some time to come. Nevertheless, on the basis of current earning power and the trend of operating costs, the securities do appear to have considerable speculative price appeal. Earnings on the common amounted to $2.73 a share last year and there was a modest year-to-year gain in net in the seasonally dull opening months of the current year. Over the longer term, moreover, there are the potentialities of a closer affiliation with the strong Kansas City Southern.

What's Ahead for the Businessman?

(Continued from page 2)

or fifteen who have also noted that in January and in February and in March, 1949, right down to the latest figures, the actual level of employment has been higher than in the boom year 1948, and in March, 1949, was about 300,000 higher.

In other words, the increase in unemployment—and there has been some—has come from the fact that as the labor force has increased with a growing population, we have not shown the dynamic quality of growth to absorb that additional 1,200,000 people who have come on the labor market in the course of a year. We have taken 200,000 into the armed forces, we have 300,000 more employed, and that leaves about 700,000 more unemployed than a year ago.

Holding Our Own

We are certainly holding our own in this difficult year of transition, although we are not moving forward at a rapid and steady rate as we would all like to see. In the long run we are holding our own thus far, as reflected in the fact that, at a time when there is such concern over the course of the nation's economy, in each of the first three trying months of this year employment is actually higher than a year ago.

On the production front the record is not exactly the same. There has been some decline in industrial production, about 4 or 5%. That is partly due to changes in the composition of the economy, as you get beyond the transitional postwar period.

But, on the other hand, the level of business investment over the first quarter of this year, if the figures are accurate, are running something like $2 billion ahead of the comparable period of last year, and while the outlook for the rest of the year indicates, according to the best surveys, some decline, if we should live up to the most worthy expectations the decline over the year, as a whole, might be somewhere in the neighborhood of 5%.

When you put that 5% up against the necessary trends in government expenditures over the remainder of the year, the size and composition of consumer income and savings, the fact most of the throwing for a loss which has been taken in the agricultural sector of the economy—as Mr. Bean has indicated has already occurred — when you put all those things together, I think we have a rather bright outlook for 1949.

Deeds, Not Forecasts, Important

It depends on two things. It depends, first, not on what we forecast, but on what we do. And I wish that I could drive home this prime measure to every business person in America, to every government person in America, and to everybody thinking about the problems of the American economy: that while forecasting is important, we do not live in a fatalistic American economy where it is central in the same sense that we forecast the weather. The condition of our economy is not foreordained, and if there is anything we have learned over the last 20 years of peace and war, depression and prosperity, it is that while we do not want a highly managed economy, or a highly centralized economy, we nonetheless do have to make those basic decisions and take those basic actions through which we will determine what the forecast is going to be. That means responsible business, and it means responsible government.

I might point out that in the course of the war, when we were fighting a battle—which we have not yet won in the sense of laying the foundations for democracy, sure and stable, and freedom throughout the world—when we were fighting that battle we had to make certain technical forecasts, but we did not forecast whether we were going to win the war, and we did not forecast how many airplanes we were going to have. We decided that we had to win the war, and we decided how many airplanes we needed—of course, within our resources and our skills—and we proceeded to lay the foundations for getting them.

I do not mean, of course, that the peacetime economy should be as managed and as driven as the wartime economy. But I do mean that in the choice between a reasonable level of economic stability—which I think we can achieve—and the drastic ups and downs of the business cycles, which we cannot again afford to undergo for the fundamental reason which Mr. Morgenthau has recited, namely, the world situation, we do have to develop some business and some government policies and some better understanding and integration between the two so that we may move ahead from the relatively bright situation, as I see it now, to the brighter one which lies ahead.

In the business field, what does that mean? I think in the business field, what it means is implied in what I have said. First, to face realistically and practically the changes which have taken place, to look at the bad figures as well as the good figures, frankly and candidly; but not to magnify or over-sensationalize them; to realize that they are normal in the sense that they are the only way in which an economy, which is a mixture of freedom and government direction, could move from an immediate postwar situation to a long-range plateau of high level production.

It is about the only way that the economy could move in that direction, and I think we have steered between the excesses, I think we have steered between the excesses of what happened within two years after the World War I, and the excessive thinking that we could go along on the 1948 basis for another year or two, which I think would have culminated in a more serious relapse because we would have carried further a situation which could not be sustained indefinitely.

So the first point I would make in the business community is, do not over-sensationalize, do not over-magnify, do not get over-dismal, because what was normal in 1948 cannot be normal in 1949. And I think it is a happy circumstance, by and large, in taking the economy as a whole, that the drift downward has been primarily in the area of price-income adjustments rather than in the area of employment and production, because a downward drift in employment and production has a more spiraling and a more widespread effect.

Profits

I would say this, with respect to profits and reward for business, in which every business person is legitimately interested. Nobody in Washington—I want to be perfectly clear on this—nobody in Washington, nobody sincerely interested in the welfare of the American economy — advertisements to the contrary, and trade journals to the contrary—has ever taken the position that the American economy could grow and expand, in the long run, without profits.

If the American economy, over a period of years, is to average a gross of 3%, or 3½%, or whatever we may estimate it; if within five or ten years from now we should have a $300 billion economy, instead of a $240 billion economy—which is not fantastic, but only a legitimate effort—the levels of profit should be higher.

The only question is not that, the only question is whether, in getting over the trying period from 1948 to 1950, or 1951, you could sustain the 1948 rate without leveling off for a bit, or even going down for a bit, before starting upward again.

I think because of my analysis of the composition of a postwar boom economy in 1948 you had to go down a bit before you could start up again. And I say that only for one purpose, I say it only for the purpose that you become not excessively dismal, excessively pessimistic, excessively bearish, because of what I call this normal situation for 1949.

In talking with a business group here in New York a few days ago, I was told that certain industries, while they expected to end this year with a somewhat lower rate of return than in 1948, that they expected to have as high a volume as in 1948. Now, if there is anything I am confident of, it is this: so long as the American economy, or any segment of it, really maintains volume, so long as employment and production and distribution are really maintained, the profits will appear.

More Efficiency Needed

You may find that you have to sharpen your pencils more than you did in 1948. You may find that you have to cut costs more, and be more efficient. You may find more competition. But I find in the basic trends, with regard to employment and production, a very heartening sign for the future.

Attitude of Government

Now just a word about government, and then I will be through. I want to extend a word of interpretation about the attitude of government toward the business community. The government, with respect to economic policy, has one controlling objective, and one alone, and that objective, broadly speaking, is stated in terms of the Employment Act of 1946, the guiding principles of which are: maximum employment, maximum production, maximum purchasing power.

Very simply, what does that mean? It means that we in government are committed, when we see a choice between two roads, to take the first, and not the second.

What are those two roads? When you reach the stage of our economy where demand is falling, for a combination of reasons, throughout the economy, you can say, broadly speaking, one of two things: you can say we will let supply fall to the level of demand. You can say, because demand is softening that we should accept or acquiesce in an actual drifting downward of employment, a gradual drifting downward of production, a gradual drifting downward of services so that supply and demand will be in balance at a lower level.

I think that that is not now the economic philosophy motivating those in government—and for two reasons: first, because what guarantee can anyone have of the ingenuity or inventiveness to stop the economic machine at a particular point on the hill when it is rolling downward; or, to use another simile, I have called that a little bit of an ancient remedy of bloodletting which killed George Washington, and is not likely to be successful today.

The other remedy that can be taken, with respect to our economy, in broad terms, is to produce enough within the resources of our economy — without expanding them — to employ people looking for work and seeking work, and to find the means through our enterprise system, and price adjustments, and income policies, and our government policies, too, to create avenues between the employer and the consumer so that the demand, without being excessively high—which would be inflation—is high enough to be able to distribute the goods that we produce and buy jobs for the people. In other words, the course of economic policy at the present time is not to try to help bring supply downward to a lowering level of demand, but to try to keep demand upward to an increasing level of supply.

I do not want that to be associated with what is called Keynesism or some theory that the government creates all the demand when private demand steps down. I am thinking of something much broader than that, that both business and government have the problem of working together. I am thinking of those kinds of market adjustments on the enterprise front, and those kinds of policies on the government front which will enable us to realize the fruits of our native capacity and our native endowments, which are the greatest of any nation of the world. To this end we are committed to fathoming the ways of making our distributive system work as well as our productive system has been working now for the past 75 years. That is the broad general approach, and when business gets that approach one will realize that the government talk about expanding steel capacity through private enterprise, if possible; about expanding other basic resources. is not an unrealistic or fantastic desire to have supply moving in one direction while demand is moving in another, but is merely a commitment to those high levels of employment and production, which the imperatives of the world situation now place upon the American economy.

And our objectives for fiscal policy, for tax policy, for debt management, for social security—which I cannot outline in detail—are simply also to fit those measures through accurate measurement, as best we can, and through cooperation into the pattern of a program, relying mainly, of course, upon the processes of the enterprise system, with government supplementation into an aspiration, into a realistic drive for a growing economy with high levels of employment, with high levels of production which alone, in the final analysis, can bear, without unnecessary strain, all those problems, domestic and foreign, which the composite of our domestic problems and of our world situation confront us with.

Individual Security—Management Problem

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emphasize too strongly that correction of that error is by far the most important problem of management today.

When we say business has failed to sell itself, what we actually mean is that we have failed to sell the American system of free, private, competitive enterprise. Capitalism, if you will—the economic system which has not only assured freedom to the American people, but has made it possible for more Americans to have more of everything than any other people from the dawn of history up to and including the present.

Yet many Americans today think that capitalism, or free enterprise, means big business. Of course big business is part of free enterprise. But so are the small and middle-sized firms that are an overwhelming majority of the 425,000 corporations in America. So are the 6,000,000 farms. So are the millions of unincorporated business concerns. In short, free enterprise is the sum total of all the ways in which Americans gain a livelihood. It embraces everybody. It is not something apart from the public; it *is* the public.

The fact remains that free enterprise is widely regarded as something apart from the public. Moreover, people believe that free enterprise not only has failed to give, but has actually withheld things to which they are entitled. What are these things? Let us tie them all together in one bundle and label the bundle with the word "security." Many Americans doubt that the managers of free private enterprise have either the will or the ability to provide security. So they have turned to others who have been only too happy to promise it—the managers of government enterprise—the politicians.

The methods by which politicians try to carry out their promises are converting the United States of America into a welfare state—with the complete government control that a welfare state demands. The American people have never voted for a welfare state. They have never had the opportunity. The issue has never been squarely presented by either political party.

But in the search for security, important minorities with special interests have supported government intervention in the economy to obtain their special objectives. The combination of these special objectives adds up to the welfare state, and the combined political support of these special interest minorities adds up to enough votes to keep welfare state politicians in power.

There are a large number of Americans, including practically everybody in management, who are definitely opposed to the welfare state. They believe it is directly contrary to the principles on which our country was founded, grew and prospered; they are deeply convinced that dependence on government will bring a worse life, not a better one, for all Americans. But they have been a consistent voting minority.

Now if security is to be provided at all, it obviously must come out of production by the enterprise system. The only issue is whether the management of that system will be left in the hands of thousands and thousands of private citizens or be centralized in government. It is a conflict in fundamental political philosophy which divides Americans—and the division crosses political party lines.

The existence of this issue imposes a special responsibility upon us as managers. We must know where we stand and why. We must make up our minds on what we can and should do about it. But before considering where we should go from here, it will be a good idea to take a look at how we got here in the first place.

Periods of Our Economic History

For the sake of clarity, we may divide the economic history of the United States into four main periods, each of which has its own distinguishing characteristics.

First: The period of free private enterprise which can be said to have lasted from the beginning of our country until 1929 or shortly after.

Second: The New Deal era, in which our country was moved part of the way toward centralized planning and control of the economy by government.

Third: The war period, in which government exercised a greater amount of control than ever before, and

Fourth: The present so-called Fair Deal, under which the Truman Administration seeks to keep wartime powers, to extend them, and to make government planning and control a permanent feature of the American way of life.

In the century and a half of free private enterprise, Americans made the greatest progress in human history. Why? There is a one-word explanation—productivity. Man for man and job for job, the American produced more than his opposite number in any other country; therefore, he earned more and had more.

American productivity, of course, is due in part to gifts of nature. We have always had an abundance of arable land and other natural resources in proportion to population. For this reason a subsistence level was attained and passed with relative ease. The American people have been required to use only a fraction of their total time and labor to provide the primary needs of life—food, clothing, and shelter. They have had surplus time and labor for other things—and it has been the American use of this surplus which has raised American standards so far above all others.

Because, for example, the workers on farms can produce sufficient food for the entire country, the rest of the American people can apply themselves to making automobiles, laying roads, erecting buildings and the manifold other tasks of civilization—including construction of new plants and equipment that increase productivity still more. And because the individual need spend only part of his time working for necessities, he can spend the remainder of his time working for an automobile, a home, and anything else he desires.

But to say that America has natural advantages and has made good use of them does not explain why our degree of progress has been so much greater than our margin of physical superiority over other countries. The real explanation of our more effective use of natural assets is found in our way of life—and the fact that our way of life includes economic freedom for the individual.

In the minds of America's founders, political, personal, and economic freedom were not only of equal importance; they were inseparable. Our founders knew that if the individual did not have economic freedom, he was not free at all. Their dominant concern was that the individual be free. They did not attempt to say how he should use freedom, nor to take responsibility for his use of it. They simply were confident that if the individual were free, he would do his best for himself and society. They knew that the great threat to individual freedom would always be the State. It is apparent that they feared and distrusted government—even the government that was to be their own handiwork. So they took extreme precautions to see that the place of government in the United States should be precisely defined, and its powers and functions carefully limited. It is significant that the original powers allowed to government over the economic activities of individuals were few and slight.

Economic freedom for the individual involved these rights: To live and engage in enterprise anywhere in the country. To acquire, dispose of, or hold property. To be protected from confiscation by government whether directly or through taxes. To devote labor and property to any form of enterprise the individual preferred. To buy or sell goods and services on the best terms he could make with other free individuals. To be free of government monopoly or government competition.

This theory of economic freedom was brand new when our country was founded, and the United States is about the only place in which it was ever fully practiced. The basis for the theory was that since it afforded both the highest opportunity and greatest incentive, the individual would be stimulated to maximum effort and maximum production. It was reasoned that an economic system which brought forth the greatest effort and production from each individual would result in a greater total production and thus serve society as a whole better than any other system which brought forth something less than the best from each individual.

How well this system worked we all know. A continent was settled and developed in an incredibly short time. Our population grew from a few million to many millions. Capital accumulated faster than in any other place or time and was continually plowed back into a constantly expanding enterprise which provided more and more jobs and wages. In addition, there was a regular increase in the *rate* of productivity. Real earnings grew larger as work became less laborious and the hours of work diminished.

A Success Story

The history of our free private enterprise period is a success story—of individuals and of a people. The benefits of the system were not confined to a few, but spread out through the entire population. The Horatio Alger story was true enough, but it is often overlooked that for every man who started without a dime and became a millionaire, there were millions of others to whom American opportunity gave successful lives. Compared with other countries, we had few poor, and even America's poor lived on a scale that was envied in much of Europe.

Our superior standards were well understood by most Americans. They believed in the way of life that made it possible. The nation had its ups and downs—its booms and depressions. But there was a disposition to take the bad with the good and justified confidence that after each setback the country would surge forward to new high levels of prosperity. It was not until after 1929 that any considerable number of Americans began to have doubts about the free enterprise system—and to sanction a move away from individual freedom back to the old, old system of government control.

I would like to digress here for a moment to make a comparison which may illustrate something of the difference between today and the recent past. My own experience bridges all of the four periods I mentioned awhile ago. I started to work in 1890 as a boy of fifteen. I did office work, became a salesman, then held a number of management jobs. In 1905, a few associates and I decided that we could make a go of a bankrupt tinplate plant in Clarksburg, West Virginia. We were all young, had some knowledge of business, and plenty of ambition—but we had no money. We succeeded in getting financial backing from 10 men, each of whom was self-made and had built a business of his own.

Those men were hard-headed and practical. They invested in our business only because they believed that with proper management it could earn sufficient profits to give them both a good return and appreciation of their investment. Suppose that in 1905 we had had the conditions of 1949. We would have faced many problems that were then nonexistent. Take the tax angle alone. Our original investors would have considered that the company would pay heavy taxes out of profits and that this would reduce the money for dividends and growth of the business. They also would have had to pay high personal taxes on any dividends received. This tax situation alone might well have made them regard the probable gain as too small to warrant the risk involved in any new enterprise. The same consideration might have prevented the bank loans with which we carried on and built our business in its early days. Bankers made loans because they knew that any profits we made would be available for repayment.

I doubt very much that a group of young men today could influence men of the type mentioned to invest their money in the kind of venture we started in 1905. Present conditions are against the small, new business and favor the business already established and with ample financial resources. This is a bad thing for the country. Our economic system must have a constant influx of new enterprise just as our population must have its annual crop of new babies.

The Change in 1929

The change in American thinking and spirit which allowed our country to move from a private economy toward government control started in the depression following 1929. It was the first real depression in the experience of many people. It was a shocking contrast to the high hopes, confidence and enthusiasm of the 1920s. And it was intensified by some important changes that had taken place in American life. Our people had become predominantly urban, rather than rural, and our industrial development had resulted in a high degree of specialized employment. Thus many Americans were unable to turn to the land as before and were further handicapped by limited skills. As the depression wore on without sign of recovery, millions of Americans knew for the first time a long period of unemployment and actual privation, and the big majority of the people felt the panic of insecurity. Everybody was looking for a way out and ready to follow the leadership of anyone who could show the way.

At that point the New Deal came into the picture. Much of its original program was good. Government was to lend its aid, support and encouragement to private enterprise in the job of getting our stalled economic machine back on the track and rolling. In the meantime, Federal, State and local government were to cooperate in providing aid to those in need of it. Confidence was reborn, and in the first few months I do not believe any Administration ever had a more unified country in back of it. Then something happened. It became apparent that the object of the Administration was not the simple one of getting the country back on its feet. It intended to transfer leadership of the economy from private hands to government—which would then both reshape and run the economy.

The implications of this were not broadly understood. Every proposal was sold on the basis that it would benefit the great majority and hurt only the rich and successful. Through Federal spending, large groups acquired a vested interest in government and their political adherence was firmly secured. The New Deal was given a free hand which it used to make government for the first time the dominant force in American economic life.

The New Deal ignored the economic reality that prosperity can only come by giving individuals such opportunity and incentive as will promote the increased production and wider distribution of goods and services. The New Deal was obsessed with the idea that money could be made the instrument of prosperity. Its cardinal belief was that if only enough money could be placed in the right hands—those of farmers, industrial workers, and the low income group—the spending of it would generate an upward spiral of activity. The New Deal used its power over the economy to restrict production, not increase it. Farmers were subsidized to reduce crops. Directly and through organized labor, which became an ally of the Administration and an agency for indirect enforcement of its policies, the hours, and therefore production of workers, were reduced while wages were increased. In addition to these means of increasing the supply of money in relation to goods and services, the government itself pumped into the economy billions of dollars which it got by taxing and borrowing.

Despite the spending and the direction of the economy, the New Deal never was able to accomplish its original purpose—that is, get the economy moving forward under its own steam. Millions remained unemployed and the depression continued. It was ended only by the war. The New Dealers' explanation for their failure was that government just did not spend enough and did not have sufficient control over the economy.

War Controls Retained

During the war, we had the greatest government spending and the greatest amount of government control in our history. We had enormous production, full employment and high wages. But the people paid for part of it through wartime taxes and the rest of the cost is $252 billion—history's greatest debt—which is a liability against their future earnings. During the war, the government employed 11,000,000 in the armed forces and millions more in civilian occupations. Government decided what was to be produced, in what quantities, and for what purposes. Government controlled wages, prices and rents. Government rationed goods. Government permission was required before workers could shift jobs. Government can control only at the expense of the individual's freedom and his dollars—in war or peace. America submitted to that kind of regimentation to win the war. The question is, will Americans tolerate that kind of control in peacetime?

The Truman Administration quite apparently thinks the answer to that question is "yes." As the natural heir of the New Deal, it now tries to carry to a logical conclusion the movement away from a free private economy which the New Deal started. All through the New Deal period, there were some people, myself included, who insisted that its innovations in government would lead inevitably to further and further controls and finally to complete control. Mr. Truman is now proving that we were right. He and his associates, of course, hotly deny that they are socialists. But their actions speak louder, and these actions move persistently toward complete government control of the American economy.

The Truman Administration has tried to hold every control acquired during the war. It has tried to gain new controls. It has proposed to Congress a plan to make the independent American farmer a hired man of the Federal Government on his own farm. It has prepared and placed before Congress a bill which would deliver final and sweeping authority over every industry in the country into the hands of the President of the United States. These things are not an approach to socialism, they *are* socialism.

Here is the Truman plan for farmers as described by Secretary of Agriculture Brannan before House and Senate committees: The government would no longer purchase commodities on the open market as a method of controlling prices. It would allow supply and demand to govern price. But it would assure the farmer a guaranteed annual cash income by paying him any difference between the price at which he sold his produce and an arbitrary price established by government statisticians. In return, the farmer would have to plant his acres as directed by the government and the government would tightly control the planting of any crop according to its estimate of how much of that crop would be needed in a given season. Consider the implications! The income of the farmer would depend not on how much he could plant and grow, but on the amount of political power he could exert on government. The true cost of food to the consumer would be the market price plus a heavy tax bill. America's food supply would become subject not only to the vagaries of weather, but also to a government bureaucrat's power to read a crystal ball.

The "Economic Stability" Bill

Now let us see what the Administration wants to do to industry. Many people thing that in his annual message President Truman proposed nationalization of the steel industry only. That is not the case. He wants power to nationalize any industry—how, when and as he thinks it should be done. He reveals the complete blueprint in a bill called the "Economic Stability Act," prepared by the Administration and already submitted to Congress. This bill would place in the hands of the President the power to:

Control wages. Control prices. Allocate materials and facilities and designate priorities. Expand the production of any material, either by extending loans for that purpose or by constructing plants which would be owned and operated by the government.

The text of the bill abounds with such phrases as "the *President* shall designate . . . the *President* may employ . . . as the *President* deems necessary . . . whenever the *President* determines." There is practically no check on his power. He is required only to make a report to Congress once a quarter. This complete authority of the President over industry would be enforced with penalties of fines and imprisonment. And all of this, understand, would be in peacetime.

As an example of the kind of power this bill would place in the hands of one man, listen to this passage from the section providing for government loans to increase production:

"Whenever the *President* finds that a person who has received financial assistance under this section is unable, by reason of seriously unfavorable nation-wide economic conditions, to pay current interest on or repay the principal of the loan in accordance with the terms and conditions thereof, he (the *President*) may reduce or defer payments of interest or defer the payment of principal, or both, in whole or in part."

How long, gentlemen, could your companies stand up against political competitors favored with terms like these? You could not stay in business. You would go under, and private enterprise would go under with you.

The Administration is deadly serious about this thing. And it knows exactly what it is doing. Here is some testimony from John D. Clark, one of the President's economic advisers. He said:

"The President has shown how earnestly he seeks effective action by declaring that if it comes to the point where the people cannot be furnished goods which they need in any other way, and it is possible for them to secure them by having the government itself become a producer, *he is not afraid to take that final step.*"

It certainly would be the *"final"* step—the final step to nationalization—complete government control—the end of a private economy in America. It would begin a rapid downward slide in productivity—the degeneration of American living standards to a level of poverty.

The Truman Administration is not content with complete control of agriculture and industry. In addition, it aims to make millions of people dependent on Federal Government for housing, education, medical care and protection against all the hazards of life. It aims to tax and control private leadership out of existence . . . to destroy individual independence . . . to give government unchallenged control over American life. The Truman Administration has gone all out—for socialism.

Of course, Congress may not give the Administration these powers. But it is significant that we have come to the point where an Administration even dares to demand them . . . and on the basis of what the President calls a "mandate" in an election in which he received less than a majority of the votes cast. And how can we tell what some future Congress may do—particularly under an emergency, real or government-created?

The only possible justification for government control is that government can plan and control the daily lives of the people better than the people themselves. Since government, after all, is composed only of men, this must mean that men in government are superior in knowledge, judgment, and virtue to men outside of government. Are they? Let's look at the record.

Every Major Trend Misjudged

Since the war the Truman Administration has misjudged every major trend. In the fall of 1945, the bureaucrats were unanimous in predicting depression and mass unemployment. Not realizing that the natural trend was inflationary, they forced wage increases and other measures that added fuel to the fire of inflation. Then the Administration blamed the inflation on business and demanded powers to control it. Now it is obvious that we are in a period of deflationary adjustment. Yet Mr. Truman still thinks he is fighting inflation.

In private life, individuals and business firms are resisting rising costs. They are acting to restore a normal buyers' market in which prices will come into realistic balance with values and thus establish a solid basis for progress. But the Administration acts as though there is not and cannot be anything but a sellers' market for government's services. There has not been the slightest suggestion of cutting down government expenses. Instead Mr. Truman not only insists on continuing taxes at the wartime rate, but stubbornly demands $4,000,000,000 more.

Government today not only makes the people pay for many services that are unnecessary, but through waste and inefficiency makes all government—needed or unneeded—cost far more than it should. The Hoover Commission estimates that in its management of the myriad of departments and bureaus, government wastes $3,000,000,000 every year. And this is only one item. Based on my years of experience with government, I can say as government gets bigger, waste and inefficiency will get bigger in geometric proportion. I believe that in every department of government today there could be an increase of efficiency with a 50% reduction in personnel. Government has nothing of its own. It gets everything out of production by the people. We have reached the point where the American people cannot continue to support a lavish government and have enough left over to provide for their own proper needs.

Government Taxation and Waste

It must be remembered that every dollar taxed and spent by government is a dollar which otherwise would have been spent or saved by an individual. Taxing simply transfers from the individual to government the power of decision on what should be done with the individual's money. By this time the myth has been exploded that government can be supported by taxing the rich. There are just not enough rich. Much as it may dislike to do so for political reasons, to get the amount of money it now demands, government must go where the money is . . . and that is to the lower income groups which receive the great bulk of the national income. The English have found that out already. Government control there costs so much that the Englishman now pays taxes of 45% or more on all income above $10 per week. How much more would he pay if England had to get along without the billions from America? Today government—that is Federal, state and local—controls the spending of 25 cents out of each dollar of American income. And the Truman Administration says government needs and has the right to control more.

And just as government control over income has extended down through our population, so would government control over agriculture and industry finally affect the daily life of every farmer and worker. Labor unions today are strong for controls over everything but labor unions. They would find that under government control in the United States, as elsewhere, there is no place for labor unions. When government controls, it cannot tolerate any element strong enough to resist it. Government can control only when it has *total* control.

America today is the citadel of the Western World. Its economy has been strong enough to stand up under two world wars, a depression and the extravagances of the New Deal and Fair Deal. Now it is expected to support greatly inflated regular government services, the largest peacetime military establishment in history, an enormous social welfare program, and at the same time nourish and arm Europe. The strength to bear up under the load we have carried thus far was built into this country by the vigorous, inventive, venturesome private enterprise we had through most of our history. Now the Truman Administration proposes to throw all that away and substitute the system which has brought weakness, poverty and slavery to every country that adopted it.

One thing is certain. Whether America remains a private economy or goes under government control, the same people must do the work and earn the money to support themselves, support the non-productive part of the population, and support government. In final analysis, these people will decide under which system they will live and work.

Americans Favor Free Enterprise

Up to now, the American people have never had the opportunity to make a clearcut choice. The expansion of government control has been piecemeal—a creeping paralysis of enterprise, not its outright seizure. Now the Truman Administration has gone all out and has made a direct bid for total power. It brings the issue out in the open.

In a decision between one or the other, I do not believe one American in ten would decide for government control. I am confident that the vast majority of Americans strongly favor free enterprise, with one reservation—that it provide a better measure of economic protection for individuals than it did in the past.

Too often the issue between government control and free enterprise is presented as one that confronts the individual with an open and shut choice between freedom and security. There is no such alternative. Government control offers *neither* freedom nor security. America, under free enterprise, is strong and productive enough to provide *both* freedom and reasonable security.

Free enterprise is the only system that will enable America to bear the enormous debt, the unavoidable larger government expense, and the other economic burdens she must now carry and still achieve the steadily increasing productivity that is indispensable to better living standards for the American people. Yet we cannot have this dynamic enterprise system unless we have the kind of government that understands it, believes in it, encourages it, and supports it. We cannot depend on politicians alone to provide that kind of government. The garden variety of politician can be depended on to provide free enterprise government in the United States only when enough of our people demand that kind of government from both political parties.

In not a single national election since 1932 has the issue between free enterprise and government control been clearly presented. The Republican Party has straddled the issue. Yet in all of those elections, millions of citizens steadfastly voted for the Republican candidates. I am firmly convinced that their votes were primarily votes for free enterprise. I am further convinced that additional millions of Americans—a sufficient number to establish a decisive majority—will swing to support of free enterprise once they undertand the basic economic facts of our situation and once they are assured that private enterprise has the disposition and the ability to provide reasonable security for the individual.

What Management Can Do

American management can make contributions of utmost value to this assurance and this understanding. In its own bailiwick, the continuing study of means for increasing the security of employees should be a definite management responsibility. Every effort should be made to achieve maximum stability of employment. In times of slack demand, everything possible should be done to provide work, and work should be spread to the greatest degree practical. Management encouragement and support should be given to programs helpful to employees during their active years and to retirement plans. Of course, all of these things are now being done, but there is much progress to be made. If management attacks this problem as efficiently as it does other parts of the management job, the eventual result will be a very high degree of economic protection for the employees of American business.

