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England Under Devaluation

By A. WILFRED MAY

Mr. May notes devaluation represents international reversal to working man, undermining his confidence in Labor Government. Predicts, barring coming Conservative Election victory, controls will be increased.

LONDON, OCT. 5—The workman in this Welfare-State laboratory, perusing his newspaper's accounts of his country's *crises* while sunning himself on the beach at Brighton, has been typically reacting with the self-assured thought: "If this be crisis, by all means let's have more of it." Getting higher paychecks than ever before and for less work, he has been viewing his country's budgetary difficulties and balance-of-payments problems as academic, theoretical, and assuredly none of his concern. (Such apathy, of course, goes right to the root of the difficulty of keeping Welfare-Statism and the Spoils-system technique from election victories on both sides of the Atlantic.)

A. Wilfred May

Hence this correspondent was quite surprised over the results of his one-man opinion poll which

(Continued on page 39)

Contrasts of Near-term and Long-term Business Outlook

By LEWIS H. HANEY*

Professor of Economics, Graduate School of Business Administration, New York University

Dr. Haney forecasts favorable near-term business conditions and some further improvement in next three or four months. Says real business recession has been interrupted and although an upswing may be expected for year or two, many maladjustments remain to be corrected and inflation marches on. Therefore, he holds business at length may be caught between the devil of the "Welfare State" and deep blue sea of currency inflation.

To begin with, it can be said that business has in the last two months taken a turn for the better. August figures show this clearly. Not only did industrial production increase, but factory employment gained a little. Factory orders rose, notably those for machine tools and paper-board. Sensitive prices advanced including steel scrap and non-ferrous metals. Department store sales made a somewhat more than seasonal gain. Both stocks and bonds have recently risen.

Lewis Haney

Certainly one can say that there is more hope and somewhat greater confidence. The fear of war in the near future has been reduced. Radical Socialism appears to be losing out in this country and there is some reason for less fear that organized labor will dominate us.

Thus we may start our quest

(Continued on page 34)

*An address by Dr. Haney at the 34th Annual Meeting of the Federal Wholesale Druggists Association, Atlantic City, Oct. 5, 1949.

European Recovery and The American Economy

By LEWIS H. BROWN*

Chairman of the Board, Johns-Manville Corp.

Listing causes of unfavorable European situation as: (1) rise of socialism; (2) excessively high production costs; (3) disruptions of East-West trade; (4) loss of colonial trade, and (5) inability to sell more in Western Hemisphere because of latter's growing self-sufficiency, prominent U. S. industrialist proposes as remedies: (1) lower European production costs; (2) overhauling of our tariff system to permit larger European imports, and (3) lifting of European immigration barriers. Hails pound devaluation as good start.

Devaluation of the pound sterling and other currencies was an essential step forward toward more sound international trade and financial relations. But these things depend upon deeper factors. We should not feel that devaluation in itself is a cure. It was necessitated by hard facts. The most important of these, of course, was the growing imbalance between production costs in North America and Europe.

Lewis H. Brown

Following the war, the United States economy remained fundamentally one of private enterprise. We continued to increase productivity and reduce or at least hold down

(Continued on page 29)

*An address by Mr. Brown, before American Management Association Personnel Division Planning Council, New York City, Sept. 28, 1949.

EDITORIAL

As We See It

Some Current Fruits of New Deal and Fair Deal Statism

Several of the "liberal" candidates for office this year, notably Ex-Governor Lehman in New York State, and some who expect to be candidates next year have been of late screaming from the house tops that they will not permit allegations of "statism" to cause them to swerve from their headlong course. It is a fact that they do not appear dismayed by pointed attacks upon the soundness of their policies, their philosophies and their programs. Indeed it must with deep regret be admitted that in more than one instance those who make the charges do not seem much inclined to permit their allegations to prevent them from sponsoring programs deeply tinged with this same statism.