Business of course cannot do the whole job. There is a proper place and proper methods for government in the security picture. Government's proper function is to act as a business-like agency for receiving and paying out monies—not as the Great White Father to whom all must look for favors. Proper methods would keep social security out of politics, would not make jobless "security" preferable to paid employment, and would not make the cost of supporting the non-productive part of the population so heavy that it destroys the incentive of productive workers—as is happening today in England. Proper methods would not permit an Administration to conceal its extravagance by current spending of social security taxes. But we can expect a proper attitude and proper methods only from a government sincerely devoted to the principles of free enterprise.

Management Can Educate

Management can make a second important contribution toward returning free enterprise government to America. It can educate. On every hand we have evidence of how little understanding there is and how much misunderstanding of economic fundamentals. It is this circumstance more than anything else which secures broad public support for political adventures in economic fields. People think that the profits of business are too high and that stockholders receive too much money. They do not know how much of its total income a business must pay out for materials, services and taxes. They do not understand the importance of depreciation and other reserves. They do not know because management, by and large, has not taken sufficient pains to tell them.

Economic education is by no means an easy task. Not every business firm can tell its story to a broad audience. But every business can reach the groups of people who know it best and are most interested in it—its employees and the people of its plant communities. If throughout America every management will do a serious and thorough job of explaining the economics of its own business, the total result will be a tremendous increase in the public understanding and appreciation of free private enterprise. And that understanding must come before there will be an end to the "cold war" which government has waged against free enterprise for the past 16 years.

I cannot urge upon you too strongly my belief that this issue between government control and free enterprise is the vital one now confronting our country. European relief, the Atlantic Pact, and the foreign situation in general are important, but they are definitely secondary. Our real battle is within our own borders to keep America strong, for everything now depends on America remaining strong. For America to be strong, Americans must be free. And any freedom must include economic freedom. Managers are custodians of America's system of free, private, competitive enterprise. To win understanding and support for that system must be management's No. 1 job—and that means it is the job of everyone of us here tonight.

With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Louis S. Chappelear, Jr., W. L. Garth, Jr., and Ambrose D. Folker have become associated with Herrick, Waddell & Reed, Inc., 8943 Wilshire Boulevard. Mr. Folker was previously with Conrad, Bruce & Co.

As We See It

(Continued from first page)

of it or not, is to formulate programs whereby wealth accumulated under another system would be distributed (or is dissipated a better word?) among those who have contributed the least to its accumulation. They do not trouble their heads about how wealth will be accumulated in the future or who will accumulate it. They ignore the problem of being certain of sources from which all these blessings for the "underprivileged" are to flow.

Wealth and Welfare Economics

This, it seems to us, is but another way of saying that despite all the protestations about planning, the truth is that the programs being evolved either take far too much for granted or else ignore essentials blithely and blandly. The "inspired idiot" who penned the well-known lines—

Ill fares the land, to hastening ills a prey
Where wealth accumulates and men decay

was a poet, not an economist. Otherwise, he would have been well aware that wealth ceases to accumulate when men decay—or even when it becomes fully patent that men of extraordinary ability or energy have little or nothing to gain by extraordinary effort and initiative.

Yet where else is much of all this present day "welfare economics" leading? The Communists, now under the domination of men more interested in personal power and some form of world rule by an oligarchy of revolutionaries, have not had much time in recent years to shout: "To each according to his need, and from each according to his ability." The fact is that they have found it does not work out in actual practice and are, at this very moment, proceeding on a rather different basis in order to get production. Of course, our own political authorities have never professed theoretical communism, but have for a good while past been turning more and more to the essence of that philosophy—and, what is vitally important, taking step after step in that direction which almost inevitably forces still further steps in the same direction.

Some Vital Facts

There was a time, of course, when educational institutions, hospitals and many other types of semi-public needs were amply supplied from accumulations of men who had been successful in business. Such men now must for the most part (if they give in substantial sums) give out of past accumulations. Most of their current income is taken from them in taxes. It has thus become more and more "necessary" for government, which has taken the funds from those who earned them, to pay the bills of the "needy." But with each such intrusion by government, the nature and the extent of the "need" has inevitably become a political matter—and, of course, much enlarged. And so more funds are required and more taxes imposed, which, in turn, reduces the ability of individuals, whatever their desire, to provide the facilities they otherwise would provide.

But this, of course, is not the whole story. At the same time that large elements in the population demand more and more of government the willingness to undergo the exertion and whatever else necessary in order to produce the goods and services declines. Hours of work are shortened—and again shortened. The speed of operations is reduced by joint action on the part of monopolistic labor, and, for that matter, by many others who take advantage of a situation created by labor monopoly. Why work so hard, and incidentally why save so carefully, if a fatherly government will always step in when real need is felt? In a certain sense, men are decaying in this country, and we may be quite sure that if they continue to do so wealth will not presently accumulate.

A Classic Example

The underlying philosophy of this "Fair Deal," as of the preceding "New Deal," is rather well exemplified, and the consequences of such policies in the past decade or two rather well illustrated, in the remarks of the President in support of his so-called health program late last week. We beg leave to quote a few sentences:

"My second recommendation, therefore, is that the Congress enact legislation to help medical schools expand. Special financial aid should be provided for the construction of teaching hospitals and other facilities and to help the schools cover the cost of larger enrollments. At the same time, scholarship aid should be provided for good students who might otherwise lack the means to undertake the long period of professional training.

"The present Federal Hospital Survey and Construction Act, enacted in 1946, represents an important step in a national program to provide more hospitals. Under this Act, expiring in 1951, some funds are provided for the Government to contribute one-third of the construction costs of public and other non-profit hospitals.

"I recommend that the Congress extend the duration of this program, increase the funds to be made available, and modify the program so that the Government's share will take account of the varying financial resources of different States.

"Furthermore, the program should be broadened to include aid for the establishment of community health centers, diagnostic clinics and group practice clinics, all of which have proved in recent years to be very effective means of providing better medical care. This aid should be provided in the form of grants to help finance the construction and equipping of public and other non-profit health centers and clinics and in the form of government guarantees of loans for the establishment of private facilities, similar to the mortgage guarantees the Government provides for private housing."

Who is to pay the bill for this millenium? To the politician it does not matter much so long as the millions of beneficiaries do not think that they are paying for it. But one thing is certain. No such health program (it really is much more than that, of course) can be provided in the absence of vastly enlarged production of many things—except at a sacrifice of other things by precisely those who expect to benefit.

AND, OF COURSE, THIS IS BUT AN EXAMPLE.

Confusing Factors in Business Outlook

(Continued from first page)

economic machine and it is altogether too easy to generalize from isolated cases. The news about business is necessarily scattered and incomplete. It must be put into perspective to be properly understood. It is no news at all when your friends stay married—it is big news when they get a divorce.

So it is with the business story. The big news play these days is given to the industry whose output drops off 10 or 20%. Little attention is given the great number of industries whose output is running about the same as last year.

My point here is simply that it is a difficult thing to keep things in perspective. We must put the sensational and startling business statistics into their place, for the figures relating to most business series are not going to be exciting enough to get much attention.

Now let me turn to the current business situation. I think it will be useful to discuss, one by one, some of the questions which are important today.

I

What Is Happening to Production

It is noteworthy that last year we set new all-time production records in agriculture and industry—leaving aside the war years of course. Agricultural production definitely turned the corner so that instead of shortages, we became confronted with surpluses. Weather conditions suggest that high agricultural production will continue this year. Last week, the Department of Agriculture announced that the current estimate of the winter wheat crop is close to the all-time peak.

In the case of industrial production, we reached a new peacetime peak last fall. The Federal Reserve Index of industrial production, seasonally adjusted, reached 195 in October and November. The December figure dropped to 192. January fell to 191 and February to 189. The Council of Economic Advisers has released a preliminary estimate of 185 for March. Part of the decline in March, of course, reflected the coal holiday; aside from this, the index of industrial production has thus far dropped by only 3 or 4% from the peak level of last fall. The decline from a year ago is even smaller, because there was a period of hesitation last spring.

Of course, this overall index averages out a number of diverse trends in different industries this year. Many industries have been producing less than in the same period last year. Bituminous coal production has run 7% lower in the first-quarter this year. In January and February, cotton mills produced 20% less than last year. Petroleum production in recent weeks has been running from 2 to 6% below last year. Production of paperboard was down 10 to 20% in the last few weeks. Another broader indication is available in figures on miscellaneous freight car loadings, which were running 7% below last year in the first-quarter. These are all examples which the pessimist may point to as ominous signs of the future.

However, the good side must also be considered for proper perspective. Thus, steel production ran 9½% above last year in the first-quarter. Motor vehicle production was 6½% higher in the same period. Electric power production was up 7%. Newsprint consumption was up 7½%.

Besides such pluses and minuses, there are many cases where production has been steady. Taking the whole economic machine, it appears that production decreases have been almost offset by production increases, so that total industrial production has been within a small fraction of last year.

II

Hasn't Unemployment Increased Sharply?

The Census Bureau has estimated that unemployment stood at about 3.2 million in the middle of March, about the same as in February, but about twice the level as recently as last October. However, it is interesting to note that unemployment in March a year ago stood at 2.5 million, so the increase over 12 months was not too bad.

As a matter of fact, it might be more informative to refer to the figures on employment. The Census Bureau estimates for March show a total of 57.6 million employed, which is actually higher than in March a year ago, when the figure was 57.3 million. During the year that elapsed, the labor force is estimated to have increased by more than 1 million—these are accounted for by an increase of 300,000 in employment, another increase of 300,000 in the Armed Forces, and an increase of 700,000 in unemployment.

Thus, in perspective, it seems to me that the unemployment figures are not as bad as is sometimes suggested. They are worse than they were a year ago, but they do not represent an undue proportion of the total labor force. So long as unemployment stays in the range of something around 5-6% of the labor force, I think the figures should be viewed as normal. While it may seem hard-hearted to say so, I also think that such a volume of normal unemployment will be a healthy thing in improving overall productivity—in which labor has a major stake and which has tended to suffer from what we may call over-employment.

III

Are Consumers Running Out of Purchasing Power?

There are no signs of this happening as yet. Personal income—that is all income of individuals from wages, salaries, dividends, interest, rents, royalties, pensions, etc.—reached a new all-time peak level at an annual rate of $221 billions last December. Since then, there have been slight declines in the rate of personal income. Some components have decreased, such as manufacturing payrolls and farm income, but these have been offset in part by increases in payments by government, including social security funds. The February figure for personal income was $217 billions annual rate, about 2% below the December peak, but about 5% higher than a year ago February. There are certainly no signs here of a sharp drop in consumers' income.

There is some evidence that consumers are spending less freely than in the past however. At the height of the war, consumers spent about 75% of their income after taxes and saved about 25%. The spendings ratio increased from 75% to a peak of 97½% in the second quarter of 1947 with only 2½% being saved. Since then, the spendings ratio has declined steadily, reaching 92% in the fourth quarter last year. It is probable that we have come a long way toward reaching a normal peacetime spending-savings relationship. Most of the important wartime shortages have now been met. Also, most of the hot money held for a postwar spending spree has left the hands of the free-spenders. The frenzied spending seems to be a thing of the past. This should not be interpreted as meaning that consumers are not spending huge amounts today, however. Even the reduced spendings ratio effective at this time represents consumers spending at levels close to the all-time peak dollar amounts in our history. Also, there still remains a vast amount of liquid assets to act as a backstop for consumer purchasing power.

IV

But Aren't Retail Sales Weak This Year?

It is true that retail sales in 1949 have been generally running below the corresponding weeks of 1948. One difficulty, of course, has been that Easter is later this year and this has affected the year to year comparison. Thus, department store sales were down 13% in the four weeks ending March 26 as compared with last year. In contrast, they were up 8% in the week ending April 2, and 7% in the week ending April 9, as Easter buying increased.

It is interesting to note that some cities are doing much better than others. The latest available data (week of April 9) show that sales were 28% higher than a year ago in Akron, 27% higher in Washington and Columbus, and 21% higher in Nashville, while at the other extreme, sales were 17% lower in San Antonio and 10% lower in New Orleans, Tulsa and Salt Lake City. Pittsburgh was better than average with an increase of 20%.

Even with the increases now showing up in connection with Easter trade, sales for 1949 to date are still pretty consistently below last year. However, this doesn't necessarily mean that unit sales have been lower. We do not have precise information on this, but it is obvious that prices this year have been lower than last year, and this certainly accounts for a large portion of the dollar decline in sales.

The experience in different departments of the stores seems to vary tremendously. Some departments are showing very nice increases in business as compared with last year, while others are showing sharp decreases. We tend to hear more about the decreases than the increases so I would like to mention a few illustrations to bring things into perspective. Figures have just been released by the New York Federal Reserve Bank on sales in its district of department stores in February, classified by departments. Some of the decreases were very sharp. Sales of refrigerators were down 55% as compared with a year ago. Sales of washers, stoves and ironers were down 41%. Sales of linoleum were down 31%. On the other hand, here are some increases. Sales of pictures and framing were up 28%. Sales of umbrellas, parasols and canes were up 22%. I have been amused by the strength shown in these departments. I do not know why sales of umbrellas, parasols and canes should be one of the strong spots, but this has been true for at least three months running. This is not a very glamorous department and it is certainly true that increases here are not news-worthy, when there are decreases of 55% in the refrigerator department to talk about.

The figures illustrate that there is a good side as well as a bad side to sales experience this year. I do not want to try to explain away any weaknesses or blow up the importance of any strong spots, but it seems to me that consumers are still willing to go on buying goods in large quantities. They are more choosy than in the past. They want their money's worth. They shop around until they find what they want and they are less inclined to buy luxuries. But they are still buying an enormous quantity of goods.

V

Are Inventories at a Dangerous Level?

It is risky to generalize about inventories because conditions vary so much. Some part of the current downturn in business activity probably stems from the endevaor to work off inventories which seem higher than needed. Some companies have certainly curtailed production with this objective in mind.

I think that there has been a special alertness on the part of businessmen to the inventory problem. They have wanted to hold inventories to conservative levels and to reduce them quickly when they have seemed out of line. This, of course, has been a good thing because it has helped to keep inventories from becoming a problem.

The dollar figures on inventories have increased very sharply since before the war, but even so, total inventories still represent a smaller ratio to sales than they used to. Moreover, a large part of the dollar increases reflect price increases rather than increases in physical units held. The total book value of business inventories has increased from $20 billion in 1939 to $55 billion today which means inventories have almost tripled. However, about 60% of the increase represents higher prices, and only 40% an increase in physical volume. The situation is similar when it comes to the aggregate inventories of manufacturers and retailers. In the case of wholesalers, only 30% of the increase in book value of inventories can be attributed to higher volume and 70% to higher prices. I do not think this is an unreasonable picture, in view of the huge growth in business activity over the war period.

Of course, I have been referring to aggregates and I do not want to overlook the fact that some industries and some companies may have serious inventory problems. It does seem to me, however, that if the aggregate situation is in reasonably good shape, the spot troubles are less likely to spread.

VI

Is Industry Sharply Reducing Expenditures on Plant and Equipment?

This is certainly one of the most crucial elements of the economic picture today. Expenditures on plant and equipment have been running recently at peak levels for peacetime and there are indications that they will be turning downwards this year.

The SEC and the Department of Commerce have just reported on the results of their regular annual survey on plans for expenditures on plant and equipment by business firms. This is part of a continuing survey conducted on a quarterly basis, which in the first quarter is enlarged to cover the whole calendar year.

The basic data are derived from information submitted by most corporations registered with the SEC, supplemented by a large additional sample of unregistered manufacturing companies (both corporate and unincorporated) reporting to the Department of Commerce. The data in the present survey were reported for the most part as of the middle of February which would fall well within the prevailing period of gloom in business circles and would be after the commodity price break early in the month.

This survey shows that in the first quarter of 1949, expenditures on plant and equipment were expected to run 12% over the same period last year. In the second quarter, expenditures are expected to be about 1% below last year, while in the second half, expenditures are expected to be 14% below last pear.

Taking the year as a whole, there would be a decline of only about 5% as compared with 1948. It is interesting to note that this is the same figure as resulted from a similar survey conducted by McGraw-Hill shortly after the election. This indicates that, in the aggregate, business plans must be proceeding pretty well along the same lines as were visualized by businessmen shortly after the election. In other words, there is apparently no snowballing of reductions in capital outlays even though the pessimism in business circles has become deeper over the last three or four months.

The McGraw-Hill survey also provided some estimates for capital outlays in 1950 and beyond. The estimate for 1950 was about 20% below the 1948 level as compared with the 5% decline in 1949. This suggests that the decline expected in the last half of 1949 by the Commerce survey will get somewhat larger in 1950.

I interpret these figures as meaning that plant and equipment outlays are going to be at a very high level this year even though they have passed their peak. A 14% decline in the second half may be stated the other way around as a continuance of 86% of the outlays at the peak level shown in the last half of 1948. Nevertheless, a declining trend in this series will have important effects, and as we go into 1950 a further decline may turn out to be a bad sign for business stability. But of course, we shall have to see what other business developments may occur to offset or supplement this particular part of our economic structure.

VII

Are Government Expenditures Still Increasing?

The answer is yes. This is one area in which the trend is up rather than down. I think that we can count on increases in government spending this year to act as an offset, at least in part, against weak spots in the private sector of the economy. This is true not only of the Federal Government, but of state and local governments as well. Expenditures on highways, schools, hospitals, etc., by state and local governments are expected to be up about $1 billion this year, according to government estimates.

The pattern of spending by the Federal Government outlined in the President's budget and the Economic Report would bring a steady increase in spending this year, reaching a new peacetime peak in the latter part of the year. The figures will probably go even higher than the estimates, since they did not make provision for expenditures for the Atlantic Pact, and it is likely also that the farm support program will cost more than was allowed for. Moreover, the House of Representatives has already voted to raise appropriations for national defense above the budget estimates. On the other hand, there is some Congressional sentiment to reduce budget expenditures almost arbitrarily in order to avoid the need for increased taxes. My guess is that this will turn out to be mostly fire-works and that when the year is completed, expenditures will pass the original estimates. Several things may conspire to slow the timing of the upward trend in government expenditures this year, but the important thing is that an upward trend seems inevitable.

VIII

Doesn't Business-Cycle Experience Suggest that a Downturn in Business is Due?

After World War I, the boom ended in a sharp business downturn about the middle of 1920. Industrial production fell rapidly by about 1/3 from the peak level and prices dropped very sharply.

It has been pretty well taken for granted that this experience would be repeated. Most businessmen have been very conscious of this danger. The expected recession has been called the most widely advertised recession in our history. Every period of hesitation since the end of the war has been seized upon as a sign of the famous recession.

The result of this attitude, it seems to me, has seriously changed the nature and scope of the postwar boom after World War II. It has been an uneasy boom, a boom in which speculation has been remarkably absent. It has been a boom with a widespread expectation of sudden termination.

Booms and depressions may be viewed as "actions" and "reactions" similar to the laws of physics. The sharper the boom, the sharper the "reaction." The more frenzied the speculation on the up side, the more drastic the collapse on the down side.

No Violent Downward Turn

Accordingly, I think the answer to the question under consideration is that we should expect a downturn to follow the end of the boom, but the lack of the 1919-20 speculative fever suggests that the downturn will not be so violent this time. Businessmen have in effect anticipated the downturn. Generally, they have been reluctant to accumulate inventories. They have tried to correct excess inventories quickly. Everyone has tried to make sure that he was not going to get caught when the downturn came. In other words, the downturn has been cushioned all along during the boom.

This is all the more remarkable because World War II provided a much more explosive setting for a boom than World War I. Let me cite a few figures. The Federal Government spent $36 billions in the three-year period 1917 through 1919. To put this figure into perspective, it was the equivalent of about ½ of 1 year's average national production at the time. In the six years 1941 through 1946, the Federal Government spent $395 billions, an amount which was approximately double 1 year's average national production in these years. To put it simply, World War I took about ½ of 1 year's output, World War II took about twice 1 year's output. On this basis, World War II was four times as big as World War I in terms of national production.

We know also that World War II piled up a great many more deferred demands for goods and a much larger amount of purchasing power. This might easily have provided a setting for an enormously greater inflation than followed World War I, but the memory of the 1920 collapse stood as an object lesson. The miracle is that the highly inflammable materials of inflation were kept under control. To return to the terminology of physics, the "action" was kept down to a fraction of its potential, and we should be very thankful for this because it means the "reaction" ought to be reduced acccordingly.

IX

Are There Other Factors Supporting the Present Situation Which Were Not Present in 1920?

One very important factor is that we are now in a cold war and the budget is growing steadily. In contrast, after World War I, we went quickly into a period of peace and disarmament. The government budget went down sharply; and expenditures of $12 billions in 1919 fell to $5 billions in 1920. We may deplore the size of our present budget, but if we are realistic, we must accept it as an important factor in the economic situation.

Another factor is that we now have a relatively stable money market and a protected government securities market. The government has been determined to avoid the experience in the Spring of 1920 when government bonds went through a downward spiral which brought the Liberty bond 4¼s to 82 in a very short time and scared everybody badly. The support of government bonds last year was hotly debated, but in my opinion, the monetary authorities acted very wisely to prevent a repetition of the 1920 collapse in the bond market.

In addition, the whole field of agriculture is now supported by the government. The farm program may be controversial and I do not know whether we are going to continue with the old kind of price supports or shift to the proposed new guarantees of farm income. But whatever program is adopted, agriculture is going to get some kind of assistance which it did not have in 1920.

The social security program is another example of economic assistance which was not in existence in 1920. I have already mentioned the fact that declines in some categories of personal income have been offset in part by benefits from the social security funds.

Another important area of economic supports lies in the broad insurance programs represented by deposit insurance and mortgage insurance.

Summary

Now, let me offer a brief summary. I know that I have done little more than hit the high spots of the important business questions of the day. I know too that I have been unable to give you perfect answers to these questions. But I hope that I have succeeded in getting across the idea that it is mighty important to keep a balanced point of view in interpreting business developments. No one can tell with certainty what the future holds, but a balanced critical point of view should do a lot to bring current developments into focus, and thereby shed a little light on possible future developments.

I am convinced that the tendency has been and still is to overplay the bad news. The business community has been obsessed with the notion that the 1920 kind of collapse was bound to occur again. We should be thankful that this attitude has prevailed. It has kept the boom down to relatively sensible proportions and has thereby sharply lessened the expected downward correction.

Some industries and some companies are undoubtedly in for real trouble, but in looking things over, it is a good idea to try to balance out the pluses and the minuses, to try to see things a little further than our own back yard. And it is wise to remember that old-time seasonal patterns are being re-established in many industries. A look at old sales patterns may do a lot to keep things in perspective when difficulties arise.

I am very optimistic about the ability of our economic machine to take the kinds of adjustments which have been going on. Competition and flexibility are the keynotes of the free enterprise system. Without these, the future would be dark. We have just gone through a rich, lazy, fat period, and it is hard to get back to the natural competitive way. Some business units are dying in the process, but there is a wonderful opportunity here for the business unit which is alert and enterprising and fights hard to do a better job than its competitors. The company which cuts costs and lowers prices as a way of taking the initiative will come out in a strong position. But the company which cuts production rather than striving to cut costs and prices will lose ground. High break-even points must be reduced and it is fatal to argue that they can't be reduced. Management and labor will have to tackle this problem vigorously. This is the way of progress. If we do not adopt it, we shall be attempting to live on our past efficiency in production. Foreign experience seems to show that this is the road away from free enterprise.

Nebraska Inv. Dealers To Hold Spring Outing

OMAHA, NEB.—The Nebraska Investment Dealers' Bond Club will hold their spring frolic June 28, 1949 at the Omaha Country Club. There will be a cocktail party at the Omaha Athletic Club Monday Night, June 27, in honor of the out-of-town guests. Harry Greenway, Central Republic Co., is General Chairman of the party.

Lack of Risk Capital

(Continued from first page)

place for risk securities — the prime purpose of that market is to absorb new issues of risk securities in order to supply new capital to industry. The size of the market governs its ability to absorb new issues. The principal market place for risk securities is the New York Stock Exchange. When that market is active and large, the market for over-the-counter securities and new issues is likewise active and large. When the volume on the New York Stock Exchange is low and thin, the same prevails for over-the-counter securities. For the past 11 years the average annual volume of shares traded on that Exchange was less than the shares traded in the year 1901, 62% of 1932 volume, the worst depression year of all history, and less than 60% of the so-called normal year 1926. For the past nine months the volume on an annual basis was at the rate of 92% of 1901. In 1901 there were less than 70,000,000 shares listed on the Exchange; today there are over two billion shares listed. Our country has grown rapidly and tremendously, but American industry has grown even more. It is called on to supply not only our own requirements but a substantial part of the requirements for rehabilitating a major portion of the world. We are attempting to finance this great American industry of 1949 with a public market the size of 1901. It just cannot be done. In my opinion it will require a market twice the volume of 1926 to supply the new risk capital needed by industry.

Let's review the disastrous effects on the public market by recent risk capital financing. On Jan. 2, 1948, Gulf Oil Corp. common stock sold at 75¼ on the New York Stock Exchange. Shortly thereafter it became known that the company would sell 2,269,050 of additional common stock. The market price of the stock promptly declined to 60. The new stock was offered to stockholders at 51 to induce them to take it. By February 10, expiration date of the rights, the stock was quoted at 58¾. This means the Gulf stock declined 22.43%, while the Dow-Jones averages, comprising 30 high-grade common stocks, declined in the same period 8.50%. It means that Gulf Oil received over $55 million less for its stock on Feb. 10 than the market said it was worth on Jan. 2. The decline of this stock pulled down all the other oil stocks—this in spite of the fact that Gulf Oil and the entire oil industry were earning at the highest rates in history. The Texas Company and Cincinnati Gas & Electric, old established companies, had similar experiences. In January, 1949, the Bethlehem Steel Corp. did bond and common stock financing. They sold some 628,000 shares of treasury stock at $30.70 per share; the book value of that stock was $63.05 per share, meaning that the company received some $20,314,000 less than book value for it, meaning that every share of old stock was diluted—this in spite of the fact that the company showed earnings of nearly $5.00 per share in 1947 and about $9.36 per share in 1948. The company received the money, but what a price they paid for it!

The American Telephone & Telegraph Co., whose common shares are widely owned by trust accounts and small investors, including employees, women and children, faced with urgent expansion to meet public necessity, has increased the debt of its System from about $1,200,000,000 to about $3,400,000,000, an increase of $2,175,000,000 or 176% in the past eight years. The System debt is now 50.5% of invested capital, which I would feel is dangerously high. Insurance companies and savings banks are loaded with telephone bonds and cannot forever continue to buy additional bonds. I see estimates that the Bell System will still need some $2 billion for capital expenditures the next few years; about $1 billion to come from the public markets. To complete such program and to bring the debt ratio of the System back to 35% of invested capital would require some $1,700,000,000 of risk capital, nearly four times the amount of risk capital raised by all of American industry in 1948 and within $200 million of all raised in the past three years.

Potential Demand for Risk Capital

Let's examine the potential demand on the public markets for risk capital in the future. Able economists state that with our unprecedented national debt the gross national product must be maintained at some $194 billion per year for the next four or five years to keep us out of a major depression. At present, the gross product is running in excess of that figure, but it must be maintained. These economists say this national gross product can be maintained if American industry is willing and able to spend $21 billion per year for capital expenditure for the next four or five years. In 1946 these capital expenditures were $14.5 billion; in 1947, $18 billion; in 1948, about $21 billion. To maintain this pace represents an immense undertaking by American industry. In 1938 capital expenditures were not $21 billion, they were $4.7 billion; in 1939, $8 billion; in the boom year 1929, $12.5 billion—in the depression year 1932, $1.2 billion.

How can this $21 billion per year be raised? Economists say that some $14 billion can come from the inside, that is, from earnings and reserves for depreciation, that the other $7 billion must come from the public markets and that over half that $7 billion should be in the form of risk capital. The utilities, telephone companies, natural gas companies alone are estimated to need over $3 billion per year, half of which should be risk capital. At no time in history have the public markets faced such a task. In the postwar period 1922 to 1927, when our government debt was about 1/12th of its present size and when public markets were functioning in orderly fashion, only $1.8 billion per year were received by the sale of new securities. Requirements for the next few years will be 3½ times that amount. From 1931 to 1940 less than 1/10th of $1 billion per year on balance came from the public markets. From 1941 to 1946 there was no capital on balance provided by the public markets. War production was financed by the government.

Small Proportion of Common Stock in New Financing

I want to give you some figures now that to me are most disturbing:

Domestic Corporate Financing—1946 to 1948 Inclusive

	1946	1947	1948
New corporate financing	$6,508,777,181	$6,276,745,020	$5,934,456,563
Debt securities	4,435,961,800	4,771,309,634	4,999,071,795
Percent of total	68.15%	76.02%	84.24%
Common stock	$804,387,001	$659,154,129	$495,969,673
Percent of total	12.36%	10.50%	8.36%
Preferred stocks	$1,268,428,380	$846,281,257	$439,415,095
Percent of total	19.49%	13.48%	7.40%

Information taken from "The Commercial and Financial Chronicle," Jan. 31, 1949.

In these postwar years new debt financing totals over $14 billion, common stock financing $1.9 billion. New debt is nearly 7½ times new common stock capital—all this at a time when business was at an all-time high in sales and earnings. That is what our tax structure has brought. If industry can't finance with risk capital in good times, it never can. The public markets have not supplied the needed $7 billion per year of new financing, meaning corporations have not only increased debt but have drawn on accumulated reserves. In the event of severe depression, the government might well have to supply additional capital to industry not in the form of loans but in the form of risk capital, meaning government ownership—on the other hand, our Federal Government with all of its commitments might have to resort to further devaluation of the currency with untold suffering to holders of some $262 billion of life insurance and savings. Are we willing to risk such possibilities? If so, why have we fought to save Europe for democracy? If so, why the Marshall Plan?