But, however all this may be, the thoughtful observer can scarcely fail to take careful and disturbing note of some of the current fruits of the statism which has for the past decade and a half pervaded the thinking and the actions of the Government at Washington and indeed in State and local seats. One of the most glaring of these examples is found in the current labor situation.

(Continued on page 34)

Deterrents to American Foreign Investment

By EUGENE HOLMAN*

President, Standard Oil Company (New Jersey)

Leading oil executive tells Congressional Committee of prospects and problems of American capital investments abroad. Cites experience of Standard Oil Company and lists as two most important deterrents: (1) increasing difficulty in trading among nations due to restrictions on convertibility of currencies; and (2) nationalistic tendency of some governments not to allow Americans or other foreigners to participate in domestic business. Expresses concern over worsening of investment climate abroad.

Jersey Standard is an American company which has engaged actively in business in the United States and in many other parts of the world for many years. Since the end of the war, Jersey Standard and its affiliates have spent for capital purposes amounts equivalent to approximately one and one-half billion dollars here and in foreign countries. On the basis of wide experience we recognize certain principles and influences affecting investments. Some of these factors are peculiar to oil. Our product, for example, is one requiring heavy capital outlay just to find. And its discovery is only the beginning of the need for capital investment. Many of the factors I shall mention, however, apply to all American enterprises conducting business at home or abroad.

Eugene Holman

Of course, the fundamental basis of investment is the making of profits. Profits both create and attract capital funds which are the source of investments.

It seems plain that economic well-being is directly dependent on the flow of capital funds. These funds make jobs for those who build productive equipment. They make jobs for those who operate the equipment and who distribute the products to consumers. And they give consumers more and better goods. Investment creates both goods and—no less important — the purchasing power to buy goods.

Investment Must Be Continuous

Investment—even in established businesses—must be relatively continuous. What are the reasons behind the need for a continuing flow of investment funds into our economy? There are many, among which I would name these as important:

(1) **The rise of consumer demand**—As populations grow and as living standards rise, consumer demand is increased. To keep pace with consumer demand calls for more capital investment with which additional productive capacity can be built.

This continuing need to meet rising consumer demand has been one of the main factors influencing my company's decisions to make unusually heavy investments for productive facilities in the recent past. Consumers in the United States, for example, want 86% more petroleum products now than they did in 1938. In areas where affiliates of our company operate abroad, they want 61% more.

(2) **The replacement of worn-out and obsolete equipment**—Even apart from the growth of consumer demand, there is a need for investment just to replace worn-out plants. It is a case of having to run just to stand still.

(3) **The insurance of adequate raw material supplies**—you are aware of the time, money, and effort required to find oil and get it into the hands of consumers. As oil from a given field is used up, new fields must be found. We know there is enough oil in the world for generations to come, but we would not consider ourselves as meeting our obligations unless we made every effort to continue to locate this oil.

(4) **The necessity to meet competition**—The American oil industry has been characterized by great technical vigor. Much as we would like to, we do not have all the good ideas in the business. When one of our competitors puts a new idea into practice, we often must make heavy investments to meet the new competition. Conversely, when we develop something new, our competitors must also invest to meet our advantage. This characteristic of American industry is not found to so high a degree anywhere else in the world. We believe it accounts largely for our nation's industrial leadership. The highly competitive nature of the oil industry is one of the great stimulants to its large capital outlays.

(5) **The need to provide new products or services developed by research**—Petroleum is a complex raw material. Our company is always looking for—and sometimes finds—useful new products which can be made economically from it. Large new sums must be invested to manufacture and distribute such a new product.

Oil Industry's Capital Expenditure

The oil industry in the post-war period has been engaged in the greatest capital expenditures program in its history. The magnitude of its undertakings is measured by the fact that from 1945 through 1949, the industry will have spent for additions to property, plant and equipment in the United States a total of over $11 billion, equal to about two-thirds of the industry's **entire gross investment** in this country at the end of 1944.

I gather that this committee is interested in the specific as well as the broad principles influencing investment policies, and I think it will be of interest to you gentlemen to have a description of some points considered by our Board when contemplating a possible investment. Many of these considerations apply to domestic investments. But, because I understand this Subcommittee is presently interested in the opinions of those companies active in foreign areas, I shall speak mainly of investment problems abroad.

Foreign investment by Jersey Standard and its affiliates, in some cases, involves placing dollar funds in a foreign affiliate. Such dollars, of course, eventually find their way back to the United States to pay for exports of American goods. In other cases, equipment may be purchased in this country and sent to the affiliate abroad. In still other instances, the affiliate may plow back its own earnings, or funds may be raised abroad either through loans or by selling stock to local investors. Often a combination of methods is used.

In the oil business, we must of necessity make large investments abroad. One reason is the nature of our supplies. Oil deposits have been placed by Nature in many sections of the globe, often far from the main centers of use. We have to invest money to find and produce from these scattered areas.

Not only in the producing end of the business but in refining also, the place of investment is affected by the location of crude supplies in relation to the markets for products. For example, as a result of rising European demand and the development of Middle East sources of crude, our affiliates are building increased refining capacity in Europe. Expanding United States refineries to supply these markets would be inefficient. It would mean bringing crude from Eastern Hemisphere sources, refining it, and shipping the products back to customers in Europe, Africa or Asia.

A good example of this kind of activity is the present refinery development at Fawley, England, by Anglo-American Oil Company, an affiliate of Jersey Standard. The Fawley refinery is presently undergoing expansion from its previous capacity of 18,000 barrels of crude per day, to 110,000 barrels. Jersey Standard and Anglo-American are jointly making a $150,000,000 investment in this refinery expansion.

Profits, Prime Consideration

The most obvious consideration for our Board in studying a prospective investment, of course, is whether it will make a profit.

This involves a large number of factors including the level of sales which seems likely for our products and getting paid for those sales. Of Jersey's total sales about half are made overseas. To a large extent, the oil sold overseas is produced and refined outside the United States. Consequently the problem of getting paid for oil sold abroad is vital to us. Today one of our main worries is caused by the difficulties—actual and prospective—in getting paid for our goods in currencies which we can use or which we can convert into useful funds.

This problem is not new but it has grown much worse during the past ten years or so, mainly because sterling is no longer convertible into dollars. Foreigners would like to buy from the United States generally far more than Americans are interested in buying from them. Because of the unbalance which results, foreign nations have set up a complex network of regulations. In most countries it is impossible for an American company to sell its goods freely, to arrange for payment freely, or to invest freely. Dividends from a foreign affiliate may often not be convertible to dollars or only in limited amount.

These exchange control regulations are strangling international trade. Their tendency is exactly the opposite of the sound ECA purpose to restore world economic health by stimulating and freeing the flow of goods. Not only is the well-being of a particular country lowered by today's operation of exchange controls, but the effects spread out to the rest of the world. Western European customers, for example, cannot import today as much petroleum as they would like because they cannot pay for it.

(Continued on page 25)

*Statement by Mr. Holman before the Investment Subcommittee of the Joint Committee on the Economic Report, Washington, D. C., Sept. 27, 1949.

INDEX

Articles and News

Regular Features

* See article on cover page.

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The Halsey, Stuart Case

Hearing examiner's recommendation by-passed by SEC. Opinion circumscribes trading in securities remaining in the inventory of members of a selling group at the expiration of a syndicate agreement. Muddies the distinctions between primary and secondary issues and is a bureaucratic substitution of business judgment in a field where the underwriters should control. Tends to undermine our system of free enterprise.

After considerable delay and contrary to the recommendation of the hearing examiner, the Securities and Exchange Commission recently filed its opinion in which Halsey, Stuart & Co. Inc., a prominent securities underwriting concern, is rebuked for market manipulation and the sale of bonds unaccompanied by prospectuses.