American industry in the three postwar years has not been able to pay a fair percentage of earnings as dividends. In the years 1946 through 1948 about 40% of earnings was paid as dividends compared to 66% in 1929 and about 75% in 1939. Managements know they face the following facts: They know that when dividends are paid out they are promptly siphoned away from the recipients in the form of taxes and unavailable to come back to corporations in the form of capital. They know that large estates forced to sell common stocks for taxes are competing for what risk capital does exist. They know that old plants must be replaced out of depreciation and earnings, otherwise corporations would lose productive capacity and earning capacity. Depreciation reserves at the allowable rates have not been sufficient to rebuild plants at present costs. Therefore, a substantial portion of earnings after taxes has had to be used or earmarked for such purpose.

So far as stockholders are concerned, earnings and dividends mean little. It is interesting to note that for each $100 earned by a corporation before taxes, after said corporation pays 38% tax, if it then pays 45% of the remainder, namely, $27.90, as dividends, the stockholder in the $25,000 income bracket keeps as little as $13.41 of the $100 earned—the man in the $200,000 bracket keeps as little as $4.99, out of which State income and ad valorem taxes must be paid. Why should they want to own American industry!

Savings at All-Time High

Savings have reached an all-time high, but far too little has gone into risk capital. Liquid savings of individuals, including life insurance, have risen from some $82.6 billion in 1939 to $262.1 billion in September, 1948, an increase of 217%. All stocks listed on the New York Stock Exchange had a market value in 1939 to $46.5 billion, now about $66 billion, up only 41%. A vast portion of our national income after taxes has accumulated in the hands of little people, paying little or no taxes. More wealth in the hands of little people is fine. It means more people can have electricity, electrical appliances, telephones, automobiles; but individuals and corporations who pay the taxes must be enabled to carry the burden. It is natural that these people should seek safety first with their first savings. However, it is most damaging that the Federal tax structure and other governmental policies have coaxed such vast sums into so-called safety first, with such little willingness of the owners to risk even 10 or 20% of their savings to own and finance American industry, the very industry that produced these savings. Such policies have caused a rapid flow of vast sums into our insurance companies and savings institutions. That is unfair to our institutions. They in turn must place these funds in safety first channels. Can they continue to find safety first for such vast and increasing funds? Surely, if such trend continues, there will be no such thing as safety first, for the simple reason there will not be sufficient risk capital down below to provide the safety. Surely our great institutions should welcome a reasonable flow of savings into risk capital.

There is another hoard of safety first people. The proportion of national income distributed as pensions and other forms of relief has increased from 1½% in 1929 to 5% at present. Such distributions now run at some $11 billion per year, nearly 1½ times all dividends paid by all American corporations in 1948. Such benefits are fine, provided we enable industry to carry the burden. In the past, industry has been able to raise man-hour output some 2% per year, now it looks like they will have to raise it some 3 or 4% per year. Possibly they can, but it will require huge amounts of new equipment requiring billions of risk capital. In the meantime we see our best men, many of them young, unwilling to take the risks of leaving their present jobs to take bigger and better jobs at higher salaries, simply because they have participations in pension trusts and because increased salaries mean nothing after taxes.

This goes on at a time when the American people face the greatest burdens in their history—a Federal debt of some $250 billion, commitments for pensions, higher living standards, commitments to rebuild and defend a major part of the old world, and above all commitments for our own national defense. I tell you no half way effort will ever take care of those commitments. It will require supreme effort and a supreme willingness to take risks and a supreme desire to own and finance American industry. Private ownership and free enterprise working at their best can possibly carry these burdens. It is certain that no socialistic government or government ownership, though splendid in purpose, can ever discharge those tasks.

Up to some 12 years ago our Federal tax structure permitted a class of people to exist, who by hard work, ingenuity or luck, or some of all, had incomes in excess of the amounts necessary to live and pay taxes. This excess found its way into American industry by the purchase of common stocks. This not only supplied risk capital to industry but provided private ownership of industry. The mechanic, the farmer, the day laborer, the bus driver, always had hope of and often succeeded in becoming owners of industry. In future the U. S. Government is the potential owner. Is that what we want? Let's make a decision.

Now, who is being hurt? Not the rich man—the rich man has quit, he can live on accumulated wealth. Out of taxable income he has nothing to put into industry, and even if he did, plain common sense would dictate that he would be utterly foolish to take the risks with no return. These little men who start in business with nothing but the determination to work, sweat, save and build—the man who starts alone, works alone, saves a little, buys a new machine to increase his production, then employs two or three men—these little men who start as proprietorships, then partnerships, building out of earnings, knowing nothing about corporate structure — there are millions of them, there are some 3,700,000 tax returns of unincorporated businesses and only 500,000 returns of corporations—these little men always struggling to get big, which have proved the backbone of our country for generations—these are the men who are being hurt. They haven't a chance to build business from profits and they are unable to incorporate, because risk capital is low in supply and has no inducement to go into small business. The next class of people who are being hurt are men like you—men willing to work all hours of the day to carry the burdens placed on industry and to enable the government to meet its burdens.

What Is the Answer?

What is the answer? First, government spending should be reduced to a minimum with every dollar of waste and red tape knocked out. Second, the whole Federal tax structure should be completely revamped. The one over-all shot in the arm to be given industry and individual initiative is to limit the individual's maximum surtax rate to 50%, and do so immediately. According to a reliable Washington source, such limitation under present tax structure and applied to the 1948 government fiscal year would have taken only $655 million out of the U. S. Treasury—only about 1½% of total revenues. Such loss would immediately be made up by men jumping to their work with a bang — initiative and ingenuity again on the alert to create, to produce, to save and to invest, and to own and finance American industry. Men would again take risks and dispose of risks, knowing they could keep at least one-half of any dollar they made. The present maximum rate of 77% plus state income taxes is not helping anybody and is a danger to the national welfare. It promotes abnormal practice, unsound thinking and dishonesty throughout the land. Corporations are increasing debts to unsound extent. We see businesses being liquidated and sold to foundations. We see individuals asking for tax-free expense accounts. We see tax evasions running as high as $4 billion a year. Such evasions are 5½ times the amount brought to the Treasury by maintaining individuals' surtax rates in excess of 50%.

Dr. Willford I. King, former President of American Statistical Association, testifying before a Congressional Committee, used U. S. Treasury publications to produce a most revealing study. He produced charts that showed plainly and graphically that in peace time high tax rates on individuals invariably brought diminishing revenues to the Treasury, that a maximum tax rate of 25% brought the greatest revenues to the Treasury. At the close of World War I the maximum rate was 77%; in 1920 it was lowered to 73%, in 1922 to 58%, in 1926 to 25%. From 1922 on, the result was increased incentive with increasing profits to business and individuals and increasing revenues to the U. S. Treasury. Here is the answer just as plain as day as to how President Truman can keep business profitable and get his $4 billion of increased revenues to the Treasury.

The present capital gains tax brings insignificant revenue to the Treasury—for 11 years an average of $155 million per year, less than 4/10th of 1% of present Federal revenues—yet this tax is having a most decided effect on the national economy. Property cannot be sold at a profit to go into new business—25% of the profit goes in capital gains tax, meaning the untried new business must be 25% better from the start. Even capital lying idle has no incentive to go into new business, because the income is taxed away and if the new business fails, only negligible credit of the loss is permitted to apply again ordinary income. Picture the man who starts young with nothing but the will to work, sweat and risk, and finally builds a great business. In old age he decides it is time to take less risks;

he is willing to dispose of his business and let younger men take over and carry on. He in turn wants to transfer his ownership of this property into U. S. Government bonds or partly into a diversified list of American corporations. It is merely a transfer of property in accordance with the dictates of sound judgment and which is definitely favorable to our social order. He is prohibited from doing so, because such a transfer may take nearly 25% of the entire principal. Even if he could do so, younger men could not get under debt to take over his property, knowing that the high rates on earned income of individuals would prohibit them from ever paying for it.

Picture the young married couple: The housewife's first concern is to find a nice location for a home and say she buys a home for $10,000. In later years she finds that the encroachments of business are such that this is no longer a nice location for a home and in which to raise children. She changes her mind about it. She sells that home for $25,000, moves into another locality, paying $25,000 for the new home. In the meantime she has incurred a tax of $3,750 for changing her mind. Now, gentlemen, you know that any law is utterly unsound that places a tax on a women for changing her mind!

The present capital gains tax freezes property in the hands of old owners, resulting in hired management and absentee ownership, distinctly not healthy to our social order. I dislike to suggest that a tax which is the most reasonable on the books should be lowered, but the fact is, this tax is not bringing great revenues to the U. S. Treasury and the Treasury needs the money. The fact is that corporations need risk capital. If that tax were cut in half, it would prove a tremendous impetus to the capital markets and would bring substantially increased revenues to the U. S. Treasury. This suggestion combined with the suggested 50% surtax limit involves less than 2% of Treasury revenues. These suggestions can be accomplished quickly and simply, bringing increased revenues to the Treasury and providing insurance to keep men and machines employed. We are gambling billions overseas—we had best gamble a few hundred millions at home to keep our own house in order.

What can you and I do about it? There is plenty to be accomplished in visiting with our Senators and Congressmen. They are the chosen representatives of people throughout the land. There is where the power is. It is my observation that our Senators and Congressmen are generally men of character who want to do a good job and are trying to do a good job. They are not experts in all fields; they are average citizens just as you and I. One Senator may be an expert in agriculture. On problems to do with agriculture he knows the answers. When problems arise on highly technical questions to do with taxes, tariffs or economic policies, he does not know the answers and we can't expect him to. He needs help and is willing to accept help, but I am afraid he receives too little practical help. Big business sends economists to Washington to read economic studies to the Senators and Congressmen. Labor sends its economists. Then the President, feeling an obligation to carry out his program in toto, which seems an unfair burden on the President never intended by our Constitution, sends economists from the Federal Reserve or Treasury to read economic studies. The Senators and Congressmen probably don't understand any of them, and I don't blame them; but it is very human for them to feel, "These are the government men; we had best do what they say." If each man here would make it a practice to go to Washington three or four times per year, sit down and talk quietly with little groups of Senators and Congressmen, explaining in plain, simple, understandable language, using just common sense and plain arithmetic, showing what all these policies could lead to, you would be utterly amazed at the reception you would have and the good you can accomplish.

Optimistic Note

I have painted a rather dismal picture—that picture is based on past and present policies. Under sound policies for the future I have the most profound optimism. First, I have great confidence in the capacity of the American people to land on their feet in any crisis. True, we face our greatest responsibilities, but that means a great job to do, and in the very process of accomplishing it we can go to heights we never dreamed of. Here we are with a perfectly magnificent country, the strongest, most powerful in relation to other countries the world ever saw. We have the finest form of government the world ever saw; we have a private ownership free enterprise system that won two world wars, has brought the highest living standards to the common man, that is now providing relief and rehabilitation to a great part of the world on a scale never known. We are a great creditor, a generous people, with a great mass of industrial engineers, chemists, industrial leaders and workers ready, willing and able to perform. We have a tremendous productive capacity, a magnificent asset. We have now to think in terms of ever-increasing consumption. We should prepare to consume not only our own production but a great part of the production of debtor countries. Let the other countries work for us and send back some of the natural resources we sent them for some 250 years when we were a debtor. We should have blue-prints ready for super-highways all over the country, greater Mississippi flood control, reclamation, and in the name of national defense tunneling of rivers, undergrounding of communications systems, electrifying of railroads. That would return sound monetary systems of debtor countries and there would be neither time nor desire for war.

It is high time that government, industry and labor join hands in adopting policies that will permit us to discharge our responsibilities and grasp our opportunities. It is high time that government tax structure restored to the individual the ability to own and finance American industry. If American industry is not worth owning and fighting for, we can bank on it that U. S. Government obligations will not be worth 10 cents on the dollar! It is time for leaders in government, industry, labor and finance to join hands in restoring confidence in the public markets which supply risk capital to American industry—the public markets, particularly the New York Stock Exchange, where U. S. Government bonds, foreign government bonds, corporate bonds and the ownership of American industry are appraised and accurately quoted. With such programs, we can proceed with confidence, joy and enthusiasm, a strong and healthy people going along unmolesting and unmolested—a great people will no longer shiver at the whim of a Molotov!

In recent years our people have been led to fear free enterprise, to fear businessmen, to fear the taking of risks, to fear many of the things that made us great. We still believe in them, but we fear them. A few more years of such could provide a generation that would cease to believe in them. Throughout all history great empires have fallen because they ceased to believe in the things that made them great—they bit off more than they could chew, created vast quantities of money and failed to follow sound policies to meet added responsibilities. Our policies of recent years will not meet our future responsibilities. Sound policies can, but time is running—it is time for decision! Rome was great, but Rome fell—the Byzantine Empire, the Spanish Empire, Ancient Athens were all great, but they all fell—and they never came back. Time for decision—and it may be later than we think!

Importance of Hard Work In Securities Selling

(Continued from page 4)

clined to think the less one **pretends** the better he is going to come out over a long period of time, but you can definitely listen and take advice. You can definitely think for yourselves. You can definitely decide time after time that the profit is not worth the gamble and that what you want to do and be, is a reasonably respected member of your profession 10, 12, 20 years from now.

Back in the bad old days of the '20s, the principal qualification for becoming a bond or securities salesman was "Whom does he know?" You are all so familiar with the old story about Major Higginson that I hesitate to repeat it, but so the story goes: Major Higginson gave a letter of introduction to some New York bankers on behalf of a young Bostonian, whom the New York bankers liked. However, wishing to have some further information they wrote to the Major and said "We like your young friend very much and will you be good enough to tell us something more about him?" To which Major Higginson replied that the young man was the son of so and so: a grandson of so and so and so and so. For some strange reason, however, this didn't seem to satisfy the New York bankers and they wrote back to the Major something along this line: "My dear Major Higginson: We really don't need the young man for breeding purposes, we are thinking of hiring him as a securities salesman."

Whether there is any truth in the story or not, that's about the way many young men were hired for the securities business at that period in the nation's financial history. It didn't really matter much whether the young man in question knew anything or not; they were still able to produce their share or a little bit better of the business which their firms required of them.

But along came 1932 and I and my good friends had to get to work and try to figure out how we were going to make a living for our families between 9 and 5. We made an awful lot of mistakes, but we had the capacity to work.

Hard Work Essential

By a chain of circumstances we landed in the wholesaling department of the oldest and largest investment trust in the country; there wasn't any less work to be done, in fact there was more: 45,000 miles a year of traveling by car, train, bus and aeroplane; entertaining to be done at night until 10, 11 and 12 o'clock, and up, as Mr. Pepys says, betimes in the morning at 5 a.m. to drive 150 miles to get to the next town to get to work again. There wasn't any outstanding intelligence devoted to it but there was plenty of good hard garden-variety work.

Now it may be wise at this point to get back to a little more discussion of the importance of work in selling securities and perhaps to outline some of the ways in which this work can be more intelligently applied.

In the first place let's do a little mental arithmetic. There are according to most calendars and the popular superstition 365 days in most years. Out of this we take immediately 52 Sundays and 52 Saturdays, although, of course, it is possible for some really ambitious guy to do a little work on Saturdays, occasionally! Then we take the ordinary holidays: New Year's Day, Christmas Day, the birthdays of George Washington, Abraham Lincoln and Columbus, Bunker Hill Day, Decoration Day, Armistice Day, Labor Day, 4th of July, and we arrive at 10 more days to take out of the year. Then, of course, being hard working citizens and badly needing a vacation, we have to take out at least two weeks of 5 working days each, making ten more. Unless we are extremely lucky we are quite likely to spend at least 5 more days unable to work because of sickness, so that we add that in. And, of course, there are days when there's a World Series or something like that and that probably accounts for, well shall we say, 4 days more. This makes a total of 135 days, leaving 230 days on which we really go to work. It's very well known that you can't call on a man at 9 o'clock because he is just opening his mail, and at 9:30 he is beginning to dictate and at 10:15 he has a conference with his partners or fellow officers, and at 11:00 he goes out to make an inspection of the factory which lasts until 11:30, after which he has a consultation with the superintendent and foreman of the factory and then—why gracious goodness it's 12 o'clock and the man goes to lunch. Obviously now we can't see him until 2:00 o'clock in the afternoon. Now in my day as a street walker 2 o'clock in the afternoon was regarded as the very finest time of all to see a man because if he had had a good lunch, he was in a most receptive mood and he would very likely listen to you. And so far as I have heard, this period of "good time to see a man" lasted until about 4 o'clock after which, of course, he was preparing to sign his mail and to catch the 4:55 home. So you can readily see that on this basis, at least, we securities salesmen are allowed to work 2 hours a day.

Perhaps it will interest you to know that there are some old buzzards in the securities selling business, whom I happen to know, who discovered by trial and error that it was almost as easy to see Mr. Gotrocks at 9:25 a.m. as it was at 2:00 p.m. and that if you had a story to tell that was worth telling and could persuade Mr. Gotrocks or his secretary or his telephone operator that you could tell it to Mr. Gotrocks in such a way as to be intelligible, you were able to get in and see him. This, of course, automatically lengthened the working day to 6 hours. For purposes of argument let's say that we actually try to see our clients 6 hours a day for 232 days in the year or, in other words, we **work** at that end of our business which, in the last analysis, really brings home the bacon, 1,392 hours out of a total of 8,760 hours in the year or approximately 16% of the time.

I think it is not too much to say, therefore, that any part of that 16% of the time that is not spent actually in the presence of and talking to a client or prospective client should really be regarded as wasted.

But, say you, what will happen to the orders that my clients want to put in if I am out looking for more new business? Well, I hope you're not going to say that, because if you are, it indicates a lack of organization in your house that is deplorable. I believe that I am not overstepping the mark when I say that Mr. Carol Hoffman as a partner of Draper, Sears & Co. would not be at all averse to taking orders from your clients for you or seeing to it that they were properly handled. I personally can think of nothing that makes me happier than when a client calls up and inquires for a salesman who is out on the street looking for more business, and then gives me an order for a substantial amount of our product for the account of the client. Almost inevitably the client makes a point of saying "you will be sure that it goes to the credit of Mr. So and So, won't you?" At this point we have disposed of all the time between 9 and 5 and if we have been reasonably attentive to our own welfare and have exposed ourselves to business, we should feel reasonably weary at 5 o'clock and content to go home with the little woman and the kiddies. But if we do that, who is going to take care of getting up the list of prospects for the next day's work? Does any one of us really do enough business to hire a secretary to do such work for us or to warrant our firms in spending the money for secretarial work to do it for us? I sincerely hope so but I am a little doubtful. Therefore it behooves us to consider what we are going to do between 5 and 9 at least a reasonable number of nights in the week so that the next day we shall not have to waste time making up our minds, or sorting cards or deciding what territory to go into, but shall be all ready to jump out of bed at 6:30, get the wife's breakfast and our own and be on the way to an interview a little after 8:00 in the morning.

This sorting of cards and deciding about territories is one of the things that gives us all a lot of headaches. In the first place have we gotten rid of the dead wood? Is there any point, as Mr. Redfield properly said, to calling on a guy with $500, which should be left in the savings bank, when we could spend the same amount of time calling on a man with $25,000 whose $5,000 could easily be put into the kind of securities that we sell? In other words are we continually combing the dead wood out of our lists?

The Question of Prospects

I suppose that this is as good a time as any to discuss the question of prospects. Where do you get 'em and how. I have heard it said that I was one of the toughest guys in Boston in relation to prospects; that I didn't believe in handing them out; that I didn't help the salesmen get them; and so many other things that I almost blush to remind myself about them. God forbid that I should defend myself in the presence of such a handsome group of young business getters as you all are and I shall only say that if I get them, I certainly hand them out! If I knew how to get 'em, I would certainly tell you but in my 30 years of batting around in the securities business I have never found that p r o s p e c t s handed out ever amounted to a row of good crooked apples.

You will all remember that Mr. Redfield in his talk about prospecting referred to the fact that nobody with an ounce of common sense would tackle people in the textile business or in the shoe business and a number of other businesses today which are down in the mouth and which therefor want to hold onto their cash as much as possible; but that they would seriously consider people in the automobile business, the retail stores, etc. All this, of course, is simply along the line of the first group of prospects you make because if you handle yourselves properly, if you do a good job for your clients, these last are always going to supply you with new lists of names on whom to call. In

(Continued on page 34)

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

(Continued from page 8)

LOS ANGELES, CALIF.

Unfavorable.*

LOS ANGELES, CALIF.

Detrimental.*

LOS ANGELES, CALIF.

Tends to reduce trading in smaller issues. Furthermore, the "5% mark-up" rule completely eliminates all venture money and as long as this rule exists the Federal Government should authorize a special bureau, adequately financed to supply all venture capital for new industries.

OAKLAND, CALIF.

Bad Effect.

PASADENA, CALIF.

Contributes to a much poorer market.

SMALL CALIFORNIA TOWN

None to date, but the time is near at hand when it will be detrimental for a long period of time.

SACRAMENTO, CALIF.

Fails to provide a reasonable profit to a firm for the effort needed to distribute such securities.

SAN FRANCISCO, CALIF.

Ruins the market for the little fellow.*

SAN FRANCISCO, CALIF.

Detrimental.

SAN JOSE, CALIF.

Tends to deceive the public and limit the marketability. Also encourages dealers to sell less sound securities in preference to listed securities or Investment Company Funds.

SAN DIEGO, CALIF.

Not too much. This business has entered a complete new phase in the last ten years.

ORLANDO, FLA.

Probably hasn't had much effect on distribution generally, but it is detrimental on very low-priced stocks. It would operate very badly in a bad (slow) market. Principally, however, I feel that securities should trade in a free, competitive market.

OMAHA, NEBRASKA

Bad.*

CHARLOTTE, NORTH CAROLINA

Very little—is question of investor attitude on small companies.

CLEVELAND, OHIO

None.*

PORTLAND, OREGON

Not good.*

PORTLAND, OREGON

It hurts, and it has a tendency to make dealers mark up every transaction to the limit.*

PORTLAND, OREGON

Has destroyed incentive for dealers to create markets on little known securities.

PITTSBURGH, PA.

It very definitely affects the free flow of capital into new industries and makes it very difficult to make markets on the securities of smaller corporation.*

SMALL PENNSYLVANIA TOWN

The effect is not good. I think each transaction should be treated according to cost of doing business or expense.

PITTSBURGH, PA.

Injured them.*

SEATTLE, WASHINGTON

None.

SEATTLE, WASHINGTON

None.

SEATTLE, WASHINGTON

None.*

SEATTLE, WASHINGTON

May be tough on them, but don't think they should be sold the public generally anyway. There's where much of the public's losses are.*

SEATTLE, WASHINGTON

Very little—Because the 5% spread is not necessarily observed in new deals.*

SEATTLE, WASHINGTON

Acted as handicap.*

SPOKANE, WASHINGTON

Depresses market.*

TACOMA, WASHINGTON

Holds down their prices.*

TACOMA, WASHINGTON

Slows the market down. Think 5% or less in some cases justified where minimum of work required. In other cases, commission should be up to dealer who in most cases, I believe, would be found reasonable.*

NEW YORK CITY

Stops or impedes trading.*

NEW YORK CITY

Obviously bad.*

NEW YORK CITY

Very little. An important firm that doesn't care to sign its name.*

NEW YORK CITY

Very restricting.*

NEW YORK CITY

Limits marketing.*

NEW YORK CITY

Limits dealer trading, creating poor market ability.*

NEW YORK CITY

None whatsoever.

NEW YORK CITY

Five per cent markup could be too much in some cases, not enough in many others. Recently had 300 shares to sell for a very rarely traded stock. We took 50c a share profit (price realized 25—we gave customer 24½) and told customer what profit we were taking. 5% would have been $1.25 per share. We spent a great deal of time finding a purchaser, with even out of town phone calls, so that we wouldn't have made much, if any, net profit on the transaction even at $1.25 per share profit. In the case of smaller corporation, whether it is to buy or sell the customer always seems to be afraid he is going to get done in some way. We couldn't get that order to sell the 300 shares above mentioned until we laid our cards on the table and told the customer exactly how we would proceed. Another customer, a very wealthy man, asked us to pick up some obscure Municipals. In a very generous gesture, he bid 98. That is what we paid for three bonds which we managed to pick up for another customer, charging the other customer 100, or a 2% mark up. Finally, the 98 man begrudgingly raised his bid to 99. In these cases, perhaps there should be a profit, plus a service charge.*

NEW YORK CITY

Terrible!*

NEW YORK CITY

I believe it hurts the market. Am afraid of the Gestapo!*

NEW YORK CITY

None.

NEW YORK CITY

Obviously it is harmful because sponsorship is lacking. Salesmen will not put forth the costly effort unless they are rewarded adequately.*

NEW YORK CITY

It dries it up.

NEW YORK CITY

No major effect.*

NEW YORK CITY

None.

NEW YORK CITY

Destroys such markets.

NEW YORK CITY

Destructive.*

NEW YORK CITY

None.*

NEW YORK CITY

Terrible.*

NEW YORK CITY

Much harder to float the issues and also to maintain a good market for them.

NEW YORK CITY

Very poor.

NEW YORK CITY

Constantly creating a shrinkage in the securities business.*

NEW YORK CITY

Hurts the market in that dealers can not afford to retail the securities for 5%.

NEW YORK CITY

It has made it impossible for the public to profitably participate in good, sound small companies, because we are reaching the stage where there is no public market for the stocks of such companies. The retailers are deserting the small companies in droves and jumping aboard the investment fund wagons which pay 5, 6, 7%. From right now on the financing of small companies just won't pay anyone. Would get squashed like a June bug if I signed this.*

NEW YORK CITY

A very bad effect.

NEW YORK CITY

Bad.*

NEW YORK CITY

Has a tendency to restrict trading, therefore to make securities less marketable.*

NEW YORK CITY

Depressing and limiting market effect, tending to hold back funds from the smaller businesses of this country.*

NEW YORK CITY

Very ungood.

NEW YORK CITY

Making it increasingly difficult to secure new capital.*

NEW YORK CITY

Tends to decrease dealer interest—and consequently investor interest.*

NEW YORK CITY

It definitely hampers trading in securities. Expenses of every name and nature have increased. General business has increased its "spread" to meet increased costs. Trading in securities should recognize increased costs in the same manner. It is quite possible to maintain a "reasonable spread" and still make a large enough gross to cover increased overhead. The 5% rule, if it is recognized as such, should be rescinded. We are much over-regulated.*

NEW YORK CITY

Discourages business efforts.*

(Continued on page 35)

*Commented anonymously.

Importance of Hard Work in Selling Securities: Baxter

(Continued from page 33)

fact I remember a little story about the young Irishman, Pat Mulrooney, who went to the Father to confess, etc., etc., etc. This merely proves that if a man keeps his eyes and ears wide open he is likely to find new prospects in the most unsuspected places!

Canned Sales Talk

There has been much talk in sales books and lectures on the question of the use of a "canned sales talk" and, believe me, I am heartily in favor of it if in the first place your product permits such a talk and if in the second place you yourself do the "canning." In the 12 years in which I was wandering to and fro across the face of the earth selling certain investment trusts, I developed what was unquestionably a canned sales talk. I knew exactly where I was going to pound the table and I knew 95% of the answers to all the questions that could be brought up, but I am frank to admit to you that this cannot be done if you are going to have a new issue of one kind or another to sell every two or three times a week. It is, of course, quite possible for your house and for you to have one particular product on your list at all times, which you can get to know so well—so letter perfect—that you can apply it as part of every investor's program and make both you and your house a lot of money, in bad times and good. No sensible man in the securities business will recommend any particular kind of a product for more than a reasonable or proper percentage of an investor's account.

Selecting the Investor's Account

Now I can feel some of the thoughts that are going through your minds: what the hell's the use of living if you have to work as hard as this old buzzard says you have to? Why shouldn't a man be able to make a living by working the prescribed hours between 9 and 5? Why should he feel such sharp twinges of conscience if, through no particular fault of his own, his clients lose their money? Why? Why? Why?

There's only one answer to these questions and that is that if they are really serious in your mind, you're in the wrong business. Maybe you're not a salesman at all, maybe you're an order taker: there's no disgrace to being an order taker but don't expect to make any money on that basis. Neither is there any disgrace to not being able to close a sale: there are plenty of good places in the securities business for analysts and others who do not actually sell. There is really not too much disgrace in being lazy, but for God's sake, if you are, face the fact and don't kid yourself into believing that you've got a sore toe or a backache, or that your wife needs you at home, etc.

Face the Facts!

Face the facts: call a spade a spade. And if you really want to be a salesman, try and be a good salesman: remember that the client's interests are first, not only because of the ethical aspect, but because honesty is the best policy because it's good business. Give up any idea of going to the movies or playing bridge or getting drunk seven nights in the week and make up your mind that you're going to work at home at least three or four nights every week and maybe even make a few calls on your clients at their homes during the evening.

You will not only make more money, but you will achieve a degree of credit to your firm and satisfaction to yourself that cannot be purchased in any other line of endeavor today.

What I am, of course, trying to say to you, is that the securities business is not a sinecure, it is not an idle man's means of making a livelihood: it is not a profession in which you can blunder along making mistake after mistake and still expect to have a permanent income from it. On the other hand it is a profession just as the law or medicine is a profession: in fact I think sometimes that it should have a higher standard than either of these, purely on the basis of self-survival. The doctors can bury their mistakes, but we who make mistakes in our profession have to run around the corner to avoid meeting the poor unfortunate widows or dear old gentlemen whose money we have put into the wrong type of securities. The only way in which we can ever hope to continue to make a continuing livelihood out of this profession, is so to love our fellow man whose investments we control, that 10, 20 even 30 years from now our names will be written in his book of gold.

Chicago Street Club Appoints Chairman

CHICAGO, ILL.—John F. Detmer, President of The Street Club of Chicago, announces the appointment of Robert M. Clark, of Blunt Ellis & Simmons, as Chairman of the membership committee and J. J. Markham, of Hornblower & Weeks, as Chairman of the program committee. N. Lee Udell, of the Chicago National Bank, has been named a Vice-President.

Pacific NW Group of IBA Annual Meeting

SPOKANE, WASH.—The 1949 Group Meeting of the Pacific Northwest Group of the Investment Bankers Association of America will be held September 9, 10, and 11 at the Gearhart Hotel, Gearhart, Ore.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Richard R. Thomas to Harry Wiesenberger will be considered by the Exchange on May 5.

Thomas Y. Wickham will retire from partnership in Faroll & Company, April 30. Marion R. Baty will withdraw from partnership in Wayne Hummer & Co., May 1.

Fredrick J. Pflugfelder & Co. will be dissolved effective April 30.

R. R. Thomas & Co. to Be Formed in NYC

Richard R. Thomas and James E. Lawler, members of the New York Stock Exchange, will form R. R. Thomas & Co., New York Stock Exchange firm, with offices at 36 Wall Street, New York City, as of May 5th. Mr. Thomas has been active as an individual broker; Mr. Lawler was formerly a partner in R. Swinnerton & Co.

American European Assoc.

American European Associates, Inc. has been formed with offices at 25 Broad Street, New York City, to engage in a securities business. Officers are Ernest Spiegelberg, Executive Vice-President and Treasurer, and S. Metzger, Secretary. Mr. Spiegelberg was formerly in business in Amsterdam, Holland.

A. K. Wihanto Opens

BOSTON, MASS. — Adolph K. Wihanto has opened an office at 11 Beacon Street, to engage in a securities business.

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

(Continued from page 34)

NEW YORK CITY

Harmful effect.*

NEW YORK CITY

Will never help.

NEW YORK CITY

A decidedly bad effect. In many cases it makes such a market impossible.

NEW YORK CITY

None.*

NEW YORK CITY

Should not apply to odd lots.*

SMALL NEW JERSEY TOWN

In many case the 5% mark-up bears a hardship on small dealers, especially in rural or sparsely populated sections, as traveling, etc., creates so much additional expense, along with regular expenses, that at 5% very little profit can be realized. Furthermore, securities should be handled like other merchandise. A hardware dealer could never be successful at 5% and yet if he received an order for a large quantity of merchandising he could cut the profit 5 or 10%. Securities, although with not as large a margin of profit as hardware, should yield a larger amount of profit. Then let the dealer adjust his profit according to the size of transaction.

AUBURN, N. Y.

Bad.

ITHACA, N. Y.

Very harmful.*

SMALL UPSTATE NEW YORK TOWN

Believe it tends to make a narrower market.*

SMALL UPSTATE NEW YORK TOWN

Probably contracts markets.

ROCHESTER, N. Y.

This rule is very elastic, in fact I know of no such "Rule". If we did not have such an understanding some dealers would put the business in the same place it was in the 20s, which would again lead to even more Federal regulation.

SMALL NORTH CAROLINA TOWN

Dampening. Why limit mark-up to 5% when they allow 10-20% in best effort new issues.*

CINCINNATI, OHIO

Everything possible to their detriment.*

CINCINNATI, OHIO

None.

CINCINNATI, OHIO

Bad.*

CINCINNATI, OHIO

Killed it.*

CLEVELAND, OHIO

Very detrimental effect.

COLUMBUS, OHIO

The lack of incentive invariably retards effort—Physical—Mental—Financial.*

DAYTON, OHIO

Probably limits the trading market.*

SMALL OHIO TOWN

Broker cannot afford to spend adequate time on the 5% profit.*

SMALL OHIO TOWN

The 5% Rule is not practical because new firms are unable to establish themselves, with complicated regulations and the expense of building new clientele, unless they may trade freely with small buyers of securities willing to take long risks in small corporations with the hope of long possible profits. There is a great need for new small business enterprises and usually older firms, even as my own, will not venture in these risks because our clientele has grown older in our 25 years of business and buy only old established and seasoned securities. Our compensation or charge to clients averages less than 1% and we disclose all commissions. No new firm could do this and live initially in these days any more than it could have been done in the 1920-1930 era. Most of our clients laid their foundations in times when underwriting profits and commissions were high and have built substantial estates. Our firm is a great believer in lowest costs possible to clients. However, any reasonable mark-up or commission is justified on the basis of the service performed. In most successful accounts the matter of mark-up is usually a small consideration. You can not restrict enterprise and have it free any more than you can restrict people and have them remain free. Starve Americans or American enterprise and we will have an impoverished people.—As always "confidential."*

OKLAHOMA CITY, OKLA.

Restricts inventory. Thereby probably limits market.*

ALLENTOWN, PA.

Definite limitations—to the detriment of the corporation.

PHILADELPHIA, PA.

Does not actually compensate for one's initiative and research.

PROVIDENCE, R. I.

Only a bad effect. Of course, one can always stick to the open-end funds and by the looks of it a lot of dealers have been doing just that! And since the "Mutuals" stick to the securities of the established big businesses where's the competition to come from? Who is gonna finance the little fellow? Wonder how much of NASD's budget is provided by the mutual funds? Hmmm?—*

*Commented anonymously.

GREENVILLE, S. C.

None.

GREENVILLE, S. C.

Bad.

MEMPHIS, TENN.

None.

MEMPHIS, TENN.

Very little, if any. It is rare in our case for this question to arise. It has never bothered us but seems an arbitrary and unreasonable expense. It may be good for crooked or unhonorable dealers; it does affect very low price stock.

DALLAS, TEXAS

Think it has the effect of discouraging markets in them.

DALLAS, TEXAS

Restrictive.*

DALLAS, TEXAS

Highly restrictive effect.

FORT WORTH, TEXAS

Most restrictive.*

FORT WORTH, TEXAS

Puts a damper on getting them into circulation. Think mark-up rule should be at least 7%.

HOUSTON, TEXAS

Beneficent.*

HOUSTON, TEXAS

None of consequence. In our judgment, the big spread between actual bid and asked prices, using the 5% over-asked-side mark-up, is the biggest factor in driving investors toward listed stocks. Any firm which cannot operate profitably on such a spread most of the time is simply in the wrong business.

HOUSTON, TEXAS

None.

SMALL TEXAS TOWN

Strangles new enterprise.

SALT LAKE CITY, UTAH

It has seriously curtailed their market in this area*

SMALL VERMONT TOWN

Created a very narrow market and tends to prevent new issues from being offered.

SMALL VIRGINIA TOWN

Limits their marketability.

SMALL WEST VIRGINIA TOWN

Debatable.*

SMALL WISCONSIN TOWN

It hampers the market and is unjust. We are the only business with such limits.*

MILWAUKEE, WIS.

Limited and poor market for small corporations.

SMALL WISCONSIN TOWN

Bad.

MADISON, WIS.

None.

MILWAUKEE, WIS.

Hindered distribution.*

MILWAUKEE, WIS.

It works against the small corporation which our Government in Washington pretends to be protecting.*

MILWAUKEE, WIS.

Destroyed their right to capital.

SHEBOYGAN, WIS.

Very little.

SMALL WASHINGTON TOWN

Unfair in many cases.

TACOMA, WASH.

Don't know, but believe many dealers sell the "easy securities" with a profit rather than spend the time and money searching for the best securities that the client should buy and would be better off to buy.*

HOUSTON, TEXAS

Very little.*

DALLAS, TEXAS

Bad effect—for the corporation stockholders and retail dealers.*

DALLAS, TEXAS

Retarded sale.

CLEVELAND, OHIO

We believe that the 5% rule hurts the market for all securities—but perhaps it is particularly detrimental to the more obscure issues, on which no salesman will devote time and effort without adequate remuneration. We were investigated once right after having signed a letter of protest regarding this organization.*

OMAHA, NEB.

None.*

WORCESTER, MASS.

Less marketability.*

PORTLAND, ME.

Strangulation. Makes it impossible to raise new capital because old stocks are already selling on a 10% yield basis. How are you going to sell "new capital" stocks yielding 6-7 or 8% when the old seasoned stocks are yielding 10%—both with the same "dealer profit." The 5% mark-up will not cover the cost of distribution to the new potential investor in securities of the smaller corporations. Therefore strangulation of the market for the securities of the small corporation.*

NEW ORLEANS, LA.

Ushers them out of the capital markets entirely.

SOUTH BEND, IND.

Small dealer can't exist.*

*Commented anonymously.

Business—Factor in American and World Development

(Continued from page 6)

gests we should share with others are, for the most part, the fruits of American business. The President specifically referred to our scientific advances and industrial progress and urged that we "foster capital investment." All of this makes clear that what is contemplated under Point IV of the Inaugural address is in large measure an extension to other parts of the world of what American businessmen and their associates and helpers have done here in America.

The Bold New Program

The President's program is unquestionably idealistic — in the same noble tradition as the policy of the Good Neighbor enunciated by Franklin Roosevelt in his first Inaugural address 16 years ago. President Truman's Point IV is a logical extension of the Good Neighbor policy. It is a clear statement by the United States Government that the Fair Deal for all cannot flourish in isolation, and that this country intends to use its scientific knowledge, its industrial techniques, and its economic power to help other countries make progress against hunger, misery, and despair—the "ancient enemies" of decent living. It is a program to raise the coefficient of human happiness in neglected areas of the world, step by step, and year by year.

To be effective, however, a program must be more than logical in concept, or noble in purpose. It must produce results. In the Department of Commerce, we are approaching this as we approach other questions—on a basis of reality and common sense. It is clear that the first practical question which must be faced in dealing with this program is the familiar "where's the money coming from?" Before proceeding further, let us answer that question.

If the "bold new program" making available to others our scientific advances and industrial progress is to be successful, it must in large part be financed and carried on by private business. Business has the incentive to do the job and to do it efficiently. It has the capital to finance large-scale productive industries abroad. Most important of all, it has the technical staffs already trained in the complicated processes of modern industry.

When the President suggested a program to achieve peace, plenty, and freedom for other nations, he stated that while our resources in technical knowledge are growing and are inexhaustible our material resources are limited. Since the end of the war we have already poured out to other countries in government grants and credits $25 billion, and additional billions remain to be spent.

Encourage Venture Capital Abroad

It may be desirable to finance some developmental projects through the World Bank or through lending agencies of the United States Government. For the most part, however, Point IV of the President's program must be employed to encourage American businessmen and investors to venture their money, their time, effort, experience and technical knowledge abroad. Not only will this assist other countries to develop their own resources for their own benefit, but it will give American business new oportunities for growth and will go a long way to help solve the present dislocation in world trade.

Businessmen without any prodding from government have already to their credit an impressive record of furthering industrial progress abroad by the application of private capital and technical skills. I reviewed recently a list of development projects now being carried on all over the world by American businessmen. The list includes the drilling of oil wells and the building of refineries and pipelines in Venezuela, Saudi Arabia, Indonesia, Burma, and many other countries; the mining or processing of aluminum, copper, lead, zinc, tin, tungsten, vanadium, and iron ores in Latin America and South Africa; lumbering and wood processing in Newfoundland, British Honduras, Costa Rica, and the Gold Coast; the operation of sugar plantations and mills in Cuba, the Dominican Republic, and Haiti; the development of hydroelectric power in Mexico, Uruguay and Portugal.

This is a thrilling panorama of courage, persistence, and the use of technical skills which should hearten the believer in the American enterprise system. It may be argued that American business has poured out its money and energy to help other countries develop their resources in order to make a profit. Of course it was done to make a profit; private business cannot operate except at a profit. Businessmen cannot maintain production and give employment unless they operate at a profit. The profit motive is the sparkplug of American business and the fundamental influence behind the incredible results which the United States has produced in peace and in war for the benefit of all mankind.

$17 Billion of U. S. Private Capital Abroad

The sum total of long-term private American capital now invested abroad is about $17 billion. Most of this—$11.3 billion—is in the form of direct business investments in other countries; that is, money invested by American companies in the operation of foreign branches and subsidiaries. During the Twenties, most of the American capital which went abroad was provided by the large number of individual and corporate investors who bought foreign bonds. The wave of defaults on such bonds during the depression years served to dry up this source of investment funds. Today, virtually all American capital going abroad is supplied by American companies for their foreign operations. In 1948, American business firms invested about $1.5 billion in foreign countries; it is significant that approximately one-half of this amount represented the reinvestment of earnings in the foreign enterprises concerned.

These investments by American business are highly concentrated. Although there are close to 3,000 American firms with foreign branches and subsidiaries, about a score of companies account for three-fourths of the total outflow of new American capital. Oil is the largest single industry in which direct business investments are being made by American corporations, accounting for about four-fifths of the total in recent periods.

What must be done to maintain and substantially increase the investment and the activities of American citizens in other parts of the world?

The Foreign Trade Imbalance

The First World War jarred the foundations of the European economy, but it did not change fundamentally the ways in which nations did business. The world-wide depression of the Thirties and the Second World War shattered the foundations and weakened the old structure of international trade. In the late Nineteenth and the early Twentieth Centuries businessmen carried on trade with other countries with but little concern for the currencies in which they were paid. The monies of all countries had certain market values, and could be exchanged for other monies or for gold. When a businessman invested a million dollars in France, for instance, he knew that his earnings could be converted into dollars even though the business inside France would be carried on in terms of francs. If he decided to sell his holdings, he would receive his principal in dollars.

Today, nearly all countries value the American dollar as highly as they value gold. Because of trade imbalances, most nations are obliged to protect their dollar reserves and will not permit the free withdrawal of dollars from their jurisdiction. Some American companies, unable to withdraw their earnings in dollars, have been forced to build up huge reserves in local currencies, far in excess of their needs.

The fear of inconvertibility is not the only worry of American businessmen considering the investment of funds abroad. They fear also that other nations may decide to take possession of their plants and equipment after they have been installed. Such "expropriation" has occurred in the past and may occur again in the future. In addition, they are afraid that foreign governments will place serious discriminatory restrictions on their right to manage their business affairs.

The most cursory examination of the problem indicates the difficulties which confront us. They are not insuperable; they are real.

Requirements of "Point IV"

If the President's suggestion is to be fruitful, two things must be accomplished. First, we must obtain the freely given consent and cooperation of the countries to be affected. We will not force our money, our techniques, or our ideas upon other countries against their will. It is not enough, however, to persuade other countries to tolerate American investors and American technicians. Our effort should be to create a state of mind—or, as it has sometimes been described, a "climate"—where the advent of American businessmen and their dollars is eagerly desired. How can we produce this result?

The United States Government can try, through diplomatic channels, to negotiate formal agreements with other nations covering the right of American investors to convert their foreign earnings into dollars, and their right to receive prompt and adequate compensation if their property is requisitioned. In our effort to establish a favorable climate, it must be made clear that we seek no extra-territorial authority for America or American business. Nor do American businessmen wish protection from the ordinary risks of the market place; nor do we ask any preferential treatment for our businessmen as contrasted with others. We are, however, entitled to ask for them whatever rights we give reciprocally to the business firms of these other countries operating in the United States.

At the same time, we must recognize the strong nationalistic feelings which characterize much of the present-day world. There is in some countries a popular, and perhaps understandable, distrust of foreign capital and motives. We should be willing to give ample assurance that the inflow of American capital will not be accompanied by interference with national policies or by American domination of their economies.

These questions have been the subject of negotiation with other countries for some time as part of our long-standing policy of working out treaties of "commerce, friendship, and navigation." What is needed is a new look at the problem in terms of a vigorous new program for world development. If these other countries recognize the contribution which American capital and skill can supply, and we recognize the fears, hesitations, and problems on the other side, I am confident that a common ground can be found.

What Has Been Done Already

Furthermore, the American businessman himself can contribute substantially to the solution of this problem. Some of them have already done so. In Central America the United Fruit Company has changed tangled and unproductive jungles into highly productive agricultural land. To convert swamps into plantations it has moved more dirt than was moved in excavating for the Panama Canal. In the areas where it operates, this company has reduced the death rate from malaria from twenty per thousand to less than one per thousand. Many new communities, equipped with hospitals, schools, churches, and playgrounds, have been built. The most striking evidence of this company's effort to improve the general welfare of the region is the establishment of the Pan American School of Agriculture in Honduras. This school, which has cost the company more than $4 million to date, is dedicated to improving agricultural methods all over Central America. Promising young men are educated free of charge by the company—with only one string attached. After graduation, they are not permitted to work for the company. Their education is to be used for raising the general welfare of the people in Central America. Incidentally, the curriculum does not include a course in banana culture.

In Venezuela, the American oil companies that have developed the fabulously rich deposits in the Lake Maracaibo district have followed a similar policy of cooperating with the people of Venezuela. Roads, schools, churches, hospitals and playgrounds have been built by the oil companies. Royalties to the Venezuelan Government from the production of oil have financed many public improvements and have enabled the government to put national finances on a sound basis. The American oil companies have trained thousands of Venezuelans in the complicated processes of oil production and distribution. Ninety-five percent of employees of one firm are Venezuelans.

Across the Atlantic, in Liberia —a republic founded in West Africa by liberated American slaves — the Firestone Rubber Company is carrying on a fascinating experiment in the economic development of the country. In the late Twenties, this company decided that Liberia was an ideal place in which to experiment with the growing of natural rubber. We all know now what vital dividends these experiments paid during the war when Liberia was one of the few sources of natural rubber available to us. The company was interested in more, however, than the development of a plentiful supply of rubber. When this venture was launched, Harvey Firestone said, "We are interested in any undertaking for the betterment of Liberian life. Sanitation, education, and medical assistance have a prominent place in our program, because we understand that the future of the country and of our own enterprise depends upon the education, health, and general welfare of the Liberian people." This statement might well serve as a keynote for the new era of American business statesmanship in the conduct of our foreign investments.

A number of American companies have worked out partnership arrangements with the countries in which they operate, permitting local governments or local private investors to share in the ownership of the enterprise.

A Voluntary Movement

The second great preliminary to the accomplishment of the President's program is that American businessmen must want to go into these other countries. The government cannot compel them to go, just as it cannot compel other countries to welcome them. It can, however, make the prospect attractive; or, at least, it can try.

Various programs of insurance and guarantees have been suggested in which the government would either take the initiative or play a part. I shall not undertake to discuss either of these matters at length. One example of the effort along this line is the fund set aside by the ECA to guarantee the convertibility of new American investments in the participating countries, at a cost of 1% a year for the amount guaranteed and to run for 14 years.

In the first year this insurance was scarcely used. Why not? There may be several reasons, but one is evident—the guarantee did not cover the earnings in addition to the original investment. In the new law an effort has been made to remedy this situation. Perhaps it will provide an added incentive.

The entire problem of government guarantees is as complex as it is important. Even among businessmen, opinion as to the right solution is divided. Some are opposed to the principle of government guarantees; others feel that without such guarantees it is futile to expect any substantial additional movement of American techniques or capital to other countries. It seems probable that some kind of guarantee will be worked out, but the precise form it will take is not easy to predict. The guarantee obviously should cover more than the dollar convertibility of the original capital investment. Also, experience has indicated that some guarantee against the risks of expropriation or war damage is desirable. In any discussion of this subject, we experience great difficulty in finding the right answers to the basic questions that inevitably arise.

For example, if we guarantee a new business investment, should we not also guarantee the American investor who already has his money in the other country? If we guarantee the old investor, what do we guarantee? If he has for many years had a profitable investment and a large return on his capital, should that not be taken into consideration in connection with the matter of guarantees. Would a country inclined to expropriation be more likely to take over property which is not guaranteed than property which is backed by a United States Government guarantee?

Role of the Government

The American businessman is more likely to want to go into these other countries and risk his capital if he feels that his government is standing back of him. Practically every other government in the world undertakes to help its businessmen promote trade in other countries. The American businessman many times has had to fight the competition of shrewd and experienced traders from all over the world, while our government exhibited a magnificent indifference as to his success or his fate.

What can the government do to show its interest and to give its help? It can, for one thing, seek out promising investment opportunities through engineering and economic surveys conducted in cooperation with the countries involved.

Of course, American business firms with large holdings abroad currently make such surveys on their own account. In the case of some underindustrialized countries, American engineers, hired by the governments themselves, are at work drafting plans for major development projects for which American capital will be sought. Some American firms are conducting surveys for particular projects abroad without charge. For instance, the International General Electric Company has undertaken an extensive engineering survey of hydroelectric power in Siam for the Government of Siam, no fees being charged for this survey. It is clear, of course, that a new power plant in Siam will broaden the market for all types of electrical goods, including those manufactured by this company.

What is needed is to link the activities already under way into a systematic program for discovering developmental potentialities. A striking example of successful operation in this field was the joint survey of the development needs of Brazil conducted by a Joint Brazil-United States Technical Mission during the past year. More recently, the ECA provided funds for an exhaustive engineering and economic survey of British Central Africa.

The government can serve as a general stimulant to business interest in the whole field of foreign investment and equip prospective investors with reliable technical intelligence as a basis for their plans and decisions. It can provide a central clearing house for all information of use to the businessman interested in investing funds in a foreign country.

Function of Department of Commerce

The Department of Commerce, through which already passes a wide range of information of interest to businessmen, is preparing to do exactly that thing. We shall endeavor, so far as we can, to make every effort to implement the Point IV program by giving our help and assistance to American businessmen who are willing to try to carry it out.

We shall endeavor to centralize the mass of valuable technical information which the businessman needs when he becomes interested in foreign investments. The cost of financing, the risks involved, the political and economic problems peculiar to the region, potential markets for the goods to be produced, and a wide variety of other data will be available in the Department, if we are given appropriations for this purpose.

The difficulties are great, but not insurmountable; the problems are complicated, but not insoluble. Neither the problems nor the difficulties compare with those which faced the early settlers whose landing at this spot we celebrate today. We would be foolish to ignore the difficulties; we would be cowardly to let them defeat us. The world has changed greatly in 350 years. Our problems change, but as in all the centuries gone by good judgment, courage and ingenuity are still the deciding elements in any forward program. We shall undertake to utilize them in this one.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ROME, GA.—John W. Williams has been added to the staff of Courts & Co., 4 East Second Avenue.

Carlyle Detjen to Open

BROOKLYN, N. Y.—Carlyle L. Detjen will engage in a securities business from offices at 284 Sterling Place. Mr. Detjen was formerly with the Wholesale Department of Fitzgerald & Co., Inc.

The State of Trade and Industry

(Continued from page 5)

ago. Collections, it was noted, were generally less prompt than in the corresponding week in 1948.

STEEL OPERATIONS SCHEDULED AT NEW 1949 LOW THIS WEEK

Unnecessarily high freight costs to steel users in a period of heavy demand or drastically curtailed steel output in some steel centers when demand falls off are certainties unless the freight absorption dilemma is settled quickly. The Supreme Court decision this week upholding a lower court's approval of the Federal Trade Commission's ban on the basing point system—even if carried on in absence of alleged collusion—makes some kind of relief action an industrial must, states "The Iron Age," national metalworking weekly.

Efforts to belittle the high court's decision because it was a 4-4 tie are beside the point. So, too, is the phantom consolation that the court was ruling on a basing point system and not on freight absorption. The lower court, in the rigid conduit case was well aware of the formulas used in arriving at a delivered price—and freight absorption was involved in the case. The decision is doubly serious, the trade authority declares, because the case went to the Supreme Court on that part of the lower court's ruling involving, not collusion, but action by an individual company.

It seems clear this week that absorption of freight by a steel company or any other firm by a systematic method could subject that firm or firms to FTC action. The only remedies that could eliminate this chaotic condition from American industry are clear-cut action by Congress legalizing freight absorption; a rehearing of the case by the Supreme Court and a drastic change in the thinking of some Federal Trade Commissioners on freight absorption methods of selling.

Until some constructive action is taken by Congress, the Supreme Court or by the FTC, "The Iron Age" adds, no large steel firm will deviate from an f.o.b. mill pricing system—even if it means cutting output. The decision this week has been a severe blow to the steel industry. Its effect will be far more serious than appears on the surface.

It may be found that the Supreme Court ruling applies to almost any product sold by a zoning or basing point system where delivered prices are the same—at least that was the opinion this week of some lawyers versed in Federal laws.

With steel demand starting to slide off in some areas mills there have had to go far afield to sell some of their steel. Where steel is tight consumers have been willing to pay freight from distant mills. Now it is not necessary for some steel users to go out of their backyard. The steel firm which cannot sell all of its products in distant markets and, at home, has not enough orders to keep its furnaces going at full tilt, will have to cut back operations. That is the outlook for some big steel firms in the near future. Smaller plants are facing this situation now, this trade authority notes.

The long and steep drop in scrap prices ended temporarily this week. "The Iron Age" steel scrap composite advanced 17 cents a gross ton, but increases were not widespread. Heavy melting steel at Chicago advanced an average of $1.50 a gross ton but declined $1.00 a ton at Pittsburgh. There was a note of hesitancy on the downside but no sharp upward trend was expected.

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 97.5% of capacity for the week beginning April 25, 1949, as against 98.4% in the preceding week, or a decline of 0.9%.

This week's operating rate is equivalent to 1,797,400 tons of steel ingots and castings for the entire industry, compared to 1,814,000 tons a week ago, 1,839,800 tons, or 99.8% a month ago, and 1,560,900 tons, or 86.8% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS RISE 1.1% IN LATEST WEEK BUT ARE 2.4% UNDER LIKE WEEK OF 1948

Loadings of revenue freight for the week ended April 16, 1949, totaled 765,890 cars, according to the Association of American Railroads. This was an increase of 8,106 cars, or 1.1% above the preceding week. It represented a decrease, however, of 18,721 cars, or 2.4% below the corresponding week in 1948 and a decrease of 99,954 cars or 11.5% below the similar period in 1947.

ELECTRIC OUTPUT CONTINUES TO RECEDE FOR 12th CONSECUTIVE WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended April 23, was estimated at 5,325,513,000 kwh., according to the Edison Electric Institute. This represented a decrease of 17,218,000 kwh. below output in the preceding week, 298,233,000 kwh. or 5.9% higher than the figure reported for the week ended April 24, 1948 and 657,516,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT AT HIGHEST LEVEL SINCE 1937

Production of cars and trucks in the United States and Canada for the past week attained the highest peak since 1937 with an estimated 134,598 units, compared to 131,821 (revised) units in the week preceding according to "Ward's Automotive Reports."

The most important factor in the gain this week was General Motors, with almost all divisions on overtime schedules, Ward's stated. Studebaker and Kaiser-Frazer also recorded increases from last week.

Output in the similar period a year ago was 107,093 units and for the like week of 1941, 108,165 units.

Last week's output consisted of 104,370 cars and 24,698 trucks built in the United States and 3,705 cars and 1,825 trucks in Canada.

BUSINESS FAILURES TURN SLIGHTLY UPWARD

Commercial and industrial failures rose to 198 in the week ended April 21 from 184, Dun & Bradstreet, Inc., reports. Casualties exceeded the 100 and 68 which occurred in the comparable weeks of 1948 and 1947 respectively. They were considerably below the prewar total of 316 in the corresponding week of 1939.

Manufacturing failures rose to 64 from 44 a week ago, the highest total for manufacturing in more than six years. Retail casualties dipped to 83 from 90 but remained more than twice as numerous as a year ago.

FOOD PRICE MOVEMENTS IRREGULARLY LOWER FOR WEEK

With food price movements still irregular, the Dun & Bradstreet wholesale food price index registered a further drop of 2 cents last week to stand at $5.68 on April 19, only slightly above the year's low of $5.66 recorded on Feb. 8. The current figure represents a decline of 17.1% from $6.85 on the corresponding date a year ago.

COMMODITY PRICE INDEX DOWNTREND ACCELERATED THE PAST WEEK

The decline in the general price level was somewhat accelerated in the past week, reflecting further weakness in nonferrous metals and steel scrap. The Dun & Bradstreet daily wholesale commodity price index dropped to 249.32 on April 18, a new low for over two years. The index closed at 249.40 on April 19, as compared with 252.97 on April 12, and with 286.80 on the corresponding date a year ago.

Grain markets were unsettled and prices continued to move irregularly during the past week. The May wheat contracts showed independent strength, reflecting a tight position in that contract. Trading in cash wheat was light with prices nominally steady.

Mill demand was only moderate. The movement of wheat from the country remained small with only a few cars being offered in the spot market.

Corn prices on the Chicago Board of Trade held within relatively narrow limits but averaged slightly higher for the week. Industrial demand was fairly good but shipping demand particularly from the East was slow.

Except for sizable sales around mid-week for European account, the export flour market was quiet. Domestic flour trading remained on a limited basis with bakers showing little inclination to cover beyond immediate needs. Reflecting increased competition from vegetable oil shortenings, domestic demand for lard remained slow with prices at one time dropping to the lowest level since November, 1941.

Hog prices in the Chicago market were quoted below the $20-level for the first time since OPA controls were removed in October, 1946.

Fed lamb prices which had risen to new record highs, also receded sharply as shippers flooded the market in an effort to sell at the prevailing high prices.

Spot cotton prices averaged somewhat higher in the past week. Prices in the futures market were also stronger, aided by active short covering in the May position.

Export sales of cotton were in moderate volume. Some mills showed increased interest in forward commitments, but mills generally continued a hand-to-mouth buying policy. Reported sales in the ten spot markets were 115,500 bales in the latest week, against 104,800 bales the previous week, and 127,600 a year ago.