The nub and implications of the Commission's findings are that, **irrespective of the period of time that has elapsed** since the expiration of a syndicate agreement, the members of a syndicate and a selling group who are left with an inventory of the bonds must, if they choose to sell, do so via prospectuses and apprise their customers of the effect which their market activity is having upon the price of the securities.

Failure to do all this is determined to be in violation of certain pertinent fraud and anti-manipulation provisions of the Securities Acts of 1933 and 1934 and the SEC Rules promulgated thereunder.

It raises a serious question of when a primary becomes a secondary offering.

Here definitely is a set-up wherein the participants in an underwriting syndicate will be left holding the bag. This is no contribution to a free, unhampered and liquid market, nor will it promote the flow of capital into trade and industry.

It may be urged that underwriters can find refuge in contracting on a best efforts basis, but how about those issues wherein competitive bidding is mandatory?

The issue before the Commission was whether the purpose of trading in the syndicated bonds by Halsey, after the expiration of the underwriting, was to raise the price so as to induce others to buy and constituted a fraud.

Said the SEC:

"There is, of course, no subjective evidence of purpose to manipulate in this case and such purpose has been denied. But the facts of the case **raise a compelling inference** of motive to support or raise the market."

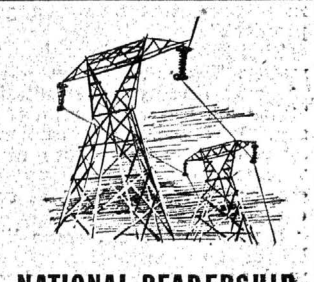
It would be difficult, for example, to reconcile this observation with the support of the market specifically authorized by the SEC in the Kaiser-Frazer offering as a primary issue.

Assuming the "compelling inference" is correct, is there anything wrong, anything criminal or fraudulent in these activities?

Since when has it become improper for business concerns to avoid losses by taking legal protective measures, by buying commodities or wares in which they have an interest when the prices are considered to be below their intrinsic values? Is the stabilization of such markets through the buying and selling operations of dealers to cease and are their economic functions to be nullified because such dealers seek to avoid losses or hope to gain profits?

Economists have universally ascribed to merchants and dealers a price stabilizing function, whereby through their operations, they prevent disturbances in the balance or

(Continued on page 27)



How the Salesman Should Analyze Himself

By KELSO SUTTON*

Stressing value of self-analysis in salesmanship, Mr. Sutton recommends salesmen gain knowledge of their strong and weak points. Demonstrates ways of adjusting one's self to selling career and urges salesman consider himself equal to his customer and overcome timidity. Stresses real selling begins with opposition of buyer, and a steady and persistent performance is required of salesman. Holds salesman must have sincerity in his work, remain cheerful, and forget bad treatment and "turn downs." Outlines personality requirements in salesmanship.

We are going to continue with our discussion of the most important factor in selling, the salesman, himself. Everything in selling begins and ends with the salesman's own effort and ability. We are going to discuss, in a very practical way, some of the things that a salesman can do to help himself sell securities.

Kelso Sutton

The first point is that any salesman should learn while he is selling. You are attending a school here that is concentrated on the discussion of sales principles, but you can probably learn more out and about on the job every day if you maintain a perspective to analyze how you do on calls.

Unless you do that you won't improve your own methods of sales work. You may have made a call and feel that you did a particularly good job. You not only made a sale but you feel that you have made a very close contact that will continue.

Now, that doesn't always happen with every call you make, so afterward you should reflect, and say to yourself, "Just how did I happen to do so well in this case? Just what did I do?"

If you will stop for just a few minutes, after you have made that kind of a call, and just jot down somewhere the fact that you made a particular selling point which you believe impressed the prospect. Maybe that point was the turning point of the whole solicitation.

"This point went over well with that buyer maybe it's something for me to remember and use as I go along, in other places."

Maybe you made a different kind of an approach to the chap, and it impressed him very much.

All right, that is on the good side. But suppose you made a call and you did not do so well. You lost the order. Well, you should analyze, just the same as in the first case: "Did I do my prospecting incorrectly? Maybe I never should have called on that man. My error may have been in thinking that he was a good prospect."

That is one place to analyze the matter. The other place would be in analyzing your solicitation, "What did I say, or what didn't I say? Was there any particular statement I made that hit him altogether wrong and just put me out, as far as that call was concerned?"

If you would spend just a little bit of time in analyzing your work as you go along, from day to day, then you will gain from that daily study certain points that will help you in your work. Don't be like the salesman, who, after selling for ten years, is no more efficient in his selling work than the day he started.

Know Something About Yourself

The next point is that if you are going to work with people you've got to know something about yourself. A salesman must know his own strong points, and he also has to know his weak points.

Just consider for a moment and ask yourselves whether you have ever made a "balance sheet" of yourselves, as far as selling activities are concerned. What can you put down on the asset side and what, very frankly, should you put down on the liability side.

If you know precisely what your strong points are then you will have a better objective point of view to cash in on. Suppose you know, for instance, that as far as knowledge of finance and of securities in the market, and that sort of thing is concerned, that you are really good. You have had a good educational background and the company you worked for really put you through the paces in learning that material, and you've got it all over some other fellows. Now, if that is one of your strong points, you certainly should go overboard in using it in your solicitations. Talk in such a way that the person you are selling will immediately know that you are pretty much of an expert as far as this subject is concerned.

On the other hand, if you have a very strong point as far as persuasive conversation is concerned, know that point, and use it.

On the liability side of the balance sheet, just look over what you have written down there. Maybe you have a poor approach. You don't know how to come into a fellow's office and shake hands with him and start the conversation going, or you don't know just where to sit, or something like that. Well, if that is where you are weak, put a little work into that, or go and ask your boss about it. Tell him frankly, "I feel that I am doing all right, but here is a week point that I have hit. I wonder if you have observed enough about my work around here to help me out a little on it."

A lot of salesmen have too much pride to go to their boss for help. After all, that's what he is getting paid for. He has had more experience than you have had, and there is no reason in the world why you shouldn't use the boss, in a selfish way, to help yourself.

Sometimes the sales manager won't bring up subjects like that. He wants to, but he feels that if he does the salesmen may not take it the right way. But if you will go to him very frankly and ask him about a certain point you might find out that he will give a great deal of help on it.

If you have too many points on the liability side of the balance sheet, consider that a person is a free agent and he can direct his own way in life, that success depends mostly upon will power and hard work. If you really want to be successful as a salesman, if you put enough hard work into it, and if you have used your will power to overcome your weak points and capitalize on your strong points, you are going to improve in your work from day to day.

This business of knowing yourself, as a salesman, if you don't know yourself, and if you can not control your own operations, your own life, how in the world do you ever expect to control a buyer? Or, if you should be in a management position, how could you ever expect to control other people? You can't do it.

A man out in a particular district, or handling a certain number of accounts, if he can not learn to control himself and to control that operation, his boss certainly is not going to expand his responsibilities.

So, one important point, as far as the salesman is concerned in his preparation to move to a higher position in the selling field, is to know your own assets. Know how you can control yourself so that you can control other people, in order to have them do what you want them to do, namely, to buy what you have to sell them.

Adjustment to Selling Career

We are going to continue with this discussioin of the salesman, himself, by taking up certain points on the subject of the adjustment of a man to the career of selling. You remember we talked about the aches and pains of the job, and the fact that it was not too easy. A lot of men quit this job too early. They quit it before they give themselves a good chance to become successful.

I'm going to talk for a few minutes about certain mental adjustments that a salesman can make that will have a direct bearing upon his day-to-day work. The first one is that you must respect the profession of selling. You must feel that you are doing good work in the field of business and economics by engaging in this business of going out and getting people to buy things.