RETAIL AND WHOLESALE TRADE VOLUME IN LATEST WEEK BOLSTERED BY EASTER PURCHASES

As many shoppers completed their Easter purchases, retail dollar volume rose moderately in the period ended on Wednesday of last week and was slightly above the level of the corresponding week a year ago, Dun & Bradstreet, Inc., reports in its current summary of trade. Reduced-price sales of seasonal merchandise were prevalent in many sections. The demand for holiday specialities rose seasonally.

In the first three days of the period ended on Wednesday of last week, retail apparel volume was very high. Total apparel volume for the week was approximately even with that of the preceding week.

In the three pre-Easter shopping days, the demand for millinery, blouses, handbags, shoes and gloves was very large. The interest in rayon dresses and short-length coats was substantial. Men's shirts, ties and hats were popular but the the number of requests for suits and topcoats was noticeably less than in the pre-Easter period of 1948. There was considerable interest in children's wear.

With the ending of Lent, housewives increased their food purchases the past week. There was a traditional increase in the demand for hams, but it was not up to early expectations. Poultry and beef sold well. The supplies of fresh fruit and vegetables rose noticeably in many sections with interest in frozen foods moderate. As usual at this season, there was a sizable rise in the interest in candy and fancy baked goods.

Many consumers concentrated on holiday items; the demand for furniture and houseware remained moderate. Among the most popular home furnishings were occasional pieces, bedding and lamps.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 2 to 6% above that of a year ago.

There was no appreciable change in the dollar volume of wholesale orders last week. It was, however, slightly above that of the comparable week a year ago. The number of buyers attending many wholesale markets rose moderately, but it was somewhat below the number in the corresponding 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 16, 1949, increased by 7% from the like period of last year and registered no change from the preceding week. For the four weeks ended April 16, 1949, sales increased by 1% and for the year to date declined 3%.

Retail trade here in New York in the post-Easter week displayed a sharp reaction with estimated department store sales recording a drop of 10% under a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to April 16, 1949, advanced by 2% from the same period last year. In the preceding week an increase of 5% (revised) was registered above the similar week of 1948. For the four weeks ended April 16, 1949, a decrease of 1% was reported below that of last year and for the year to date volume decreased by 5%.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market break puts stocks on the verge. Further downside penetration will indicate new bear market. Firm resistance will point to resumption of advance.

Last week it looked like the market would break out of its long trough in an upward direction. Well, the breakout came, but the direction was down — a condition this column missed completely.

* * *

Yet, despite the reversal in direction, the major picture hasn't changed. The market still points to higher prices, though the recent reaction takes some of the zing out of the timing.

* * *

In practically all cases where a move of some sort is indicated, and throws enough signals to become apparent to a majority, the chances are the move is either postponed indefinitely, or is preceded by a temporary move in the opposite direction. Last week's column was bullish, but while it was taking this position it was aware that being bullish was also the majority opinion. This should have been regarded as a cautionary signal.

* * *

All this, however, is so much water over the dam. It isn't the past we should be concerned with; it is the future.

* * *

At the low point last week the Dow industrials went to 172.64, while the low point for the rails was 46.38. Of the two groups the rails were the more sensitive to the tide of market action. The figures to watch now are 171.10 in the industrials and 46.34 in the rails. If the averages break through these lows in a positive manner (closing at least a full point under them) there will be some sort of a rally. But such a rally will be short lived and will probably be followed by another full blown reaction.

* * *

The shrewd trader is aware these figures are there for everybody to see and may even start buying at these low points in the belief that any threatened break-through will not occur. I favor such buying because it means action contrary to public belief and, because it is close to a low point, stops can be placed fairly close to the original purchase levels.

* * *

In any reactionary period the negative stocks are the ones to watch. Right now these are the coppers and motors. Companies in both industries have recently been hit by unpleasant news. The first has seen a decline in the prices for its products. The second is finding buying resistance increasing each day. Still, should the stocks in these groups firm up, the entire market can change its complexion.

* * *

You now hold three stocks. These are: Bristol Myers at 31, stop 29; Cooper Bessemer at 28, stop 27; and Dresser at 21½, stop 18. Comparing their action with the rest of the market, I don't consider these stocks as acting badly. In fact they act better than the market. Their stops, however, are approximately equivalent to the February lows in the Dow averages (171.10). Should the latter break, the stops in the above named issues will also be penetrated. In the meantime, however, hold all positions.

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.]

Herbert W. Bartling Is With Buckley Brothers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Herbert W. Bartling has become associated with Buckley Bros., 530 West Sixth Street. Mr. Bartling was formerly head of Bartling & Co.

Cecil L. Slocum With Cruttenden in Omaha

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Cecil W. Slocum has become associated with Cruttenden & Co., 204 So. Seventeenth Street. Mr. Slocum was formerly Vice-President and Secretary of Burns, Potter & Co., Inc. with which he had been associated for many years.

Conover Director

CHICAGO, ILL. — Hubert S. Conover, Vice-President of F. S. Yantis & Co., Inc., has been elected a director of Portis Style Industries, Inc., Chicago.

With Stone & Webster Securities Corp.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Wallace D. Dexter is now connected with Stone & Webster Securities Corp., 49 Federal Street.

What ECA Has Accomplished

(Continued from page 8)

moved for world conquest up to now through her fifth columns. You know how amazingly successful she has been in Bulgaria, in Hungary, in Roumania, in Poland, and in China. It is a fifth column activity upon which she relied for carrying out her plan for world conquest. The success she has had is amazing when you consider the fact that the Russian system in Russia has done so little for her people. When the Communists took over in 1919, the people were hungry, the country was in a very unhappy state. Today the people of Russia are still underfed and the country is still in a sad state. And yet they have been amazingly successful in their fifth column activities.

I think that one of the reasons why we don't have to fear aggression in the form of a world war on the part of Russia is that she has been successful with her fifth columns, and it is a low risk, a low-cost method. The risks of a third World War are understandable and the risks of a fifth column, as I said, are almost nil and the cost is low.

Let me take you back for a moment to early 1947. It looked as though nothing could stop the march of the Kremlin in Europe. Greece, Italy, France, were all scheduled to fall in the Russian program. I can't prove that they would have fallen, but it was on the schedule.

As of today, the march of the fifth columns has been stopped cold in western Europe and the tide has been turned back. The amazing thing is it has been turned back by a program that was not designed in any way, shape, or manner to be an instrumentality for fighting a cold war against Russia. I refer, of course, to the Marshall Plan. When General Marshall, in his now famous speech at Harvard, introduced his concept, he said: "Our policy is directed not against any country or doctrine but against hunger, desperation, poverty, and chaos." So here is the instrumentality that was designed to fight against hunger, desperation, poverty, and chaos in these countries and it has stayed on that beam. But as a result of staying on that beam, it has proved to be the one effective way of fighting the spread of Russian Communism or Russian totalitarianism.

It seems to me that is a really interesting fact, that this has come as an indirect benefit of the original Marshall program. . . . I heard this years ago—that those who seek happiness directly never find it; that happiness is always a by-product. Here we are, finding ourselves in the position where we have had to fight a cold war because Russia declared it against the Marshall Plan and has been "throwing the book" at us ever since we started our operations. But we have never "thrown the book" at her. We have fired no guns, but we have tried in all these countries we are helping to bring about conditions under which men can live in decency and dignity. And by sticking on that beam and doing that job—with the Europeans doing most of it — you have seen Communism stopped and Russia stopped in her tracks.

Western Europe's Progress

I am not going to bore you with any figures as to what has happened. Just two—industrial production is up 14% in 1948 over 1947; agricultural production is up 25%. The most impressive figure of all is the still greater over-all figure on national income. From what facts are presently available, it looks as though the national income, which was at $100 billion in 1947, reached almost $125 billion in 1948.

Remember this. That money, that extra income, is all going back to the capital formation. One of the principles we laid down in ECA, and which we consider just, was that no country to which we are giving money should expect to attain a standard of living above that prevailing in 1938 as long as the American taxpayer was footing the recovery bills.

That means that consumption of goods has remained at or about the 1947 levels; but production goods—the kind that go to build a plant—have gone to Europe from Europe, to the extent of $30 billion in 1948; with us supplying only a small part of it. I want to tell you that it makes you feel very humble when you go to some of these countries and find out how tight their belts are, and how much they are doing without, in order to put what they produce back into their capital plants.

As an example, consider Norway, a country where the standard of living is even more austere than in Great Britain, where they had 40% of their capital assets destroyed by war and half their shipping gone. The Norwegians have just gritted their teeth. They have had a minimum diet. They are willing to stand by and see what they produced put back into the plant. No American (who eats regularly) can come away with other than humility.

Why More Aid Is Needed

The question is often asked us: "Why, if this recovery has been of such unexpected size, is it necessary to keep on sending dollars to Europe?"

The mathematical calculation of how many dollars a country needs if it is to continue to exist and recover is a very simple one. I would like, if I may, to explain it to you.

It is simple as far as the mathematics are concerned. In the case of any country—Great Britain, for example—you simply take the imports that country must have in order to live, to get raw materials with which to produce and certain equipment with which to rebuild its plants. Then take the schedule of exports—what they can export —and do the same thing. Determine first of all the imports that they can get from soft-currency areas. That leaves you the imports they must get from hard-currency areas. Then take the exports and divide them similarly. Then you value the imports they must get from the hard-currency areas and you value the exports they can make to the hard-currency areas. The difference is this mysterious thing called "dollar deficit." That is all there is to the calculating.

But when you go behind that calculation, you really find yourself involved in some rather imponderables. For example, the first thing we have been asked is: (1) Are any of these imports scheduled, imports of goods that are not really warranted? Can they go along without them? (2) Can they be produced within the country or can some substitute be found which can be produced within the country? (3) Can they come from any soft-currency areas? If they can, they should. You will agree to that. Everyone here and every business organization and every labor organization and every farm organization will agree—except as it applies to the particular commodities it represents. That I still find, even though it is admitted that unless the cost of this program is going to be excessive we must demand that Europe make the fullest possible use of her own resources. It is the only principle under which we can operate and keep this cost down to a point where the American taxpayer can afford it. That is the way we are operating unless Congress directs us otherwise. As an Administrator, you should always insist the goods needed for European recovery, if possible, be produced in Europe or paid for in soft currencies.

Problem of Exports to Hard Currency Countries

That is simple, compared with determining whether they are exporting all they can to the hard-currency areas. That gets you to question No. 1. Are they really devoting to export all they should and exporting all they should? Are they giving too much of their capital goods to their home country? Couldn't they export more?

Then we have to ask the more subtle questions. Are their manufacturing costs as low as they should be? Unless they are, they can't possibly get the most out of this. Behind every American worker we have six and seven horsepower; Great Britain has three; the Continent of Europe, two. Until there is something comparable on their part in the use of energy, they can't hope to compete with us.

However, they have offsetting advantages and we have found that many things can be done, and quickly, that don't involve dealing with basic problems. For example, coming in to see me tomorrow is a group of 36 electrical engineers who run the power plants of Europe. That is, the power plants are run under their direction. They are coming over here because, speaking generally, the down-time in Europe during peak hours is 15% and our down-time in America is 2%. In the case of Great Britain if they can cut the down-time from 15% to 5%, which we think they can do, it will be equivalent to the construction of $220 million worth of new electrical plants.

Exchange of Technical Knowledge

This foundry team I spoke about —I heard from a number of managers that our people learned as much from them as they learned from us. They have been in the foundries a long time. So this exchange of technical know-how, going on at an increasing pace, promises to give us a great import as well as a great export.

We have to get into questions such as this: What about the fiscal policy of the Government? And you have to go from that to trade policy. Trade barriers that separate the European nations must be broken down.

This job, which we undertook a year and which seemed relatively simple, seemingly a question of just deciding whether or not the dollars we sent over to Europe were spent for the right things, turned out to be an entirely different kind of job. We learned, to our sadness, that you literally cannot pass an intelligent judgment on how you spend one recovery dollar in any given country unless you have a profound and penetrating knowledge of the economy of that country and unless, in addition to that you have a recovery program before you for a given period which you can evaluate.

So, as quickly as we could, we have had to develop knowledge of that kind and we couldn't have done it if we hadn't had our own country missions, our Paris headquarters, and an extremely competent group in the whole OEEC —that is, the Organization for European Economic Cooperation. If we hadn't had all of them, we wouldn't have had a chance. I wouldn't have had a chance to come before you and say to you that I think on the whole our investments in European recovery have been wisely made, have been considered well and intelligently and competently, and have proved to be fairly wise investments.

Currency Convertibility

During the year which is just ahead, 1949-1950, the European countries are faced with these basic problems. We are not going to have the volume of intra-European trade we should have until there is free convertibility of currency as between countries. This is the year fiscal stability must be achieved in most of these countries. This is the year to break down the trade barriers. This is the year they are going to do it. There is every evidence that they know what the problems are—that came out of the OEEC report. There is every evidence of willingness on their part to go ahead with this program.

I have been impressed again with the fact that it is a collateral value that has come out of this ECA operation which may be the greatest value of all. Under the law, we were told to see that the European nations made good on their pledge of mutual aid. They promised that freely, so we had every right to see that they lived up to that pledge, and Congress clearly told us that was our task and our job. I think if you talked to the head of any State we serve he would tell you that "intervention" of the kind that we have indulged in is welcome. They have found it pays big dividends.

Sir Stafford Cripps told me that, for the first time in 500 years, the European nations are meeting together, laying all the facts of their problems on the table, and trying to find a common solution to the problem of making European economy self-supporting. A 500-year trend has been changed. The European nations have learned something that our 13 States—later our 48 States — learned a long time ago. That is, cooperation between States pays off. A total is more than the sum of the separate States. That we learned, and that they learned.

Out of that unity in Europe—provided we become a part of that community of nations and remain a part—that unity, that developing sensitivity, lies our best hope for peace. I think this work ECA is doing to help the Europeans to help themselves, to help the fight against hunger, desperation, and chaos, also is building a sense of unity. The ERP countries have the advantage, materially. They have more people than Russia — more people, more steel, more iron. They certainly have more ingenuity.

To me it is plain that if we stick together and work together there won't be a third World War. I assure you that as far as ECA is concerned we are staying on the beam and we hope to be able to prove to America, as the months go by, that peace is our business and that we have carried out our pledge well.

Progress of European Recovery

(Continued from page 7)

American tourists in Europe also provided an important net source of dollars.

The war has changed this situation. Income from investments has been greatly reduced since the European countries have liquidated a considerable part of their long-term dollar assets. A large part of their shipping was destroyed. They have not been able to obtain as much from triangular trade as they did formerly. To this extent they may have to reorient their trade so as to sell more goods directly to Western Hemisphere countries. The United States provides the largest potential single market for many types of goods which Europe can produce.

Of course, a nation's pattern of production and export cannot be changed over night. Plants may have to be constructed or modified as to product, location and other factors. Workers may need to be trained and perhaps relocated. The necessary mechanics of trade, banking and finance incident to an expansion of exports must be devised to accompany increased sales effort. It is clear that Europe will have to increase further its exports if it is to maintain desirable levels of production and standards of living without dependence upon special aid from the outside.

Needs of Balanced International Payments

A stable world in which the free enterprise system can operate successfully requires balance in international payments. This does not mean that exports must equal imports exactly because, as I have just mentioned, there are many other factors entering into the balance of payments, such as shipping services, tourist expenditures, and, most important, capital movements. The importance of these other factors varies from country to country. An increase in American tourists going abroad will help the situation, particularly for countries like the United Kingdom, Italy and France. Improvement in the shipping situation will be important for Norway, the United Kingdom and other nations with large merchant fleets.

For most countries, the basic problem is the matter of exports. It cannot be over-emphasized. America has in the past imported thousands of specialized European products—manufactures of steel, textiles, machinery and equipment of various sorts. We have imported French perfumes and French wines; Italian silks and olive oil; and luxuries and specialties of many types. To some extent the European countries will be able to balance their accounts with the United States by increasing their exports to us of the type of goods which we have generally imported. They must also find markets in this country for many additional products.

Few of the European countries can supply the basic raw materials which we need, but they do have an opportunity to provide us with many types of specialized finished goods which they can produce more cheaply than we can because of their relatively lower rates of wages. So, too, we, on the other hand, can produce more cheaply many commodities which require a great deal of capital, raw materials or the special types of managerial and technical skill which we have.

Increase in U. S. Foreign Investment

A second way in which the European countries can balance their payments is by an increase in American capital investment abroad. At the present time, however, American capital is reluctant to go abroad—not only to Europe, but to most other countries. The reasons behind this reluctance are evident.

To the extent, however, that the European Recovery Program is successful, the special risks involved in European investment will be reduced.

While a return to normal reliance on private capital investments abroad is essential, we must stress the importance of balanced international trade. This means, as I have said earlier, that we in this country must try to take more imports from the European countries. In part this is our problem.

Our program of reducing trade barriers and trying to assure equitable treatment of foreign trade through the International Trade Organization and our agreements on tariffs and trade are part of our contribution to the solution of the problem. On their part, the Europeans must make greater effort to produce goods and offer to sell them in Western Hemisphere markets at competitive prices. In some cases this may require an adjustment of their exchange rates.

In the course of the last year, I have appeared several times before Congressional committees to discuss this problem. I would like to restate what I have told the Senate and House committees on different occasions. An adjustment of exchange rates in each instance is a matter requiring a difficult decision. For example, it may bring about repercussions on the internal economy of the country making the change. It is also very difficult to determine what is the proper exchange rate—that is, to calculate what the effects of a given exchange adjustment might be. But the fact remains that if the European countries are to balance their payments with the United States and other Western Hemisphere countries, some of them may have to adjust their exchange rates before 1952.

The exchange rates prevailing today were, for the most part, adopted during and after the war, and were accepted by the International Monetary Fund in 1946. Since these rates were adopted there have been important changes in the world situation and in the economic life of almost all of the countries in the European Recovery Program. The progress in production and shifts in price levels which have occurred over the last three years would indicate that the European payments position should be studied and that this study should include careful consideration of the relationship between existing exchange rates and the progress which must still be made in arriving at international balance.

As we look back over the last year, we can see that progress has been made. Excepting Germany, practically all of the European countries participating in the program have exceeded their 1938 production levels. The prospect of widespread starvation no longer exists. In most countries there is a high level of employment. Consumption standards are still below prewar, but we may expect that by 1952, with favorable conditions, the desired levels will be reached. The problem still is one of inability, under existing conditions, for the European countries to earn enough dollars to pay for their imports from this country and the rest of the Western Hemisphere.

This is the problem on which we must concentrate for the next two years. We are hopeful that the proper solutions can be found. It will take effort on their part as well as on ours. When this problem approaches a solution, there will be greater assurance of political and economic stability abroad which is, of course, our objective.

It is our expectation that barring some great international catastrophe, reasonable stability will be attained in Europe by 1952. From then on, we can deal with international economic problems in terms of the more normal patterns of price, trade and private investment by which our own country has reached its present economic levels.

As you know, the ECA program was long and earnestly considered, both in Congressional committee and by the Congress as a whole. You will recall that although debate on the bill was protracted, there was at no time any major disagreement with respect to the merits of the program. Numerous amendments were offered, some of which were accepted, but for the most part those amendments were concerned with details of the program and methods of administering it. The bipartisan nature of the support which the program received is ample testimony of this country's united determination to make every effort toward world economic stability.

Agricultural Prices, Plant Expansion and Economic Outlook

(Continued from page 11)

ing farm income from dropping below the current level.

Large Decline in Business Capital Expenditures

An agricultural program aimed at sustaining the purchasing power of farm cash income is being evolved now on the basis of existing laws and Secretary Brannan's proposal. Equal concern should be given to guard against a letdown in business capital expenditures. A recent survey made by the McGraw-Hill Company clearly shows the need for such concern. It reports a decline of 5% for 1949 and additional curtailment cumulating to 40% below 1948 in the next five years. Businessmen should give this prospect of a 40% decline in business capital expenditures vastly more attention than some of them have given in full-page advertisements to non-existent plans for socializing steel and other industries.

The McGraw-Hill Survey was publicized as indicating that American business executives mean to spend a great deal during the next five years. What is additionally significant, however, is the fact that a curtailment in capital expenditures is being planned even on the assumption of favorable economic and political conditions. But all past experience points to the fact that favorable economic and political conditions do not accompany a 40% decline in business investment. What we get instead is a decline in employment and lack of job opportunities for the new persons of working age who annually enter the labor force.

Our Growing Economy

If one may judge from the recent experience with one of our basic industries, it would appear that some business executives need a statistical lesson in the upward dynamics of the American economy. Two years ago government economists were ridiculed in the press and on the radio for pointing out that for full employment in 1949-50 we would need about 100,000,000 tons of steel; that is, for full employment without inflation and with normal industrial efficiency per man-hour. Now spokesmen for the steel industry point with pride, proclaiming that the industry is currently producing at an annual rate of nearly 100,000,000 tons. But it is still necessary to state, and to hope that industrialists will accept these basic facts as guides to the future:

(1) Given ample capacity, raw materials and purchasing power, our national economy normally rises at an annual rate of 3½% per year, and doubles its total output of goods and services every 20 years.

(2) On this basis, our production in 1948 was 10 to 12% short—a shortage amounting to about $25 to $30 billion of gross national product.

(3) This additional production could have been had, if there had been no shortages of steel and other raw materials.

(4) Part of our shortage problem in 1947-48 traces back to the prolonged unemployment of the 1930s. The capacity records for steel and electric power are silent monuments to what depression can do to halt industrial growth in capacity. By 1940, unemployment had held steel capacity down to 10% below normal. Even with the expansion in steel financed by the government for war purposes and the expansion of the past two years, the industry has not yet brought its capacity in line with the historical trend and the growth of population since 1940.

(5) The simple fact is that we need 100,000,000 tons of steel today on a normal full employment basis. Operating at the usual 85 to 90% of capacity instead of the abnormal rate of 100%, this would mean increasing total capacity to about 110,000,000 to 115,000,000 tons, or four to five times the 3,000,000-ton figure scheduled for the next five years (according to the McGraw-Hill Survey as well as current promises by steel industry spokesmen).

(6) In relation to normal prosperity requirements we have shortages today in steel capacity, in power, in fertilizer, and in other basic materials. If fear of an impending depression, or an underestimation of the growing requirements of an expanding economy again check plant expansion, shortages will be even greater in the 1950s.

The economic statistician, historian or analyst of today is beginning to see the magnificent upward trend in our industrial potentialities and prospects (which some could not see in the 1930s). It is up to the industrialists to stop looking back at the depths of the 1930s and to help lay the basis for the inevitable growth in the standard of living for our growing population and for our responsibilities to help in the economic growth of our foreign neighbors. Stable, expanding and adequate farm income and stable, expanding and adequate industrial capacity are two of the basic requirements in this objective.

World Bank Sells Last Dutch Shipping Notes

The International Bank for Reconstruction and Development announced on April 27 the sale of $1,500,000 2½% Guaranteed Serial Mortgage Notes of the four Dutch shipping companies to which the bank lent $12,000,000 last year. Purchaser of the notes, guaranteed by the International Bank as well as by the Kingdom of the Netherlands, was the Dollar Savings Bank of the City of New York, which had previously bought $2,000,000 of the serial notes.

With this sale, the International Bank announced that the entire issue of the Dutch shipping notes had been sold.

The purchaser paid par and accrued interest for the notes which mature—$300,000 July 15, 1957, $600,000 Jan. 15, 1958, and $600,000 July 15, 1958.

Hall With Sutro & Co.

BEVERLY HILLS, CALIF.—Lowell L. Hall has become associated with Sutro & Co., 275 North Canon Drive. Mr. Hall, who has been in the investment business for many years, was formerly with Merrill, Lynch, Pierce, Fenner & Beane.

George O. Craig With Thomson & McKinnon

(Special to The Financial Chronicle)

ORLANDO, FLA. — George O. Craig has become associated with Thomson & McKinnon, 68-70 East Central Avenue. He was formerly local Manager for A. M. Kidder & Co.

With Merrill Lynch Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—George H. Gleason is now with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Indications of Current Business Activity

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

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 1	97.5	98.4	99.8	86.6
Equivalent to—					
Steel ingots and castings (net tons)	May 1	1,797,400	1,814,000	1,839,800	1,560,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Apr. 16	4,911,600	4,916,050	5,145,400	5,390,650
Crude runs to stills—daily average (bbls.)	Apr. 16	†5,143,000	5,067,000	5,335,000	§5,521,000
Gasoline output (bbls.)	Apr. 16	16,819,000	17,176,000	17,470,000	§16,583,000
Kerosene output (bbls.)	Apr. 16	2,065,000	2,040,000	2,169,000	§2,390,000
Gas oil and distillate fuel oil output (bbls.	Apr. 16	5,983,000	6,410,000	6,775,000	§7,091,000
Residual fuel oil output (bbls.)	Apr. 16	8,282,000	7,954,000	8,411,000	§8,755,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 16	125,922,000	127,522,000	127,310,000	§110,838,000
Kerosene (bbls.) at	Apr. 16	18,187,000	17,878,000	18,226,000*	§12,015,300
Gas oil and distillate fuel oil (bbls.) at	Apr. 16	49,169,000	48,920,000	50,099,000	§33,985,000
Residual fuel oil (bbls.) at	Apr. 16	59,788,000	58,510,000	59,824,000	§49,110,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 16	765,890	757,784	607,767	784,611
Revenue freight received from connections (number of cars)	Apr. 16	625,074	606,908	576,236	604,413
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 21	$107,322,000	$158,193,000	$180,930,000	$136,743,000
Private construction	Apr. 21	50,398,000	74,882,000	65,307,000	71,656,000
Public construction	Apr. 21	56,924,000	83,311,000	115,623,000	65,087,000
State and municipal	Apr. 21	51,125,000	71,436,000	57,621,000	55,751,000
Federal	Apr. 21	5,799,000	11,875,000	58,002,000	9,336,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 16	11,450,000	*11,280,000	2,955,000	7,836,000
Pennsylvania anthracite (tons)	Apr. 16	824,000	962,000	189,000	1,054,000
Beehive coke (tons)	Apr. 16	137,200	*151,400	43,000	32,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Apr. 16	313	320	261	294
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 23	5,325,513	5,342,731	5,403,806	5,027,280
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Apr. 21	198	184	166	100
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 19	3.74887c	3.74887c	3.75454c	3.28244c
Pig iron (per gross ton)	Apr. 19	$46.59	$46.66	*$46.82	$40.11
Scrap steel (per gross ton)	Apr. 19	$22.75	$23.58	$34.92	$40.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 20	21.200c	22.950c	23.200c	21.200c
Export refinery at	Apr. 20	21.425c	23.175c	23.425c	21.600c
Straits tin (New York) at	Apr. 20	103.000c	103.000c	103.000c	94.000c
Lead (New York) at	Apr. 20	15.000c	15.000c	18.000c	17.500c
Lead (St. Louis) at	Apr. 20	14.800c	14.800c	17.800c	17.300c
Zinc (East St. Louis) at	Apr. 20	13.000c	15.000c	17.500c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 26	101.65	101.63	101.70	100.87
Average corporate	Apr. 26	113.12	113.12	113.12	112.37
Aaa	Apr. 26	119.00	119.00	119.00	117.40
Aa	Apr. 26	117.20	117.20	117.20	115.63
A	Apr. 26	112.19	112.19	112.19	111.81
Baa	Apr. 16	105.00	105.00	104.83	105.17
Railroad Group	Apr. 26	108.16	108.16	108.16	107.27
Public Utilities Group	Apr. 26	114.08	113.89	113.89	113.89
Industrials Group	Apr. 26	117.20	117.60	117.60	116.02
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 26	2.38	2.38	2.38	2.44
Average corporate	Apr. 26	3.00	3.00	3.00	3.04
Aaa	Apr. 26	2.70	2.70	2.70	2.78
Aa	Apr. 26	2.80	2.79	2.79	2.87
A	Apr. 26	3.05	3.05	3.05	3.07
Baa	Apr. 26	3.45	3.45	3.46	3.44
Railroad Group	Apr. 26	3.27	3.27	3.27	3.32
Public Utilities Group	Apr. 26	2.95	2.96	2.96	2.96
Industrials Group	Apr. 26	2.79	2.77	2.77	2.85
MOODY'S COMMODITY INDEX	Apr. 26	344.6	349.5	369.6	416.3
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	Apr. 23	216.4	218.8	*216.5	237.0
Fats and oils	Apr. 23	146.2	144.2	144.3	283.3
Farm products	Apr. 23	227.8	234.2	235.5	257.0
Cotton	Apr. 23	315.7	315.2	310.2	365.1
Grains	Apr. 23	203.2	206.0	200.7	267.6
Livestock	Apr. 23	220.4	230.4	235.3	240.0
Fuels	Apr. 23	222.6	222.6	231.8	228.6
Miscellaneous commodities	Apr. 23	167.6	166.9	166.5	176.1
Textiles	Apr. 23	189.1	189.1	190.3	215.8
Metals	Apr. 23	180.2	*183.3	187.8	164.9
Building materials	Apr. 23	213.5	213.6	216.7	227.3
Chemicals and drugs	Apr. 23	139.4	139.5	137.9	155.4
Fertilizer materials	Apr. 23	142.9	142.9	142.8	136.4
Fertilizers	Apr. 23	150.5	150.5	150.5	143.7
Farm machinery	Apr. 23	153.1	*155.6	155.6	138.5
All groups combined	Apr. 23	204.8	*206.9	*209.2	220.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 16	144,710	173,654	151,534	160,524
Production (tons)	Apr. 16	165,853	159,449	166,999	186,438
Percentage of activity	Apr. 16	80	77	81	100
Unfilled orders (tons) at	Apr. 16	276,572	287,725	267,528	403,008
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Apr. 22	132.7	133.3	135.9	146.5
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Apr. 19	156.9	157.6	158.2	164.8
Farm products	Apr. 19	171.1	171.1	170.8	190.7
Foods	Apr. 19	163.4	164.2	163.2	181.4
All commodities other than farm and foods	Apr. 19	148.4	149.4	150.8	149.2
Textile products	Apr. 19	139.3	140.2	141.7	150.7
Fuel and lighting materials	Apr. 19	131.5	132.5	134.4	131.9
Metals and metal products	Apr. 19	171.5	173.5	175.1	157.4
Building materials	Apr. 19	196.5	196.5	199.7	196.4
All other	Apr. 19	130.7	131.0	131.2	136.6
Special indexes—					
Grains	Apr. 19	163.2	165.4	160.7	220.0
Livestock	Apr. 19	203.6	206.1	211.4	221.0
Meats	Apr. 19	224.1	227.3	223.6	255.3
Hides and skins	Apr. 19	186.9	180.9	181.8	202.1