Functional Value of Salesman

I don't have time to go into some of the particular reasons why you should feel that selling demands the respect of everyone in this country. I'll just give one illustration.

On my way over here, I passed a little store a few blocks away which was having a sale for ten days. Everything in the window was on sale, and among the items on display in the window was a radio-phonograph unit, a big job. Well, that merchandise has been on sale, or is going to be on sale for ten days, and that particular radio looked to me as if it had been neglected for years. It was dusty and the doors looked as if they would come right off if you tried to open them. Yet you could see that this radio had not had a great deal of use or knocking around or anything of that sort. It was just a piece of inventory that had never been sold.

It was pathetic to see it standing there, because this piece is a good year old now and I doubt whether that retailer is ever going to get somebody to buy it as long as a person can get a newer model.

At the same time, it has functional value and for all the time that thing has been sitting around his store as a dead inventory item it could have been in some home bringing a certain amount of pleasure to people. But it wasn't doing that, and the reason it wasn't is that the function of selling had never operated on that particular product.

It is the sale of an item that brings the use-value to that item. After a thing is sold to the person who is going to use it, then it has use-value. Until that takes place, it has none.

So, the salesman is valuable to

(Continued on page 22)

*Stenographic report of lecture given by Mr. Sutton, third in series on Investment Salesmanship sponsored by the Investment Association of New York, New York City, Sept. 29, 1949.

Will Sterling Devaluation Take Britain Off Our Back?

By JOSEPH STAGG LAWRENCE*

Vice-President, Empire Trust Co., New York

Bank economist, contending far-reaching effects of sterling devaluation will not be apparent for six months or year, says move was inevitable, and resulted from British deficit financing and efforts to thrive on red ink. Cites as causes of Britain's economic plight: (1) loss of capital; (2) socialism; (3) loss of competitive incentives; (4) loss of technical skill; and (5) over-valuation of British currency. Applauds devaluation as means of getting "British off our backs."

The event of overriding importance which has occurred during the last month is the devaluation of the British pound. This has far-reaching effects on the American and world economies which will not be fully apparent for six months or a year. It will have some bearing on the business of every community in this country. Insofar as it affects the outlook for business, it should be weighed carefully by every member of this group.

Jos. Stagg Lawrence

Let me describe the event and ask the obvious questions.

On the evening of Sept. 18 Sir Stafford Cripps, the British Chancellor of the Exchequer, stood before the mother of all Parliaments and made a statement whose full meaning only those steeped in the history of nations could appreciate. He confessed that Great Britain could no longer play under the prevailing rules of international trade. The going had become too tough. It was more than the British Empire — what was left of it—could bear. The terms of trade, the basis on which nations dealt with each other, would have to be changed in favor of Great Britain.

The bare bones of the statement are no longer news. The British pound was officially devalued. The verdict of the open market, i. e., that sterling was not worth \$4.03 in American money; that, in fact, it was worth less than \$3.00, was finally recognized. This was accomplished by an official reduction in the nominal gold content of the pound. Prior to the Cripps announcement, each ounce of gold contained approximately 8.7 pounds sterling. After the announcement, each ounce of gold contained 12.5 pounds. Since each ounce, in turn, was worth \$35 at the American Treasury, this meant that the pound would henceforth have an American money equivalent of \$2.80. This was a deliberate devaluation of 30½%.

Why Devaluation

Why did this happen and what will be the effects?

This official action was merely a recognition by the British Government of a decline in the value of its money which had, in fact, long since taken place. It was the result of an internal depreciation which the state could no longer conceal or deny. Such internal depreciation in England, as in every other country where it has taken place, is the result of a great increase in the supply of money. It does not matter whether this increase takes place under the leadership of a John Law or a Stafford Cripps. When the supply of money becomes excessive its value declines in the same way that the value of wheat falls when there is too much of it.