*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
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of February (three 000's omitted):			
All building construction	$386,616	*$409,729	$417,056
New residential	181,074	*177,389	214,748
New nonresidential	145,881	*171,911	141,419
Additions, alterations, etc.	59,661	*60,429	60,889
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE— Month of January:			
Received at mills (tons)	211,838	601,520	212,170
Crushed (tons)	613,834	670,218	522,197
Stocks (tons) Jan. 31	1,664,818	2,066,814	1,115,984
Crude Oil—			
Stocks (pounds) Jan. 31	188,390,000	157,722,000	121,742,000
Produced (pounds)	195,053,000	211,964,000	193,998,000
Shipped (pounds)	169,804,000	196,231,000	158,870,000
Refined Oil—			
Stocks (pounds) Jan. 31	202,869,000	168,081,000	152,706,000
Produced (pounds)	156,949,000	182,062,000	140,848,000
Consumption (pounds)	130,278,000	117,056,000	126,686,000
Cake and Meal—			
Stocks (tons) Jan. 31	100,297	81,515	71,207
Produced (tons)	272,678	300,891	241,668
Shipped (tons)	253,896	298,157	244,496
Hulls—			
Stocks (tons) Jan. 31	97,957	80,378	72,533
Produced (tons)	143,813	156,054	116,476
Shipped (tons)	126,184	150,503	115,594
Linters—running bales—			
Stocks Jan. 31	218,865	190,971	204,250
Produced	187,511	204,354	165,629
Shipped	159,617	192,945	150,230
Hull Fiber (1,000-lb. bales)—			
Stocks Jan. 31	915	771	1,687
Produced	1,907	1,761	2,572
Shipped	1,763	1,817	2,773
Motes, grabbots, etc. (1,000-lb. bales)—			
Stocks Jan. 31	12,172	10,419	17,130
Produced	3,496	3,645	6,015
Shipped	1,743	1,822	4,896
COTTON SPINNING (DEPT. OF COMMERCE)			
Spinning spindles in place on Mar. 31	23,787,000	23,741,000	23,763,000
Spinning spindles active on Mar. 31	20,425,000	20,758,000	21,708,000
Active spindle hours (000's omitted), March	8,922,000	8,425,000	11,005,000
Active spindle hours per spindle in place, Mar.	333	355	492
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y.—1935-39 AVERAGE=100—Month of March:			
Sales (average monthly), unadjusted	221	173	*249
Sales (average daily), unadjusted	209	192	*235
Sales (average daily), seasonally adjusted	220	229	*235
Stocks, unadjusted as of March 31	238	218	254
Stocks seasonally adjusted as of March 31	232	224	*248
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX—1935-39=100 (COPYRIGHTED) AS OF APRIL 1:			
Composite index	140.0	140.5	140.5
Piece goods	135.0	138.6	143.3
Men's apparel	139.8	140.2	139.4
Women's apparel	133.4	133.7	136.3
Infants' and children's wear	130.4	130.5	129.1
Home furnishings	148.8	149.5	147.0
Piece goods—			
Rayons and silks	125.4	127.3	129.1
Woolens	140.3	140.3	137.9
Cotton wash goods	151.0	152.3	157.2
Domestics—			
Sheets	176.4	178.7	181.5
Blankets and comfortables	141.3	140.9	140.2
Women's apparel—			
Hosiery	106.0	106.0	107.2
Aprons and housedresses	143.7	144.1	147.0
Corsets and brassieres	132.4	132.4	133.0
Furs	145.1	145.9	155.1
Underwear	138.0	138.4	137.9
Shoes	140.8	141.2	140.6
Men's apparel—			
Hosiery	140.0	140.2	139.9
Underwear	154.7	155.4	153.1
Shirts and neckwear	130.0	131.3	132.4
Hats and caps	127.9	128.1	126.8
Clothing, including overalls	132.1	132.2	130.8
Shoes	169.0	169.0	167.5
Infants' and children's wear—			
Socks	131.5	131.5	129.9
Underwear	120.2	120.7	120.7
Shoes	144.6	144.9	144.8
Furniture	149.4	150.1	150.1
Floor coverings	157.9	158.3	154.0
Radios	120.4	123.2	123.6
Luggage	130.5	131.1	130.6
Electrical household appliances	143.2	143.8	137.8
China	136.2	136.2	132.6
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of March (000's omitted)—			
Ordinary	$1,337,000	$1,143,000	$1,243,000
Industrial	433,000	375,000	409,000
Group	454,000	193,000	236,000
Total	$2,224,000	$1,711,000	$1,888,000
NEW YORK STOCK EXCHANGE—As of Mar. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$550,366	$526,649	$549,973
Credit extended to customers	64,389	57,529	61,664
Cash on hand and in banks in U. S.	325,969	349,532	375,741
Total of customers' free credit balances	550,781	565,359	591,930
Market value of listed shares	67,517,768	65,324,673	67,756,696
Market value of listed bonds	132,064,687	131,863,412	134,166,852
Stock price index, 12-31-24=100	72.0%	69.9%	75.5%
Member borrowings on U. S. Govt. issues	$177,836	$111,722	$68,502
Member borrowings on other collateral	218,505	201,486	203,814
SELECTED INCOME TERMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of January:			
Net railway operating income	$33,244,479	$64,661,934	$41,297,149
Other income	18,296,255	38,696,341	19,405,916
Total income	51,540,734	103,358,275	60,703,065
Miscellaneous deductions from income	3,623,935	5,919,013	3,845,208
Income available for fixed charges	47,916,799	97,439,262	56,857,857
Income after fixed charges	15,087,607	63,421,821	22,581,382
Other deductions	3,203,638	13,531,824	3,239,214
Net income	11,883,969	49,889,997	19,342,168
Depreciation (way & structures & equip.)	32,667,270	32,848,365	30,112,091
Amortization of defense projects	1,380,527	1,158,622	1,368,598
Federal income taxes	18,752,995	33,649,024	23,863,324
Dividend appropriations:			
On common stock	6,401,595	28,854,228	3,158,609
On preferred stock	4,667,659	10,256,958	2,325,748
Ratio of income to fixed charges	1.46	2.86	1.66

*Revised figure.

"When Would You Seek Equity Capital?"

(Continued from page 13)

can be undertaken without endangering financial soundness.

The utilities have a continuing and constant need for new capital. Mr. Wendell Willkie, when he was President of the Commonwealth & Southern Corp., explained that need in his characteristically vivid manner some years ago. Let me read from his testimony before the Committee on Interstate and Foreign Commerce during the hearings on the Holding Company legislation:

". . . There is no business in the world that requires money, such as the utility business . . . supposing you and I are going to organize an automobile factory and we say that $10,000,000 is the capital that we are going to put into that business. Now, there is no necessity, as long as we want to confine ourselves to that particular organization to ever raise a dime more than the $10,000,000 capital; but in the utility business, every morning that a utility man gets up, he knows that before the day is over he is going to have to make some capital expenditure. I do not mean operating expenses. He has got to put some more money in his plant. Some fellow calls up the service department and says, 'I want a connection.'

"And, of course, under the law they have to make that extension.

"Here is a new factory that starts up—here is an old factory that starts up—every day, every hour almost, of every utility in the country, they need more capital; whether it be good times or bad times or indifferent times."

Concern Over Financing Through Debt

We at the Commission have a mounting concern over the tendency for utilities to finance the current expansion program through debt, and we are dismayed at the deterioration in structures which has taken place in some companies which have left our jurisdiction. We are also opposed to the use of financing techniques which tend to obscure the real nature of the transaction and give a false appearance to what is taking place. I am referring particularly to the lease-back device, recently grown so popular in the commercial field, which has appeared in several utility financing projects. The lease-back in utilities is designed to increase indebtedness while avoiding the appearance of doing so. Any appraisal of its effect should look beyond the form to its overall effect on the capital structure of the consolidated operation.

The lease-back is an illustration of the lengths some companies will go to avoid facing today's common stock market. Sound financing of a utility construction program should provide for periodic common stock sales and for maintaining the debt-equity balance right along. Overindulgence in debt and neglect of equity means that as the program progresses the pressure to sell stock gets more intense, until finally the time comes when stock must be sold regardless of the state of the market. It is far wiser not to exhaust one's credit and to leave some flexibility for the final stages of the program. There is no poorer time to sell common stock than when you have to; there is no better time than when you can.

I cannot agree with those persons who take a short-term view that the best way to raise money is the cheapest way at the particular moment. The tax laws and prevailing low interest rates lead these persons to the conclusion that the optimum in financing is a capital structure with a very great amount of debt. But the long-range interests of the company, its security holders, and of our economy as a whole are seldom served by such short-term considerations. Significantly, these same officials will often say that they would like a greater amount of equity if it didn't cost so much to get it.

The Problem of Equity Financing

This, to me, is the heart of the problem of equity financing.

If any of you have tried to sell a used car during the past few weeks, you learned that it was mighty difficult to find anyone who had as fancy an idea of its value as you. You perhaps had a preconceived notion of about what you could get for it, but no one would agree with you. The same is true with most of one's possessions, and certainly it is true of your stock. Management rarely feels that the market adequately reflects the inherent worth of their fine company's securities. Being natural optimists about their particular business and thoroughly imbued with the superiority of their company over all others, they are discouraged when the outside world takes a colder view of things.

It has been my experience that an officer of any company is seldom the best person to give you a fair comparative appraisal of his security as against the rest of the market. Consequently, management usually feels that unless it sells common stock at the very peak of the market, it is giving something away—or, in other words, that selling stock costs too much. Certainly this is the feeling of most existing stockholders, who would much prefer increasing their leverage to sharing their ownership with newcomers.

At the Commission we have watched company after company wrangle with this problem. I know that the answer does not come easily. The pressure on management from existing stockholders is very very great, and not infrequently quite vocal where there is some concentration of ownership. The usual reaction is to say, "Well, let's put it off a while and see." I think this procrastination, and it is nothing more, is a serious mistake. It is based on a single premise of very doubtful validity—on the premise that tomorrow things will be better. All through the spring and early summer of 1946 many companies tried to play the boom by putting off their stock sale "a little longer." Then came the September break and the train pulled out. We hear the same thing in different forms today: "Let's wait until our new higher dividend rate is more firmly established"; or "Let's wait until next year when hydro conditions will be better"; and last fall everyone wanted to wait until after elections!

Management is a trustee of financial affairs as well as of business operations. I believe it a mistake to think in terms only of selling new stock at the extreme high dollar. Experience shows that when management thinks in such terms and fails to satisfy that condition, for some reason or other the stock never does get sold. Management owes it to security holders to bring in new equity capital on a fair basis, rather than seek an unreasonably advantageous basis. Years ago, I had a friend who at the time was selling me merchandise and occasionally in a convivial and emphatic moment, when he felt I was pressing too hard, he would shake his fist in my face and say, "Always remember, the vendor is as important as the vendee." My point is, the new stockholder is as important as the old—as soon as he has put up his money. Alexander Dow, for many years the distinguished President of The Detroit Edison Company, used to say, "I want our stockholders to make a profit on the securities they buy in my company. They always feel better and they also make better patrons if they should happen to live in our community." Smart management wants its securities to please the holders. If you need capital—sell equity when you can sell it. Waiting for that last fractional point frequently means not getting it at all, or sometimes getting it under price conditions which in the long run can be detrimental to the company's overall financing picture.

Where the Investment Banker Comes In

Now here is where the investment banker comes in. The investment fraternity bears a joint responsibility with management in such financial matters. We tend to overlook the fact that the investment industry does more than merely distribute and conduct a market in the securities of corporations. Investment bankers are also the consellors and advisors to business on financial matters. In that capacity they influence not only the timing of new security issues but also the type of security which will be issued and, in some measure, the offering price.

Management, particularly in the case of smaller industrial corporations, relies heavily on the investment banker's intimate knowledge of the market in formulating immediate financial policy. Unfortunately, management has not been accustomed to seek banking advise on those more general aspects of financial policy which in the long run will determine market receptivity to a particular corporation's securities. In my own experience I have known scores of corporation presidents, successful operators of big businesses, who are babes in arms when it comes to financing. Every broker knows what few corporation presidents seem to realize—that the best market for a new security issue lies with persons already owning some of the stock—provided they have had a satisfactory experience with it. But it is next to impossible to sell stock a second time to someone who watched his previous purchase decline because it was overpriced at issuance. A new offering gets favorable response when the securities already outstanding are well thought of.

Those engaged in the sale and distribution of securities are, in a sense, at the mercy of management for quality—and quality will count, in the end, regardless of the business in which one may be. Market quality, like an individual's credit, is not established overnight. It must be carefully and painstakingly nurtured year after year. And, as with individuals, market standing depends not merely upon earning ability, but also upon consistency of performance; the treatment of existing security holders; how others fared who purchased the stock in the past; upon whether, in comparison with alternative investments available, this security will yield a fair return; and, in no small measure, upon whether management runs the corporation for the benefit of all of its security holders, large and small, or for the benefit of only a few.

The investment industry is being given a lot of the blame today for what is commonly called the "inadequacy" of our equity markets. They are charged with failing to adapt themselves to changing times, with continuing to cater to the few large investors rather than to the many small ones, and in general with not performing their assigned function of channeling the nation's savings into the service of American industry.

Changing Patterns

The past two decades have seen a significant redistribution of wealth taking place in this country. Changing social patterns, combined with our remarkable rate of productivity, and progressive income taxation, have meant that the national income is being spread more evenly among more and more people. As a consequence, more people today have a little more money, and fewer people have a whole lot of money. It also means that the few can no longer supply the vast sums of capital needed to finance American industry. That capital must come from the mass savings of all the people. These are the people to whom equity securities will have to be sold and the investment fraternity has an important educational job to do among them.

The Role of Management

Management likewise has a part to play in creating an investment interest in people not now accustomed to investing a portion of their savings in corporate securities. Stockholder relations are an important management function. The small investor to whom industry must look for capital may sometimes be a speculator; more likely he is attracted to common stock investment by the greater return on his savings as compared with insurance, government bonds or savings deposits. These investors will require a more liberal dividend policy than most industrial companies have followed in the past. How often do we find dividend policy dictated by the individual tax problems of a few large stockholders rather than the overall good of the corporation and the desires of the large number of small stockholders? You and I know that dividend yield is the biggest selling point on new issues. A company that wants new equity capital must be prepared to pay a return on that capital. Here the problem of the utilities tends to differ somewhat from that of other business. While there are some few utilities which can be charged with a niggardly dividend policy, utilities on the whole have a substantially higher pay-out than do other segments of industry. As a consequence, they have very little in the way of internal accumulations with which to finance expansion. It is also true, however, that utilities on the whole sell on a more favorable price earnings basis than do industrials and that utilities can frequently sell common stock in markets which would be closed to other types of businesses.

I have commented on the respective roles of the investment industry and management in the raising of equity capital. But we should not overlook the responsibility of government. Those agencies, federal and local, charged with regulating portions of our national economy must never, in their concern with particular problems of particular companies, lose sight of the larger picture and of the contribution which sound business enterprise makes to the happiness and well-being of our people.

Banking Group Offers $40,000,000 National Distillers Debentures

Representing one of the largest industrial security issues placed on the market so far in 1949, a new issue of $40,000,000 National Distillers Products Corp. 25-year 3⅛% sinking fund debentures was offered publicly April 26 by a nation-wide investment banking group jointly headed by Glore, Forgan & Co. and Harriman Ripley & Co., Inc. The debentures were priced at 101.31 and accrued interest to yield 3.05% to maturity. The proceeds from the sale will be used by National Distillers Products to retire outstanding bank loans and to finance a part of construction costs in connection with the corporation's entry into the industrial chemical manufacturing field.

Sinking fund provisions call for premium payments by the corporation in each of the years 1951 to 1973, inclusive, sufficient in the aggregate to retire $32 000,000 principal amount of the debentures.

The $40,000,000 of debentures being offered will constitute the sole funded debt of the corporation. There are also outstanding 7,977,771 shares of common stock without par value.

National Distillers Products Corp. is one of the leading companies in the alcoholic beverage field. Directly and through wholly owned subsidiaries the corporation is engaged in the distilling, blending, rectifying, warehousing, bottling, selling, exporting and importing of alcoholic beverages. The principal business of the corporation and its subsidiaries is the production and sale of various types of domestic whiskies. The corporation owns 14 whiskey distilleries in the United States.

The corporation reported consolidated net sales of $351,569,291 for 1948. Net income amounted to $26,867,248.

Morgan Stanley Places Standard Oil Co. (Ind.) 2.90% Notes Privately

Standard Oil Co. (Indiana) has placed privately through Morgan Stanley & Co. an issue of $50,000,000 2.90% notes dated April 1, 1949, and maturing April 1, 1979. Purchasers of the notes were New York Life Insurance Co.; Bankers Trust Co., as trustee; John Hancock Mutual Life Insurance Co.; Sun Life Assurance Co. of Canada; Aetna Life Insurance Co.; The Travelers Insurance Co.; The Penn Mutual Life Insurance Co.; New England Mutual Life Insurance Co.; Provident Mutual Life Insurance Co. of Philadelphia; Connecticut General Life Insurance Co.; Continental Assurance Co.; J. P. Morgan & Co. Incorporated, as trustee; and Reliance Life Insurance Co. of Pittsburgh. They will be repaid in full in 15 equal annual instalments starting April 1, 1965. The proceeds of the loan will be added to the Standard's working capital to restore funds used for capital expenditures, which last year aggregated $252,000,000. It is not contemplated that any of the proceeds will be required for capital expenditures in 1949.

Merrill Lynch Sells 4½% Preferred Shares Of Family Finance

An underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane and G. H. Walker & Co., on April 27 offered 50,000 shares of Family Finance Corp. 4½% cumulative preference stock, series A. The stock was priced at $50 per share.

The preference stock is convertible, if bought at $50 a share, into common stock at $12.81 a share on or before Aug. 1, 1949; $13.87 a share thereafter and on or before Aug. 1, 1952; and $15 a share thereafter and on or before Aug. 1, 1956. The preference stock may be redeemed at any time at prices ranging from $57 on or prior to July 31, 1949, down to $55 for redemptions made after July 31, 1958.

What U. S. Policies Can Further Europe's Recovery?

(Continued from page 4)

while the world has less need of European manufactured goods, Europe, on the other hand, has as much need of the world's raw materials. The payment for these raw materials must be made in dollars or in sterling, and Europe is starving for dollars, and there is a dearth of sterling on the Continent. To all these calamities, one must add the chaos which exists in Asia, from where Europe derived so many resources.

To keep their heads above water, European countries have three means at their disposal: these are American Help, Mutual Help, and Self Help. Of these, Self Help is by far the most important, but nothing could have been done had it not been for the generous and comprehensive help which the great American democracy has given us. And here I am indeed happy to acknowledge and to pay homage to the magnificent work which is being done in Washington by Mr. Paul Hoffman, in Europe by Mr. Averell Harriman, and in France by Mr. David Bruce, whose appointment as Ambassador in Paris has just been so warmly acclaimed by my country.

Tonight, I have to comment upon the Mutual Help which European nations can provide among themselves. It is obvious that since European nations no longer possess the means of purchasing their requirements out of Europe, they must develop, to a maximum, the exchange of goods among themselves.

Two Parts of the Mechanism Broken

A striking feature of the pattern of trade in prewar Europe has been the enormous volume of sterling which found its way from the United Kingdom to the Continent, either in payment for the goods which had been sold to one illustrious island, or through the influx of British tourists on the mainland. This amounted each year to an intake in pounds of an equivalent of $500 million. These pounds enabled the continental nations to make their purchases either in the dollar area or in the sterling zone, since pounds were then convertible into dollars. Today, however, the British having lost their invisible income from overseas, the pound can no longer be converted into dollars, and continental nations may no longer obtain their supplies from the dollar area in this way. Here is a first break to occur in the mechanism. But it is not all. Today, Great Britain sells more to the Continent than she buys from it. She has announced her intention in the plan which she submitted to the OEEC. of persevering in this policy, which alters her position from that of a debtor nation to that of a creditor in relation to the Continent. To the dearth of dollars, therefore, has been added that of pounds for the Continent.

It appears that the influence of our American friends is the only one strong enough to obtain that Great Britain modifies this plan and takes into account the vital interests of other European nations. European nations must not be like people thrown into the water after their ship has foundered and trying to support themselves on each other's shoulders, at the risk of pushing their neighbors under water.

Here is another break in the mechanism which enabled Europe to live. Before the war, Western Germany used to sell her manufactured goods to countries to the east of Germany and in Eastern Europe, and received in exchange agricultural products. But the punishment of the German people for having started the two world wars is to have brought the Slavs —who had left it a thousand years ago—back to the Elbe. An iron curtain has dropped across the middle of Germany and has put an end to this exchange.

In what way can America help in lifting this iron curtain, is a question which I must leave to your imagination, as it belongs to the field of politics—a field which is not mine to invade tonight.

Intra-European Trade

There are some oddities which jump to our eyes in the present condition of the intra-European trade. Is it not absurd that countries of Western Europe should buy American coal, which must be shipped across the ocean, rather than coal from the Ruhr?

Another instance: Large amounts of paper pulp were recently imported into Bizonia from the United States, because for some reason it was easier or more convenient, while this pulp might have been purchased from Sweden, with whom Bizonia has an agreement on that subject. . . . Is this logical?

Moreover, certain exporting countries demand excessive prices for their goods; for instance, English coal is sold at the same price ($20 to $22 per ton) as the American coal, which has to carry the burden of heavy freight. It seems hardly fair.

European countries pursue a policy which is too exclusively bilateral. Yet one knows that bilateral pacts hamper trade and cause prices to rise. This has had the result that an unhealthy structure of European economy is being maintained.

Indirect Aid From America

Faced with this position—the gravity of which there is no need for me to stress—Europe has had a measure of comfort in so far as she receives, once more, the generous help of our American friends. Over and above the direct aid given to each recipient European country, in order to enable it to obtain its requirements from the dollar area, the Americans have granted, since the first of October, last, an additional amount of $810 million to help intra-European trade.

As I have already said, the countries of the European Continent are in dire need of dollars and pounds, but that is not all. Many of them are in need of other exchange, since they cannot trade with other countries except against gold, as they lack the currency of these countries and they have no more gold reserves. In order to facilitate trade between countries short of these currencies and those which possess it, America has provided dollars to the creditor countries in order that they may place equivalent amounts of their own national currency at the disposal of the debtor countries needing it.

France's Efforts

This indirect aid has been criticized in certain quarters. Some people have maintained that it constituted an encouragement to the laziness of the debtor countries. If this were correct, there is no doubt that it should be stopped immediately. But this is not true. To give you but one example, I shall mention my own country, which, as you know, is one of the principal debtor countries as well as one of the main receivers of indirect aid. Here is a proof that France has made great efforts which have not been unsuccessful:

From May, 1948, to April, 1949, France has seen her debit trade balance reduced:

(1) With Belgium from 2,298 million Belgian francs to 1,400 million.

(2) With Holland from 115 million florins to 61 million. There France did not receive indirect aid benefit.

(3) With Switzerland from 306 million Swiss francs to 243 million. There, also, she received no indirect aid.

The same applied also to countries such as Sweden, but I have said enough, I believe, for you to realize that the granting of indirect aid to countries needing it was both logical and useful. It is obvious that in this field as in others, the American taxpayers' money has been used intelligently and with success. Here are some figures:

Before the war, half of the European countries' foreign trade was carried out amongst themselves. After the war, this trade collapsed. In 1946 the total intra-European trade amounted to only half of what it was in 1938. A sharp improvement took place in 1947, and the figure was two-thirds of the 1938 total until they reached, during the last quarter of 1948, 90% of the 1938 level. This took place despite the difficulties I have just mentioned, and others about which I shall talk presently.

But since, as I have mentioned, Europe is no longer able to trade with large areas of the world, it is essential that powerful efforts be made to achieve a maximum development of the intra-European trade.

As you were kind enough to ask for my suggestions in regard to the most suitable measures to be adopted for the development of intra-European trade, let me mention this, with reference to "Indirect Aid." I believe that without increasing its volume, it could be made more efficient. Candid critics have mentioned "wrong incentives" for debtor countries, resulting from the present system; yet it seems that these wrong incentives apply much more to the creditor nations, since they are by no means encouraged to make their purchases from European countries.

The main drawback of the present system is that it encourages bilateralism. While salvation lies only in multilateralism, bilateralism runs counter to free exchange, since it "sets" certain currents for exchange which prevent debtor countries from selecting the most favorable markets for their sources of supplies. It would therefore be advisable to modify the present system in order to insure that deficit countries have a right to draw upon any creditor country in Europe. This, I believe, is a measure that can and must be taken in order to promote liberalism.

The Monetary Problem

The problem of trade among European countries naturally involves that of the relations between their various currencies and here also we are inclined to lean towards the greatest freedom possible. If exchange control could be eliminated immediately, even in the case of dealings between Europe and the United States, it should be done. Unfortunately, there intervenes here, beyond the field of economics, a political question, and that is the threat of war, which causes a good deal of concern in Western Europe. It is certain that if the control of exchange were lifted, larged amounts of capital would be transferred to countries considered safer. On the other hand, one can visualize without effort the effects of lifting the control between European countries which run the same risks and undergo comparable economic conditions. For instance, it seems perfectly feasible to me that a monetary clause involving the elimination of exchange control should be added to the economic pact which has just been signed between France and Italy.

Suppression of exchange control between European countries entails an adjustment of par values in relation to their currencies. But here another question arises: can such an adjustment be made without calling at the same time for a revision of the relations between European currencies, on the one hand, and on the other hand between those currencies and dollars or gold? I feel we must reply to this with Mr. Asquith's favorite formula to the members of the House of Commons: "The answer is in the negative."

How can one, therefore, arrive at an adjustment of the rate of exchange of currencies? My personal opinion is that it would be better to allow it to establish itself by the free and normal course of currency exchange to a point of equilibrium for each currency. I believe that the founders of the monetary fund were either too ambitious or too hasty, while they strove to achieve the most worthy objective.

In fact, in order to maintain the artificial stability of today, the various countries are compelled to do just the opposite of what should be the policy of the monetary fund, that is, to alleviate the restrictions. On the contrary, one is compelled to intensify these restrictions, and with no other apparent result but to increase the activity of the black market. It seems that the best means to stimulate trade among European countries is for them to adopt a realistic rate of exchange which would permit the lifting of restrictions.

In the monetary field, the development of multi-lateralism brings in another problem. As opposed to bi-lateralism, multilateralism causes rises and falls which may entail temporary deficits in balances of accounts to such an extent that the governments concerned must have reserves as a means of protecting their currency. If they do not have this, they will be compelled to have recourse to the control of imports, and this would defeat the cause of liberalism. It seems that without having to provide any more dollars, the United States could encourage the setting up of necessary reserve funds. They could authorize the benefiting countries to set apart, for the constitution of these reserve funds by their banks of issue, the dollars they may have saved from their allocations from the ERP. This would encourage both initiative and the spirit of sacrifice in these countries.

United Europe

The most efficient way of developing multi-lateralism would be the constitution of a united Europe. Between the two giants, there is room for a united Europe, while there is none for a mosaic of European states.

There is no doubt that alongside an internal American market, which possesses a purchasing power equal to that of 400 million Europeans, it is essential that a wide market must be organized in Europe, if this Continent is to succeed in producing on a large scale, according to modern methods. It is the only way by which a logical division of effort may be established between the various European countries, according to the individual capacity of each. At the same time, one must not underestimate the difficulty of this operation especially as it affects old nations possessing a glorious past and traditions to which they are profoundly attached, as well as speaking different languages. Besides, the elimination of frontiers must cause prejudice to powerful private interests. A mighty effort to direct public opinion is therefore necessary in order to support governments in their work. At the European Congress, at The Hague, a year ago, it was proposed to elect a European Consultative Assembly, from the parliaments or governments of the countries of Western Europe. I called the meeting's attention to the fact that this selection of members by their own colleagues would not produce on the masses the psychological effect which is desired, and I proposed that the members of this projected Assembly should be elected by universal franchise on the basis of one member per million inhabitants. But once more I was considered as a dangerous revolutionary. An eminent French Socialist delegate declared that I was ahead of my times, and an ex-British Cabinet Minister added the old maxim: "Festina Cente." Let us hope that it is not too late already, which will happen if Europe is governed by men who are not abreast of the times. The problem of European salvation will not be solved by timorous attempts or half-hearted compromise.

Moreover, the difficulty of establishing an economic union of Europe has been underlined in very apt terms by your rapporteur, Mr. Gettell, when he spoke of the "conflict between those who seek solution in restrictions controls and bi-lateralism, and those who favor expansion and multi-lateralism." We have aligned ourselves with the latter category, and here again the moral influence of the United States has an important part to play.

Private Investments

Experts have come to the conclusion that an interval of four years was necessary for Europe to recover and to stand on her feet again. This period will expire on June 30, 1952. Events, however, have a curious habit often of paying no attention to the decisions of men, and to the programs of experts. It would be wise therefore to think of relaying the governmental action of the United States with the free initiative and the spirit of enterprise of American businessmen. I know that as the result of the studies you have pursued, you naturally wish to take legitimate precautions against incurring risks other than the normal ones.

This policy would not be without a precedent. The United States, in their remarkable rise to success, were helped by European manpower and capital. Today the position is reversed. Europe has enough manpower, but she no longer possesses the necessary capital for the rehabilitation and development of her prolongation in Africa. I believe that Europe will achieve *vitality* only when she has succeeded in bringing into production these overseas territories. I feel sure that those of you who have visited Morocco will have been convinced that Frenchmen have the ability to succeed in such an enterprise. where could one find an example in Europe or Africa of a mushroom city comparable to that of Casablanca?

In what proportion will these private investments be made? Evidently it will depend upon the general conditions, especially as they prevail in the French metropolis. But you will allow me to say that an estimate of $2 billion dollars per annum maximum suggested by NAM is a very modest estimate, in deed. This amount in dollars would be inadequate to allow the European countries to effect the purchase of their requirements from the United States. These $2 billion would represent but 15% of the $13 billion of the personal savings of the United States population last year.

During the four years which preceded the first world war, the total of British investments abroad amounted to an average of £185 million. That is 900 million gold dollars, which is equivalent to 1,500 million of 1933 dollars and to a purchasing power of $3 billion of today. These foreign investments were equivalent to about 50% of the personal savings of the British population. Two billion for the U. S., three billion for the United Kingdom . . . and I have not mentioned French investments, which were important enough, nor have I said anything about Germany's. These investments have been, as a whole, a factor of prosperity for the entire world while they have constituted a substantial asset for Europe. I am confident that you, you who are today more powerful than a combination of the great countries of Europe before the war of 1914, you will contribute tomorrow, as they did then, but on a larger scale to the world's prosperity by private investments.

The Major Problem

These thoughts on how best can America help with the development of multilateral trade in Europe are those which came to my mind in answer to your kind invitation to speak to you tonight. But one must not ignore the fact that however important this problem is, there is one still more important, and that is the urgency for Europe to find the necessary dollars to purchase the raw materials she needs for her industries. Let us suppose, for instance, that all the cotton mills of Europe were operating full time, and that intensive trade had found a market in Europe for all goods produced. None of the currencies which the manufacturers would receive in payment for his goods, except perhaps that of Switzerland, could be used for the purchase of the raw cotton necessary for the operation of their mills.

And on this problem I will say but one thing: You have changed your position; from a debtor nation you have become a creditor nation. It is a very pleasant change of status, but which entails a new state of mind. You must facilitate the importation of European merchandise into the United States. It is necessary that you should welcome a deficit in your trade balance, as was the case with Great Britain and with France before the war. If you do not, when the Marshall Plan comes to an end, you will see European countries closing their doors to American goods and pursuing a policy of self-sufficiency, turning their backs to the ideal of liberty and free enterprise.

This would cause, in these countries, a lowering of the standard of living, which would have dangerous social repercussions . . . and that means we have no right to fail.

It is also the only way in which your generous efforts for the rehabilitation of Europe will succeed in replacing the American taxpayer by the U. S. consumer.

Partners Forever

I hope I am laboring under no illusion when I think that you agree with me on all this. The essential is that we are—you and I—deeply attached to the doctrine of economic liberalism and that we have faith in the spirit of free enterprise which made the greatness of your country.

This economic liberalism is but one aspect of our common ideal of Liberty for which we have fought three times together in the past and which we are resolved to maintain in the *future*.

The aim which we, Frenchmen, strive to achieve with all our energy is to no longer need your assistance but to become your partners at the end of the Marshall Plan. This is why we must look to the future.

We shall be partners, partners for better or worse, partners for ever. We are partners in the field of security, since the Atlantic Pact, and nature, which forgot to be generous to Europe in the matter of raw materials, compels us to be partners on the economic plane.

Twice in the course of a man's life we have shared in the horrors of war and in the joy of victory. Hence we are to be partners in the great task of creating a world where all men, free and happy, will feel that during the grim days of the present we have not been unworthy of our forbears.

Halsey, Stuart Group Offers Arkansas Pwr. Debentures at 102 1/8

Halsey, Stuart & Co. Inc. heads an underwriting group that is offering publicly today (April 28) $8,300,000 Arkansas Power & Light Co. 3⅜% sinking fund debentures due May 1, 1974, at 102⅛% and accrued interest. The group was awarded the debentures on a bid of 101.30.

Net proceeds, together with $4,000,000 from the sale of additional common stock, will be used to pay a $2,000,000 short-term bank loan made March 18, 1949, to reimburse the company's treasury, in part, for funds already used for the acquisition of property or the construction, extension or improvement of its facilities in connection with the construction program, and the balance of the funds will be used for the construction of new facilities and the extension and improvement of present facilities, and for other corporate purposes.

General redemption prices for the new debentures are scaled from 105.13% to 100% while special redemption prices range from 101.70% to 100%.

The company is engaged as a public utility in the generation, transmission, purchase, distribution and sale of electricity; purchase, distribution and sale of natural gas and, to a limited extent, in providing central steam heating service in the commercial district of Little Rock. Its operations extend into 60 counties, which have a population aggregating approximately 1,500,000.

The company is a subsidiary of Electric Power & Light Corp. and of Electric Bond and Share Co.

Reports Savings Deposits at Peak

William L. Maude, President of National Association of Mutual Savings Banks, says gain in first quarter's deposits this year was 17% greater than in same period last year. Sees increasing savings banks' mortgage investments.

Deposits of the 530 mutual savings banks of the nation increased $290,000,000 during the first quarter of 1949 to reach a new high total of $18,690,000,000, William L. Maude, President, National Association of Mutual Savings Banks and President, The Howard Savings Institution, Newark, N. J., announced on April 22. The increase was 17% greater than the gain of $249,000,000 reported for the same period of 1948 and reflects the fact that new money received from depositors during the quarter was up while withdrawals showed little change from a year ago, Mr. Maude said.

William L. Maude

The present spurt in deposit growth began last November. Since then, in every month except February, deposit gains have exceeded those of the same month a year ago. The gain in March alone was $110 million, or 37% above March, 1948, whereas the February gain of $66 million was 13% less than a year ago. For the first time during these months, withdrawals in March fell below those of the same month of the preceding year; throughout the period amounts deposited equaled or exceeded comparable earlier figures.

The portfolio policy of the savings banks during the quarter differed sharply from that followed a year ago. In the first three months of 1949 holdings of mortgages rose $170 million, U. S. Government securities, $175 million and corporate and municipal securities, $60 million, as compared with increases of $99 million, $91 million and $176 million respectively during the same period in 1948.

A gain of $59 in mortgages occurred during March, which was the 15th straight month in which the increase has been greater than for the same month of the preceding year. During the month, holdings of U. S. Governments also rose, by $57 million, but, for the first time in over two years, holdings of corporate and municipal securities fell, by $4 million.

Business Leaders Urged to Help Further Truman's Foreign Investment Proposal

(Continued from page 14)

agreement for several years until they come to represent three years' service on dollar investments in the countries concerned, the initial contributions to the fund by the United States Government should be supplanted within a limited period by the capital importing countries. The registration of foreign investments should apply to old and new investments alike. The annual requirements for their servicing should include the transfer of depreciation reserves as required for replacement equipment and should permit the exclusion of new investments deemed undesirable for economic or other reasons. Only registered investments should be entitled to service by drawing on the guaranty funds as necessity arises.

"While the U. S. Council would welcome any sound scheme for encouraging an expansion of private foreign investment, it sees serious hurdles which must be overcome before the above proposals or any others could become acceptable in practice. It wishes in particular to give warning as to the following pitfalls which should be guarded against:

"(A) United States Government guaranties or insurance should not be such as to weaken or remove the incentive to foreign countries to create conditions conducive to foreign investment.

"(B) It might be difficult, because of political pressures in foreign countries and in the United States, to restrict guaranteed or insured investments to economically desirable projects; if not so restricted, the way would be open for all manner of ill-advised ventures at the expense of the United States taxpayer.

"(C) On the other hand, even if prudently administered, a government facility might well entail an undesirable intrusion by government into the affairs of private business concerns, if the government should consider itself obliged to judge the merits of each foreign investment project proposed for guaranty, to prescribe and supervise accounting methods, and, in general, to substitute its standards for business standards. The legal, technical and administrative problems involved in this relationship would be extraordinarily difficult.

"(D) The desire to limit the government's liability might bring about discrimination under a government system as between old and new investments. Any such discrimination would be undesirable. In many cases existing investors with their background of experience and knowledge in the field, would be the most logical source of new investments. No advantage would come from encouraging new investments and, at the same time, doing injury to existing investment which might induce the withdrawal of previous investments. Although the desire to limit the liability of the government under any such guaranty plan is understandable, such discrimination, as to economic areas, should be limited to a choice in practice, of investments which are economically feasible and desirable.

"(E) Finally, despite all safeguards, a government system of aid to private foreign investment might easily result in a loss of billions of dollars to the U. S. Government and consequently its taxpayers. Every consideration, however, should be given to the possibility of such a system, since, if it could be established on a sound, mutually advantageous basis, it might greatly reduce the sums which might otherwise be expended in 'give-away' plans.

"The U. S. Council draws attention to the potential pitfalls set forth above not for the purpose of discouraging action favorable to the expansion of private and foreign investments but so that, by overcoming them, sound proposals can be sought. The disappointment resulting from experiences with ill-conceived guaranty or insurance schemes would, of course, do more harm than good to the objectives we hope to accomplish."

Serving with Mr. Pierson on the Committee were the following:

H. W. Balgooyen, Secretary of American and Foreign Power Co., Inc., New York.

Walter J. Braunschweiger, Vice-President of Bank of America National Trust and Savings Association, Los Angeles, Cal.

Joseph O. Hanson, President of Swift International Co., Ltd., Chicago, Ill.

George Nebolsine, partner in Cahill, Gordon, Zachry and Reindel, New York.

Milo Perkins, Washington, D. C.

Edgar W. Smith, Vice-President of General Motors Overeas Operations, New York.

William R. Strelow, Vice-President of Guaranty Trust Co. of New York, New York.

Francis Adams Truslow, President of New York Curb Exchange, New York.

Leo D. Welch, Treasurer of Standard Oil Co. (New Jersey), New York.

Rapporteur: August Maffry, Vice-President of Irving Trust Co., New York.

Utility Common Stock Placed on Market

A two-fold offering of Mississippi River Fuel Corp. common stock totaling 633,298 shares was made April 26 by underwriting groups headed jointly by Dillon, Read & Co. Inc. and Union Securities Corp.

Of the total, 327,610 shares are being offered by the corporation to stockholders at $27.25 per share on the basis of one additional share for each two shares held of record April 12, 1949. The rights will expire 3:00 p.m. on May 9, 1949. The approximately $8,800,000 of funds to be received therefrom will be used in the corporation's expansion program.

United Gas Corp. is selling to the underwriting group its entire holdings of Mississippi River Fuel Corp. which consist of 305,688 shares of common stock and rights to purchase an additional 152,844 shares in accordance with the corporation's offering to stockholders. The underwriters are making a firm offering to the public at $30 per share, ex-rights, of 435,282 shares. This consists of the 305,688 shares purchased from United Gas Corp. and 129,594 shares to be received through the exercise of rights pertaining to the United Gas block. The remaining 23,250 shares to be received upon exercise of such rights are being retained by certain members of the group for future sale.

There are 76 firms associated with Dillon, Read and Union Securities in the offering to the public of the 435,282 shares.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Joe Buttry, Daniel J. Considine, James G. Fisher, Samuel H. Goldsmith, and Charles Noonan have become affiliated with Bache & Co., 135 South La Salle Street. Mr. Fisher was previously with Heath & Co. of Elgin.

With Norman Mesirow

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Bert E. Sommers is with Norman Meisrow, 135 South La Salle Street, member of the New York Stock Exchange.

Halsey, Stuart Offers Illinois Cent. Equips.

A group headed by Halsey, Stuart & Co. Inc. won the award April 26 of $5,520,000 Illinois Central equipment trust, series DD, 2¼% equipment trust certificates, maturing $276,000 semi-annually Nov. 1, 1949 to May 1, 1959, inclusive. The certificates, issued under the Philadelphia plan, were re-offered, subject to Interstate Commerce Commission authorization, at prices to yield from 1.35% to 2.525%, according to maturity.

The certificates will be issued to provide for new standard-gauge railroad equipment, estimated to cost not less than $7,396,875, consisting of 1,500 steel hopper cars and 375 flat cars.

Associated in the offering are R. W. Pressprich & Co.; A. G. Becker & Co. Inc.; Hornblower & Weeks; Otis & Co.; L. F. Rothschild & Co.; William Blair & Co.; First of Michigan Corp.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co. Inc.; and McMaster Hutchinson & Co.

Meyer With Bacon & Co.

(Special to THE FINANCIAL CHRONICLE)

SALINAS, CALIF.—Frank M. Meyer has become associated with Bacon & Co., 256 Montgomery Street, San Francisco, members of the San Francisco Stock Exchange. He was formerly manager of C. L. Vertin Co. of Salinas.

With Rothschild & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Leon F. Strauss has become connected with Rothschild & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges.

With Lee Higginson Corp.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Charles A. White has become associated with Lee Higginson Corp., 231 South La Salle Street. Mr. White was formerly with E. H. Rollins & Son for many years.

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

Alabama Gas Corp. (5/2)
March 29 filed $6,000,000 first mortgage bonds, series A, due 1971. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., White, Weld & Co., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler and Equitable Securities Corp. (jointly). **Proceeds**—To pay off $4,000,000 2¾% notes and the balance for construction and working capital. Expected about May 2.

Allied Western Oil Corp., New York
Jan. 19 (letter of notification) 1,200,000 shares of common stock (par 1c). **Underwriter**—Atlantic Securities Co., New York. **Price**—25c per share. Acquisition of oil leases, properties, drilling, etc.

American Steel & Pump Corp.
Sept. 21 filed 200,000 shares ($2 par) convertible class A stock. **Underwriters**—Herrick, Waddell & Reed, Inc. and Sills, Minton & Co., Inc. **Price**—$8 per share. **Proceeds**—To retire indebtedness and for working capital. Financing plan may be revised.

● **American Telephone & Telegraph Co.**
April 21 filed between $393,000 to $400,000 ten-year 3⅛% debentures, due June 20, 1959. **Offering**—Debentures will be offered for subscription by stockholders of record at the close of business May 6 at the rate of a $100 debenture for each six shares of capital stock then held. **Underwriting**—None. **Proceeds**—For advances to subsidiary and associated companies; for the purchase of stock offered for subscription by such companies; for extensions, additions and improvements to its own telephone plant; and for general corporate purposes.

Argus, Inc., Ann Arbor, Mich.
Nov. 1 filed 115,315 shares ($10 par) 5½% cumulative convertible preferred stock. **Offering** — To be offered initially for sale to stockholders at the rate of one preferred stock and purchase warrant for each 3½ shares of common stock held. With each share of preferred purchased company will issue a purchase warrant entitling the holder to buy 80/100 of a share of the company's ($1 par) common stock on or before Dec. 31, 1950. **Underwriters**—Leason & Co., Inc., and First Securities Co., Chicago. **Proceeds**—For working capital.

Atkins Popcorn Co., Inc., Wilmington (5/5)
April 11 (letter of notification) $300,000 5% debenture bonds. Price, par. **Underwriter**—D. F. Bernheimer & Co., Inc., New York. For operating capital.

● **Avco Manufacturing Corp., New York**
April 22 filed 387,041 shares ($3 par) common stock. The stock is reserved for issuance to officers and supervisory executives under the company's "stock option plan" or options assumed by the company upon acquisition of the assets of its former subsidiary, American Central Manufacturing Corp. on Nov. 20, 1946.

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.

● **Bangor (Me.) Hydro-Electric Co.**
April 22, filed 4,840 additional shares ($100 par) preferred stock and 54,304 shares of common stock (par $15). **Offering**—The preferred is to be offered to preferred and common stockholders at rate of one new share for each 20 preferred shares held and one new preferred for each 80 common shares held. The additional 54,304 shares of common stock will be offered to holders of common stock at the rate of one share for each four shares held. **Dealer Manager**—Smith, Barney & Co. will head a dealer group. **Proceeds**—For corporate purposes, including capital expenditures.

Bradshaw Mining Co., Tonopah, Nev.
Oct. 8 (letter of notification) 1,500,000 shares (5c par) common stock. **Price**—20 cents per share. **Underwriter**—Batkin & Co., New York. To repair and renovate mine of company and to exercise option to purchase processing mill and move and erect such mill on the company's property and for working capital.

● **Buensod-Stacey, Inc., New York**
April 25 (letter of notification) 2,000 shares of class A common stock (no par). **Price**—$50 per share. **Underwriter**—None. Working capital.

California Life Insurance Co., Oakland, Calif.
March 18 (letter of notification) 15,000 shares ($5 par) class A capital stock. **Price**—$10 per share. No underwriter. To raise additional capital and surplus.

Cambridge (Mass.) Electric Light Co. (5/4)
March 29 filed $2,750,000 25-year notes, series A, due 1974. **Underwriters**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Otis & Co. **Proceeds**—To fund presently outstanding borrowings. Expected May 4.

● **Cavendish Productions, Inc., New York**
April 21 (letter of notification) 2,500 shares of 5% nonvoting preferred stock (par $100) and 5,000 shares of common stock (par $3). To be offered in units of 10 shares of preferred and 20 shares of common at $1,060 per unit. Corporate purposes. **Underwriter**—None.

Chace Industries, Inc., West Chester, Pa.
March 7 (letter of notification) 68,000 shares of 6% noncumulative preferred stock (par $4) and 68,000 shares of common stock (par 10¢). **Underwriter**—De Witt Investment Co., 910 West St., Wilmington, Del. To be offered in units of one share of each. Building of factory, installing machinery, working capital.

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.

Clarostat Mfg. Co., Inc., Brooklyn, N. Y.
Aug. 26 (letter of notification) 37,400 shares of 50¢ cumulative convertible preferred stock. **Underwriter**—Cantor, Fitzgerald & Co., Inc., New York. **Price**—$8 per share. Working capital, etc.

Coleraine Asbestos Co. Ltd., Montreal, Canada
Aug. 16 filed 200,000 shares of capital stock. **Price**—50 cents per share in Canadian Currency. **Underwriter**—P. E. Frechette. **Proceeds**—For drilling operations.

Consolidated Caribou Silver Mines, Inc., N.Y.C.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 60,000 shares will be sold to the underwriters. **Underwriters**—By amendment. **Proceeds**—To develop mining properties.

● **Cook (E. K.) & Co., Inc., Washington, D. C.**
April 19 (letter of notification) 100 shares (no par) common. Price, $25 per share. Nn underwriter. To pay off debts of the business.

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. Offered to stockholders of record March 30 at $15 per share in ratio of one new for each eight shares held. Rights expire May 3. **Underwriters**—Woodcock, McClear & Co., Philadelphia, and Scott, Horner & Mason, Inc., Lynchburg, Va. To reimburse treasury and provide funds for construction.

● **Emlen Corp., Emlenton, Pa. (4/30)**
April 25 (letter of notification) 10,000 shares of common stock (par $10), of which 4,000 on behalf of company. **Price**—$10 per share. **Underwriter**—F. H. Crawford Co., Emlenton, Pa. Company's proceeds will be used for development, manufacture and distribution of a leak-proof pump.

● **First Industrial Corp., Baton Rouge, La.**
April 18 (letter of notification) 8,489 shares of preferred and 11,867 shares of common. Price, both issues $12.50 per share. No underwriter. For capital structure.

First Springfield Corp., Springfield, Mass.
Feb. 28 (letter of notification) 5,471 shares of common capital stock. **Underwriter**—D. J. St. Germain & Co., Springfield, Ohio. Additional working capital.

Gauley Mountain Coal Co., New York
Jan. 19, filed 10,666 shares of capital stock, of which 1,381 shares will be sold in behalf of the company and 9,285 shares will be sold by Norgreen Associates Inc. and others. **Underwriting** — None. **Proceeds** — Company will use its proceeds for additional working capital.

Greater Seminole Petroleum Co., Salt Lake City
April 11 (letter of notification) 600,000 shares (25c par) common. **Price**—50 cents per share. **Underwriter**—Weber-Millican Co., New York. For working capital and the drilling and equipping of oil wells.

● **Haines (J. J.) & Co., Inc., Baltimore, Md.**
April 20 (letter of notification) 8,000 shares of 6% cumulative preferred stock (par $25). Price, par. No underwriter. To increase working capital and the retirement of $50,000 term loan.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 5,000 shares of class B common stock (par $100). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

Horwood Lake Gold Mines Corp.
Dec. 27 (letter of notification) 100,000 shares of capital stock. **Price**—$1 per share. **Underwriter**—Charles W. Warshoff & Co., Newark, N. J. For development of mining properties.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
Nov. 23 (by amendment) 180,000 shares ($10 par) common stock to be offered at $10 per share and 20,020 shares to be issued in exchange for $170,200 first mortgage bonds. **Underwriter**—Tom G. Taylor & Co., Missoula, Mont. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

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.

● **Jefferson (Iowa) Telephone Co.**
April 22 (letter of notification) $65,000 4% first mortgage bonds, series C, due April 1, 1969. **Underwriter**—Wachob-Bender Corp., Omaha, Neb. For plant extensions and betterments and for additional working capital.

Kansas Power & Light Co. (5/4)
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) May 4 at Room 1901, 60 Broadway, New York.

● **Kaaba Silver-Lead Mines, Inc., Seattle, Wash.**
April 20 (letter of notification) 400,000 shares (10¢ par) common. **Price**—25¢ per share. No underwriter. To provide working capital, to amortize indebtedness, purchase machinery and equipment and carry on development work.

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. **Bids**—Bids for purchase of bonds will be received up to noon (EDT) May 3 at American Gas & Electric Service Corp., 30 Church St., New York 8, N. Y.

Las Vegas (Nev.) Thoroughbred Racing Assn.
Jan. 25 filed 500,000 shares 6% cumulative preferred stock (par $5) and 500,000 shares common stock (no par). **Underwriting**—None. **Offering**—To be sold in units of one share of each at $5 per unit. **Proceeds**—To purchase land and construct racing plant and for working capital.

Liggett & Myers Tobacco Co.
March 21 filed 784,235 shares of common stock (par $25). **Underwriting**—None. **Offering**—Offered for subscription by stockholders of record April 13, in ratio of one new share for each four shares held at $50 per share. Rights expire April 29. **Proceeds**—To reduce short-term notes outstanding under company's credit agreements.

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 underwriter. To reimburse treasury for outlays for property additions.

● **Martinez-Bell Mining Co., Phoenix, Ariz.**
April 22 (letter of notification) 162,450 shares of common stock. **Price**—$1 per share. No underwriter. For operating capital and mining operations.

● **Mastic Asphalt Corp., South Bend, Ind.**
April 18 (letter of notification) 7,500 shares ($1 par) common being offered for Gilbert J. Snyder at $6 per share. No underwriter.

NEW ISSUE CALENDAR

April 30, 1949

Emlen Corp. ---------------------------Common

May 2, 1949

Alabama Gas Corp.---------------------------Bonds
Toledo Edison Co., 11 a.m. (EDT)-----------Bonds
Utah Power & Light Co.---------------------Bonds

May 3, 1949

Chicago Rock Island & Pacific RR., Noon (CDT) ---------------Equip. Trust Ctfs.
Kentucky & West Virginia Power Co., Noon (EDT)---------------------------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 Ry., Noon---Eq. Tr. Ctfs.
Kansas Power & Light Co., 11 a.m. (EDT)---Bonds
Pacific Gas & Electric Co.---------------Preferred

May 5, 1949

Atkins Popcorn Co., Inc.---------------Debentures
Chicago Great West. Ry., Noon (CDT)--Eq. Tr. Ctfs.

May 9, 1949

Indianapolis Power & Light Co.----Bonds, Common
Potomac Electric Power Co.--------Bonds, Common

May 10, 1949

Peninsular Telephone Co.----------------Common
Public Service Electric & Gas Co.-----------Bonds

May 11, 1949

Washington Terminal Co., Noon (EDT)-----Bonds

May 18, 1949

Pennsylvania RR. --------------Equip. Trust Ctfs.

May 24, 1949

Columbia Gas System, Inc.---------------Common
Erie RR. ----------------------Equip. Trust Ctfs.

June 1, 1949

Southern Indiana Gas & Electric Co.---------Bonds

Mayflower Co., Salt Lake City, Utah
March 14 (letter of notification) 100,000 shares (1c par) common. Price, 10 cents per share. Underwriter—The Cromer Brokerage Co., Salt Lake City. To liquidate debts and provide funds for operating expenses.

Murphy Ranch Mutual Water Co., Whittier, California
March 21 (letter of notification) 1,118 shares of common stock to be sold at $9.18 per share. **Underwriter**—San Gabriel Development Co. For capital additions and extensions.

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.

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.

● **Novel Appliances, Inc., New York**
April 25 (letter of notification) 15,000 5-year warrants exercisable only after May 15, 1950, to purchase 15,000 common shares at par.

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.

● **Oil Prospectors, Inc., Fort Worth, Texas**
April 19 (letter of notification) 300,000 shares of capital stock (par $1). Price, par. No underwriter. To maintain the oil company and to finance drilling and prospecting operations.

Pacific Gas & Electric Co. (5/4)
April 5 filed 1,500,000 shares of redeemable first preferred ($25 par) stock. **Underwriters**—Blyth & Co., Inc. **Proceeds**—To finance construction.

Palestine Economic Corp., New York
March 28 filed 600,000 shares ($25 par) common stock. **Price**—$28 per share. **Underwriter**—None. **Proceeds**—For development of industries and real estate and the balance for working capital and general corporate purposes.

Peninsular Telephone Co. (5/10)
April 20 filed 42,448 shares (no par) common stock, to be offered stockholders on May 10 on a 1-for-5 basis, with rights expiring May 24. **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. Expected May 10.

Potomac Electric Power Co. (5/9)
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); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly). **Proceeds**—For construction. Bids expected to be opened May 9.

Potomac Electric Power Co. (5/9)
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. Expected May 9.

● **Power Petroleum Ltd., Toronto Canada**
April 25 filed 1,150,000 shares ($1 par) common. **Price**—50 cents per share. **Underwriters**—None named, but the offering will be underwritten on best efforts basis. **Proceeds**—For administration expenses and drilling.

● **Pumice Sales Corp., Seattle, Wash.**
April 19 (letter of notification) 4,000 shares of non-assessable common (par $25). Price, par. No underwriter. To buy machinery and equipment, for plant construction and other expenses.

Renaissance Films Distribution, Inc., Montreal, Que.
Oct. 29 filed 40,000 shares (par $25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). **Underwriting**—None. **Offering**—Class B preferred will be offered at $25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. **Proceeds**—To pay balance of current liabilities and working capital.

Robinson Plywood & Timber Co., Everett, Washington
Nov. 17 filed 271,025 shares ($1 par) common stock, of which 105,000 shares are to be offered by company, and 166,025 shares by 15 selling stockholders. **Underwriter**—Blyth & Co., Inc. **Proceeds**—To company from the sale of the 105,000 shares will be added to working capital, except about $275,000 may be advanced to a new subsidiary to be used by it in making part payment of the option purchase price of one-half of the stock of Conifer Timber Co., Fortson, Wash. Indefinitely postponed.

Rochester Gas & Electric Co. (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.

Rosecroft Trotting & Pacing Association, Inc., Oxon Hill, Md.
April 12 filed 1,250 shares of common (par $100) and 1,250 shares of $6 cumulative preferred (par $100). **Offering**—To be offered in units of one share each to present stockholders at $100 per share for both issues. Unsold stock will be offered by the Association. **Underwriter**—None. **Proceeds**—For plant construction and working capital.

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.

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.

● **Smith (H. D.) Manufacturing Corp., Roseville, Michigan**
April 18 (letter of notification) 125,000 shares of common (par $2). **Underwriter**—Charles E. Bailey & Co., Detroit. Price, par. To pay current liabilities, buy new machinery and to provide additional working capital.

South Carolina Electric & Gas Co.
April 11 filed an issue of common stock (par $4.50) to be offered for subscription by stockholders. Number of shares, record date, and subscription price by amendment. **Underwriter**—Names by amendment. Probable bidder, Peabody & Co. **Proceeds**—To finance construction program.

Southern Airways, Inc., Birmingham, Ala.
March 28 (letter of notification) 100,000 shares of common capital stock (par $3). Price, par. **Underwriter**—By amendment. To activate airline routes.

Southern States Iron Roofing Co., Savannah, Georgia
Feb. 21 filed 30,000 shares ($1 par) common stock, to be sold at $10 per share on behalf of three stockholders. **Underwriting**—None.

● **Spalding Realty Corp., Montezuma, Ga.**
April 18 (letter of notification) preorganization subscriptions to 10,000 shares of 4% cumulative preferred stock (par $10) and to 10,000 shares of common (par $1). Price, par, both issues. No underwriter. John T. McKenzie is organizing the company. To pay for land and to finance construction of manufacturing plant.

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 Finance Corp., Watertown, Mass.**
April 21 (letter of notification) $100,000 of 5% 10-year debentures. No underwriter. To expand small loan business and develop into the sales finance field.

Suburban Gas Service, Inc., Ontario, Calif.
March 31 (letter of notification) 4,000 shares ($25 par) series B preferred and 20,000 shares ($1 par) common—issuable upon conversion of preferred. **Price**—Preferred $25 per share. **Underwriters**—Wagenseller & Durst, Inc., and Lester & Co. To buy Antelope Liquid Gas Co.

Tennessee Odin Insurance Co., Knoxville, Tenn.
March 29 (letter of notification) 3,800 shares (no par) capital stock. **Price**—$8.50 per share. **Underwriters**—J. C. Bradford & Co.; Elder & Co.; Strader, Taylor & Co.; Bullington-Schas & Co.; Marx & Co.; Stein Bros. & Boyce.

● **Texas Engineering & Manufacturing Co., Inc., Dallas, Texas**
April 22 (letter of notification) not more than $100,000 ($1 par) common stock. Price, at market. **Underwriters**—Beer & Co.; Merrill Lynch, Pierce, Fenner & Beane and Rauscher, Pierce & Co.

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. (5/2)
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. **Bids**—Bids for purchase of bonds will be received up to 11 a.m. (EDT) May 2 at Room 1600, 70 Pine Street, New York.

● **Tower Finance Corp., Chicago, Ill.**
April 21 (letter of notification) 4,000 shares of 6% preferred (par $50). Price, par. No underwriter. For working capital.

● **Trans-America Music Corp.**
April 26 (letter of notification) 1,200,000 shares of common stock (par 1¢). **Price**—25 cents per share. **Underwriter**—R. N. Real & Co., New York. Organizational expenses, working capital, etc.

Trenton Chemical Co., Detroit, Mich.
March 30 filed 131,841 shares 6% cumulative convertible class B preference ($2 par). **Underwriters**—Straus & Blosser, Chicago; Carr & Co., Detroit, and Lester & Co., Los Angeles. **Proceeds**—To build chemical plant and to replace working capital used for capital additions. [Under a previous registration statement (No. 7637), which became effective Sept. 24, 1948, company sold 43,159 shares of 6% cumulative preferred stock for a total of $97,108 and removed 131,841 shares from registration March 21, 1949.]

Mrs. Tucker's Foods, Inc., Sherman, Texas
Nov. 26 filed 200,000 shares of common stock (par $2.50) of which 80,000 will be sold by the company and 120,000 shares by certain stockholders. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—For general corporate purposes.

● **Tyson Bearing Corp., Jersey City, N. J.**
April 19 (letter of notification) 86,200 shares of capital stock (par $1). **Price**—$3.25 per share. To be offered for subscription by stockholders. The enterprise Corp., 70 Pine Street, New York, a substantial stockholder has agreed to subscribe to 10,000 shares and has option to purchase any shares not subscribed for by stockholders. Enterprise may resell the acquired shares. Working capital.

● **United Biscuit Co. of America**
April 27 filed 80,000 shares (no par) cumulative preferred stock. **Underwriter**—Goldman, Sachs & Co., New York. **Proceeds**—To apply payment on $3,000,000 of notes held by Manufacturers Trust Co., New York, and for general funds.

Upper Peninsula Power Co.
Sept. 28 filed 200,000 shares of common stock (par $9). **Underwriters** — Names to be determined through competitive bidding. Probable bidders include Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively; Copper Range Co., 34,000 shares and several individual owners 11,200 shares.

Utah Power & Light Co. (5/2)
March 15 filed $3,000,000 first mortgage bonds, due 1979. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly); Halsey, Stuart & Co. Inc.; White, Weld & Co.; Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler; The First Boston Corp. and Blyth & Co., Inc. (jointly); Otis & Co. **Proceeds**—For

(Continued on page 46)

(Continued from page 45)

corporate purposes, including construction. Expected about May 2.

● **Vensom Co., Inc., Montgomery, Ala.**
April 21 (letter of notification) 10,000 shares of common stock. **Price**—$2.50 per share. **Underwriter**—Court & Co., Atlanta, Ga. For working capital.

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.

● **Weatherby's, Inc., South Gate, Calif.**
April 21 (letter of notification) about 720 shares of common stock (par $100). Price, par. No underwriter. For expansion.

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.

Western American Life Insurance Co., Reno
March 30 filed 12,500 shares ($10 par) common stock. **Price**—$40 each. **Underwriter**—To be named by amendment. **Proceeds**—To qualify the company to sell life insurance in any state.

● **Young (Thomas) Orchids, Inc., Bound Brook, New Jersey**
April 20 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$30 per share. **Underwriter**—Smith, Barney & Co. will act as agents. Proceeds to selling stockholder.

Prospective Offerings

● **Admiral Corp.**
April 14 stockholders voted to increase authorized common stock from 1,000,000 to 1,200,000 shares ($1 par). Company has no definite plan for disposal of the additional stock. It might be sold privately or publicly, exchanged for assets of other companies, or issued in the future as a dividend, the company said. Traditional underwriter, Dempsey & Co., Chicago.

● **Armstrong Cork Co.**
April 13 stockholders approved an increase in authorization to $25,000,000. Company plans no immediate borrowing but wishes to avoid any long waiting period should it wish to borrow in the future. Traditional underwriters: Smith, Barney & Co.; The First Boston Corp.; Kidder, Peabody & Co.

● **Atlantic Coast Line RR.**
In anticipation of the maturity on July 1, 1952, of its first consol. mortgage bonds, stockholders April 19 voted to amend indenture of general unified mortgage, dated April 1, 1914. At present, there are outstanding $50,724,000 of first consolidated mortgage, 50-year, 4% bonds in the hands of the public and $465,000 are pledged by company. To provide for the maturity of these bonds, the road has in its treasury $100,479,000 of general unified mortgage bonds. With the retirement of the first consolidated mortgage bonds, the general unified mortgage bonds then would become the first and only lien, excluding equipment trust certificates, on all the company's lines. Under the proposed amendment to the indenture of the unified bonds, the management would have the right to determine the interest rate, conversion, sinking fund, prior redemption provisions and maturity date, except that the maturity date may not be later than June 1, 2014. The change would not affect the series A and series B general unified mortgage bonds outstanding. Probable bidders include Halsey, Stuart & Co. Inc.

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 noon (CDT) May 4 at 400 West Madison Street, Chicago, 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 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.

● **Consolidated Engineering Corp.**
April 12 stockholders voted approval of an increase in the authorized common stock from 250,000 to 500,000 shares. No specific use for the additional stock is currently in sight, it is stated.

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.

● **Delaware Power & Light Co.**
April 19 stockholders authorized directors to double the number of authorized ($100 par) preferred shares and to increase the unsecured debt. The preferred shares are increased from 100,000 to 200,000 shares. There is no present plan for issuing new shares or increasing the company's debt, but the approval now will clear the way if directors need additional funds next summer to finance construction.

● **Empire District Electric Co.**
April 13 stockholders voted to increase authorized common from 400,000 to 550,000 shares (par $10) and modified preemptive rights of stockholders.

● **Erie RR. (5/24)**
April 21 reported company expects to ask for bids to be opened April 24 on $3,450,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harris Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Ex-Cell-O-Corp.**
April 14 stockholders voted to increase authorized common from 500,000 shares to 1,000,000 shares. Company does not plan issuance of additional stock at this time. Traditional underwriter, Baker, Simonds & Co.

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.

● **Michigan Consolidated Gas Co.**
April 21 reported company has under consideration sale of $25,000,000 18-year debentures. This offering would replace the $14,000,000 in bonds and $7,000,000 in preferred stock for which the company previously had planned. Probable bidders: White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Bros.; Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Dillon Read & Co.; The First Boston Corp.

● **New England Electric System**
April 28 company announced that it intends to sell, in the near future, at competitive bidding 123,100 shares of capital stock of Boston Edison Co., 15,175 shares of capital stock of Lynn Gas & Electric Co. and 8,607 common shares of Western Massachusetts Co. which it now owns, or such part or parts thereof as NEES may determine.

Any person or persons who desire an opportunity to submit an offer or offers to purchase one or more of such blocks of shares should notify Harry Hanson, Treasurer of NEES, accordingly by letter addressed to him at Room 1133, 441 Stuart St., Boston 16, Mass., and delivered to him there not later than May 2. When and if NEES decides to sell such shares, it will advise all persons by whom it has been so notified of the time and place at which bids for the shares to be so sold will be received and opened by NEES.

● **New York Central RR.**
April 26 company asked ICC authority to issue $10,725,000 equipment trust certificates in connection with the purchase of new equipment. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers; Salomon Bros. & Hutzler; The First Boston Corp.; Harris, Hall & Co. (Inc.).

● **New York New Haven & Hartford RR.**
April 13 stockholders authorized issuance of not exceeding $3,500,000 of equipment obligations. Probable bidders: Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler, Lehman Brothers and Bear, Stearns & Co. (jointly).

● **New York State Electric & Gas Corp.**
April 27 reported company will be in the market shortly with stock offerings to finance construction and pay off small bank loans. Company expects to offer additional common stock to its present shareholders in an amount sufficient to raise $3,000,000. After that, it is planned to raise $4,000,000 through an offering of new preferred stock. It is expected that the senior issue will be sold via competitive bidding, although the condition of the preferred stock market at the time may influence the method of sale. Final details have yet to be worked out.

● **Pennsylvania RR. (5/18)**
April 21 it was reported company plans to ask for bids on $11,000,000 equipment trust certificates on May 18. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers (jointly).

● **Public Service Co. of New Hampshire**
April 25 reported company plans to sell about $4,000,000 bonds at an early date. Possible bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp. and Coffin & Burr Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly); Smith, Barney & Co. and Harriman Ripley & Co. (jointly).

● **Public Service Co. of Oklahoma**
April 23 reported company expects to sell 50,000 preferred shares in near future. Probable bidders include Glore, Forgan & Co. and Smith, Barney & Co.

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 California Edison Co.**
April 20 California P. U. Commission authorized the company to issue 800,000 additional shares of its common stock. Underwriters to be headed by Harris, Hall & Co. (Inc.) and The First Boston Corp.

Southern Indiana Gas & Electric Co. (6/1)
April 8 directors approved the filing of a petition with the P. S. Commission of Indiana for authority to issue up to $3,000,000 in first mortgage bonds to be sold at competitive bidding. Proceeds of the issue are to finance a continuation of the company's construction program. Bids expected to be opened on or about June 1. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Harriman Ripley & Co.: Carl M. Loeb, Rhoades & Co.

● **Southern Natural Gas Co.**
April 21 company asked SEC permission to issue 141,358 shares of common stock, to be offered for subscription by stockholders, in ratio of one new share for each 10 shares held, with privilege of subscribing for shares not subscribed for. Proceeds are to be applied to financing company's construction program and to purchase additional common stock of Alabama Gas Corp., subsidiary. Issue will not be underwritten.

● **Southern Ry.**
April 26 reported company plans the sale in June of $7,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Harriman Ripley & Co. and Lehman Brothers.

● **Southwestern Gas & Electric Co.**
April 23 reported company plans sale of $4,500,000 bonds and $2,500,000 preferred stock in near future. Probable bidders include: Blyth & Co., Inc., and Stone & Webster Securities Corp.; Lehman Brothers; Halsey, Stuart & Co. Inc. (bonds); White, Weld & Co.; Harriman Ripley & Co.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

● **Union Gas System, Inc.**
April 25 reported company plans to sell 2,000 shares ($100 par) preferred stock and 7,000 common shares this summer to finance its construction program. Stockholders at meeting April 29 will approve an increase in the authorized capitalization. The authorized preferred stock is to be increased from 5,000 to 10,000 shares and the common from 80,000 to 100,000 shares. Stockholders will be given preemptive rights to buy the new shares which are scheduled to be offered between June 1 and Aug. 31.

● **Washington Terminal Co. (5/11)**
Bids for the purchase of $1,300,000 first mortgage bonds (guaranteed) series B, due May 1, 1974, will be received up to Noon (EDT), May 11, at Room 1811, Broad Street Station, Philadelphia. Probable bidders: Dillon, Read & Co. Inc.; The First Boston Corp.; Central Republic Co.; Harriman Ripley & Co. and Alex. Brown & Sons (jointly); Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.

Our Reporter's Report

This really was "clean-up week" in the new issue bond market. It may have been touched off, as some bankers were inclined to believe, by the appearance a week ago of two of the so-called "big five" insurance companies as buyers of Rochester Gas & Electric's new 3s on a 2.97% yield basis.

Whatever the cause, and it may have been that, indications of easing money tendencies and a letdown in industrial demand for credit accommodation were contributing factors, the point is that underwriters' and dealers' shelves are more nearly free of corporate "left-overs" than at any time in six or seven weeks.

Two of the most recent large issues, namely New England Telephone & Telegraphs 25-year 3s, and the $50,000,000 of Commonwealth Edison debenture 3s, both of which had lagged persistently, have been virtually cleared away.

Some people, however, are a bit cagey about looking upon the buying activities of the two big insurance firms as evidence of a definite reorientation of their views by the rank and file of such companies.

They have been hard bargainers for more than a year and the more cautious people in the new issue field would like to see a bit more activity on their part before jumping to the conclusion that portfolio managers for the big investors are really disposed to shade their ideas on yields held so doggedly for so long.

C.I.T. 2⅝s Lagging

Dealers now are watching the situation closely for a break in the ranks of the banks which have been decidedly cool to the recently offered $50,000,000 of C.I.T. Financial Corp.'s 10-year 2⅝% debentures.

This intermediate term loan is still reported available at the issue price and there is some expectation that the cleaning up of the other big offerings may soon be reflected in a better demand for this issue.

Potential buyers, it is understood, had been hoping that the C.I.T's would make their appearance on about a 2.75% basis. Disappointed when it came out on a 2.70 basis, they have been inclined to stand aside.

Talk of Private Deals

In some market quarters there is a feeling that we are facing another outbreak of privately placed financing deals. There has been something of a lull in this type of operation.

But pointing to the more or less dormant situation which rules in the general bond market, and their inability to arouse any interest in blocks of the type that would attract institutional buyers, observers are inclined to believe that the latter have private prospects in view.

Insurance buyers, especially, it is noted are in no hurry whatsoever to consider suggestions or offerings at the moment.

Amer. Tel. & Tel. 3⅛s

Close students of the market are satisfied that American Telephone & Telegraph Co.'s newest capital venture, approximately $400,000,000 of new 3⅛% debentures, of 10 years maturity, has been set up with every effort to assure raising of this vast fund.

The issue goes first to stockholders of course, on a "rights" basis and there is little question but that the bulk will be placed in that manner.

But there is evidence of some selling of the company's 1957 and 1961 maturities by holders for the purpose of being in funds to take up the new issue. Expectation is that the new debentures probably will rule around 109⅝ to yield 2.05% or thereabouts until first conversions start, and it is observed that banks could be interested if and when the issue backs down to a 2.50 to 2.55% return.

Pacific Gas & Electric

The only really large issue definitely in the cards for next week is that projected by the Pacific Gas & Electric which has been exempted from its competitive bidding rule by the Securities and Exchange Commission.

This deal involves the marketing of 1,500,000 shares of new redeemable first preferred stock of $25 par value which doubtless will be handled by a nationwide banking group headed by a west coast firm.

The proceeds, approximately $37,500,000, will place the issuer in funds to finance its construction program.

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.

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York 3, N. Y.

175TH COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on June 1, 1949, to stockholders of record at the close of business May 10, 1949. Checks will be mailed.

EDMUND A. HARVEY, *Treasurer*
April 26, 1949

Borden's
BORDEN'S 1857
DIVIDEND No. 157

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company,* payable June 1, 1949, to stockholders of record at the close of business May 11, 1949.

April 26, 1949 E. L. NOETZEL *Treasurer*

The Colorado Fuel & Iron Corporation

Dividend Notice on Common and Preferred Stock

At a meeting of the Board of Directors of The Colorado Fuel & Iron Corporation, held in New York, April 27, 1949, a Special Dividend on the common stock of the Corporation, in the amount of $1.00 per share, was declared, payable on May 23, 1949, to stockholders of record at the close of business on May 9, 1949. The Board of Directors also declared the regular quarterly dividend on the preferred stock of the Corporation, in the amount of 25¢ per share, payable on June 1, 1949, to stockholders of record at the close of business on May 9, 1949.

D. C. McGREW, Secretary

Farwell, Chapman Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Joseph A. Rein has become associated with Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges.

J. Barth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Chester W. Bunnell, Jr. has been added to the staff of J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges.

DIVIDEND NOTICES

BROWN CO., BERLIN, NEW HAMPSHIRE

A dividend of $1.50 per share on the $6 preferred stock of Brown Company has been declared by the Directors, payable June 1, 1949 to holders of Voting Trust Certificates for Preferred Stock of record at the close of business May 16, 1949.

F. G. COBURN, President.

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on April 21, 1949 declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable July 1, 1949 to stockholders of record at the close of business on June 17, 1949.

The Board of Directors of this company on April 21, 1949 declared a dividend of 15 cents per share on the Common Stock outstanding of the company, payable May 15, 1949 to stockholders of record at the close of business on May 2, 1949.

EDWARD FRAHER, Secretary.

COLUMBIAN CARBON COMPANY

COLUMBIAN CARBON COMPANY

One-Hundred and Tenth Consecutive Quarterly Dividend

A quarterly dividend of 50 cents per share will be paid June 10, 1949 to stockholders of record May 12, 1949, at 3 P. M.

GEORGE L. BUBB
Treasurer

Hooker Electrochemical Company

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on April 20, 1949 declared a quarterly dividend of $1.0625 per share upon its $4.25 Cumulative Preferred Stock, payable June 29, 1949 to stockholders of record as of the close of business June 2, 1949.

Cumulative Second Preferred Stock, Series A, Dividend

The Board of Directors of Hooker Electrochemical Company on April 20, 1949 declared a quarterly dividend of $1.125 per share upon its Cumulative Second Preferred Stock, Series A, ($4.50 dividend) payable June 29, 1949 to stockholders of record as of the close of business June 2, 1949.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on April 20, 1949 declared a dividend of Thirty Cents ($.30) per share upon its Common Stock ($5 Par Value), payable May 27, 1949 to stockholders of record as of the close of business May 3, 1949.

ANSLEY WILCOX 2nd,
Secretary.

HOOKER CHEMICALS

Joins Nathaniel Goodhue

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Thomas D. Boardman is associated with Nathaniel Goodhue, 84 State Street.

Joins Hope Staff

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—Edward M. Tobin has joined the staff of Hope & Co., San Diego Trust & Savings Building.

DIVIDEND NOTICES

FERRO ENAMEL CORPORATION
CLEVELAND, OHIO

The Board of Directors of the Ferro Enamel Corporation has this day declared a Dividend of thirty-five cents ($.35) per share on the outstanding common stock of the Company, payable June 25, 1949, to shareholders of record on June 3, 1949.

April 19, 1949 G. W. WALLACE, Treasurer

EATON MANUFACTURING COMPANY
Cleveland 10, Ohio

DIVIDEND NO. 100

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents ($0.50) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable May 25, 1949, to shareholders of record at the close of business, May 5, 1949.

Declared on April 22, 1949 H. C. STUESSY *Secretary*

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 123 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable June 1, 1949, to stockholders of record at the close of business on May 5, 1949.

GERARD J. EGER, Secretary

Southern Railway Company

THE SOUTHERN SR SERVES THE SOUTH

DIVIDEND NOTICE

New York, April 26, 1949.

A regular quarterly dividend of One Dollar ($1.00) per share on 1,298,200 shares of Common Stock without par value of Southern Railway Company, has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1948, payable on Wednesday, June 15, 1949, to stockholders of record at the close of business Friday, May 13, 1949.

Checks in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

J. J. MAHER, *Secretary.*

SOUTHERN NATURAL GAS COMPANY
Birmingham, Alabama

Common Stock Dividend No. 41

A dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable June 13, 1949 to stockholders of record at the close of business on May 31, 1949.

H. D. McHENRY,
Secretary.

Dated: April 27, 1949.

With Shuman, Agnew Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—C. Louis Allen has joined the staff of Shuman, Agnew & Co., 155 Sansome Street, members of the New York and San Francisco Stock Exchanges.

DIVIDEND NOTICES

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A semi-annual dividend of 65c per share on the Capital Stock, par value $13.50 per share, has been declared, payable June 30, 1949, to stockholders of record May 31, 1949.

THE UNITED GAS IMPROVEMENT CO.
JOHNS HOPKINS, Treasurer
April 26, 1949 Philadelphia, Pa.

TECHNICOLOR, INC.

The Board of Directors has declared a dividend of forty cents (40¢) a share on the Capital Stock of the Company, payable May 24, 1949 to stockholders of record at the close of business May 6, 1949.

L. G. CLARK, *Treasurer*
April 26, 1949

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a quarterly dividend of fifty cents ($.50) per share payable June 10, 1949 to holders of Common Stock of record May 27, 1949 who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

Holders of former stock issues of the Company entitled to issuance of Common Stock ($1.00 par) in exchange for their holdings will be paid this dividend when exchange is made.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

Edison

SOUTHERN CALIFORNIA EDISON COMPANY

Cumulative Preferred Stock, 4.88% Series Dividend No. 6
Original Preferred Stock Dividend No. 160
Cumulative Preferred Stock, 4.32% Series Dividend No. 9
Common Dividend No. 158
Preference Stock 4.48% Convertible Series Dividend No. 9
Preference Stock 4.56% Convertible Series Dividend No. 5

The Board of Directors has authorized the payment of the following quarterly dividends:

30½ cents per share on the Cumulative Preferred Stock, 4.88% Series, payable May 31, 1949, to stockholders of record May 5, 1949;

50 cents per share on the Original Preferred Stock, payable June 30, 1949, to stockholders of record June 5, 1949;

27 cents per share on the Cumulative Preferred Stock, 4.32% Series, payable June 30, 1949, to stockholders of record June 5, 1949;

50 cents per share on the Common Stock, payable July 31, 1949, to stockholders of record July 5, 1949;

28 cents per share on the Preference Stock, 4.48% Convertible Series, and 28½ cents per share on the Preference Stock, 4.56% Convertible Series, both payable July 31, 1949, to stockholders of record July 5, 1949.

O. V. SHOWERS, *Secretary*
April 15, 1949

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Within a few weeks the key members of the taxing committees of Congress will have to reach one of the toughest decisions of the year, which is whether to get behind legislation boosting taxes. At the present moment these Congressmen have begun to discuss the fiscal outlook for the Treasury year beginning July 1. From preliminary hints, that outlook looks like a deficit, although Senate Republicans, aided by some conservative Democrats, will probably make one last effort for economy.

Usually it is the House which is relatively economical in the volume of appropriations, and the Senate which is spendthrifty. However, the House has shown little of its customary attitude, so that if appropriations are to be cut it is the Senate which will have to do the job.

There is little hope that this effort in the Senate will achieve any noteworthy economy.

At the beginning of the year such key tax men as Chairmen George of the Senate Finance committee and Doughton of the Ways and Means committee, were hopeful that, as usual, the Treasury was guessing too high about prospective expenditures and too low about revenues.

With the passing of the inflation boom, there is little reliance that this wrong guessing will provide the fiscal elbow room which would make possible the avoidance of an increase in taxes.

So with the threat of a Treasury deficit for fiscal '50 staring them in the face, these tax leaders face an unhappy dilemma. On the one hand they want, if at all possible, to take action to prevent a deficit from developing next year. On the other hand, they are keenly aware, unlike the Administration, that a boost in any taxes at this time may bear down heavily upon the state of business.

For the moment the thought is that during May these leaders will seek all the information they can about the business outlook. If the outlook seems secure for the avoidance of a deep recession, they will then be disposed tentatively to favor a moderate rise in taxes.

If disposed tentatively to favor higher taxes, these tax men, it is believed, may well decide to postpone legislative action until 1950's Congressional session. If they postpone action until next January, they probably will adjourn with the unofficial commitment that when they return next winter it will be to act promptly on a tax bill and business will in effect be served with notice that next year its tax burdens will be increased.

On the other hand, if the tax leaders in Congress make up their minds that business is receding fast enough so that a moderate tax increase would not even provide for avoiding a deficit, they then might be expected to chuck the whole notion of increasing taxes in the immediate future, on the premise that if business is so bad a deficit is in sight any way and it would do no good to guarantee a still deeper slump in business by adding the burden of taxes to the economic situation.

The conservative leaders are helpless, of course, to effect economies in expenditures in view of the position of the Administration. The Administration has made so many commitments to the welfare state idea that it cannot be expected to dump some of these overboard for the sake of fiscal soundness.

If Congress enacts a boost in taxes this year, the tentative expectation is that it will be a "moderate" rise in the corporation income tax. It is estimated that for each additional percentage of corporation income nicked by the Treasury at current profit levels, the Treasury will get $300 million.

* * *

Some of the Congressmen most opposed to Agriculture Secretary Brannan's bold new scheme to subsidize farm income directly instead of indirectly through a complicated hocus pocus of loans, purchase agreements, soil conservation payments, and so on, privately concede one advantage of the plan.

They note that this scheme would avoid "double taxation" with respect to perishable crops. In the case of potatoes, for instance, the cost of potatoes to consumers is boosted by the higher price forced by the government when it buys and destroys potatoes. Yet the consumer as a taxpayer also has to finance this operation. Under the Brannan scheme, the only cost would be that of paying the potato farmer the difference between market price for his potatoes and his statutory level of income.

* * *

Little opposition has developed this year to the new World Wheat Agreement, and it looks for the present as though it will be ratified.

Last year the principal organized opposition came from the grain trade, which disliked the commitment that the agreement involved. This was an inferential commitment that the United States Government would, during the life of the agreement, dominate the grain business of the United States. This was inherent in the agreement, because it provided that the United States should sell specified amounts of grain at various prices regardless of market conditions. It would also have required the government to make sure that a supply of grain was on hand to sell during any possible time of shortage.

With the big Truman election victory, the grain trade does not have much influence with the Democratic majority, and the principal opposition to the Wheat Agreement has collapsed. Also, the 1949 version of the Agreement is a little easier on private business.

Under this agreement, the United States undertakes to supply grain at a loss at current market prices. The loss per bushel of wheat, if shipments were going out currently under the agreement, would be around 40 cents. This loss the Treasury would bear, although the taxpayer may be no worse off. Through price support operations or foreign aid, the government would probably take losses on the wheat surplus anyway.

* * *

The cost of advertising will not be boosted nearly as much as is threatened in the pending postal rate increase bill, in the legislation finally adopted.

Under the scheme recommended by the Postmaster General, the cost of mailing second class publications would be increased by an average of 300%. While some of this cost might be absorbed out of higher subscription prices for magazines, part might be absorbed out of profits, a great deal would have to be passed on to business in the form of higher advertising costs.

It was also proposed in the bill that third class rates be boosted so as to bring in a take of $65 million more a year, that penny post cards go up to 2 cents from 1 cent apiece, and that parcel post rates be boosted by an amount sufficient to bring in $46 million more per year.

Thus the cost of direct mail advertising, the cost of mailing merchandise, and penny cards for advertising and billing, would increase the cost of soliciting and doing business.

Congress feels that this is hardly the time to give business such a kick in the pants, and particularly to raise the cost of advertising and soliciting business. The final postal rate increase will be a great deal less than proposed by the Administration.

* * *

There is such a natural alliance behind the new military housing bill that the Administration may find itself hard put to stop the thing.

On the one hand the Armed Services want housing badly for military and civilian personnel at military stations remote from large cities. On the other hand, members of Congress with Army, Navy, and Air Force installations in their districts would like to have that housing constructed.

Yet is is out of the question to try to persuade Congress to kick in anywhere from a half billion to one and one-half billion dollars to the already expensive defense budget, to purchase this housing. Congress wouldn't go for it, and the Administration wouldn't go for it either. The Administration is interested through the public housing bill, in subsidizing housing in big urban centers, where it will have a big vote appeal. The Administration does not care very much to provide housing at many, though scattered military installations, in Congressional constituencies where its political usefulness is questionable.

So somebody cooked up a "natural." It was to shift the burden of this housing to the insurance fund of the Federal Housing Administration. Accordingly Senators Wherry of Nebraska, a Republican, and Maybank of South Carolina and Tydings of Maryland, Democrats, got behind the new "military housing bill." Tydings is Chairman of the Senate Armed Services Committee and Maybank is Chairman of the Banking Committee.

This bill simply amends FHA to create military housing insurance of rental properties on Federally-leased land at military reservations. A bank or insurance company would make the loans for the construction of the housing at the military reservations. Then, if next year or five years or any time hence, the military reservation was closed down, whether by order of the White House or an act of Congress, the primary lender would then turn the rental housing project, which promptly would be abandoned by its tenants, over to FHA to pay the loss.

Housing officials don't like this, and have been scratching their heads for some way trying to figure out how they can deny subsidized housing to military and civilian personnel at military installations while at the same time favoring heavy subsidies for rental housing in big urban centers.

(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

"Somehow the directors got wind of his ideas on market trends and strangely enough they're excellent!"

Blue Book Shows Less Banks—Deposits Rise

The first 1949 edition of Rand McNally Bankers Directory — The Blue Book—shows that the number of banks is decreasing, but that deposits, surplus, and loans are increasing.

During the last six months of 1948, there was a decline of 29 banks. These were made up of 19 state banks, 7 national banks and 3 private banks. In other words, the state banks are declining faster than the national banks. There are still 130 private banks. During the entire year of 1948 there was a decline of 122 banks.

These figures, however, do not mean that there are fewer banking offices. The number of branch offices, according to The Blue Book, has increased, and the total number of banking offices was greater at the end of the year than at the beginning. There were 19,524 banking offices of all types.

Deposits increased during the last six months of the year $5,941,900,000. Surplus and undivided profits increased a total of $320,268,000. Loans are up $3,183,294,000.

The investment portfolios also have changed. The total governments held decreased during the half-year $1,907,233,000. Other bonds and securities increased $770,852,000.