England is the home of deficit financing. The great apostle of living-on-debt and flourishing-on-red-ink, John Maynard Keynes, was a distinguished Englishman. He sold his seductive theories on both sides of the Atlantic. With more wealth, greater vitality and youth, we have not yet succumbed. In the case of England, economic senility and the poison of socialism have aggregated a degenerative process marked by definite symptoms.

(1) England has lost the patrimony which a century of vital Englishmen, after the Napoleonic Wars, had accumulated. At the outbreak of the First World War, England had overseas investments aggregating \$20 billion, on which she had an annual income of \$1.5 billion. This income, plus the income from shipping, banking and insurance, paid for the difference between what she bought and sold and left a comfortable margin for reinvestment. The income has been lost because the capital yielding it has been consumed. The need for the income remains.

(2) The urge for paradise on earth, i.e., socialism, has removed from English life that discipline which forces men to do their best. The weak are protected. Their food and security no longer depend on their efforts. The able get no dividends for their foresight, energy and abstinence. The tax returns for 1948 show that only 70 Britons have an income, after taxes, of more than \$24,000. Savings have practically ceased. In 1948 only 6 million pounds of net savings remained, after capital taxes, out of total personal expendable income of 8.224 million sterling, less than 1/10 of 1%. In a healthy society such savings amount to not less than 10%, and at times to as much as 20% of total income.

(3) The lack of competition and the passion for security and stability have caused English costs of production to move sharply upward. Prices have become so high that English goods find the going tough, not only in foreign markets but even at home. Before the war a standard council house in England cost the average worker the wages (after taxes) of 112 weeks. Now that same house takes the wages of 213 weeks. As long as a seller's market prevailed, these high costs did not bar full production. This has changed. Buyers can pick and choose and they go where they can buy cheap. This is not England.

(4) The English businessman has been practicing feather-bedding on a national scale for a half century. There are no anti-trust laws in Great Britain. Industries are "organized," with market allocated and prices fixed to permit the least efficient to survive. Newcomers are discouraged. Technology has been dragging its feet. There are exceptions, of course. But note: The average shovel used in English strip mining is a three-quarter yard shovel. In this country it is an eight-yard shovel.

(5) Currency-wise, the English have been living in a world of make-believe since the end of the

(Continued on page 20)

*A paper by Dr. Lawrence read at the Consumer Bankers Association Convention, Edgewater Park, Miss.

The State of Trade and Industry

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

Total industrial production for the country at large hampered by labor-management disputes dropped fractionally last week and continued to be somewhat below the high level of a year ago.

The impending steel strike was yet to deliver its deadly blow to much of the nation's productive effort and hence was not reflected in any great drop in the past week's total output.

The effects of a two-week-old coal strike involving close to 380,000 men who mine the greater bulk of the nation's industrial coal and the strike called last Friday at midnight by half a million steel workers, forcing the closing of the country's steel and iron mills from coast to coast, cannot fail to seriously disrupt the nation's economy.

In the week ended Sept. 10, total claims for unemployment insurance dropped 8%, but continued to be noticeably above the similar 1948 level, while initial claims declined almost 9% to the lowest level since November, 1948. This was the fifth consecutive drop in initial claims.

However, in two weeks the picture has undergone considerable change what with the nation now confronted with two major strikes in two basic industries. The return to work on last Monday of some 80,000 anthracite miners and some 22,000 soft coal workers was not without its good effect on the nation's householder, but in the overall picture, the situation continues very serious.

According to press reports, the coal strike has cost miners $30,000,000 in wages. Companies have lost $100,000,000 in sales and the nation's coal-carrying railroads have laid off about 35,000 employees.

Based on the weekly earnings of steel workers averaging $66 a week and approximately $70 for coal miners, reports place the loss in wages alone at approximately $61,000,000 a week, while losses in coal that would have been sold already are estimated at more than $100,000,000.

The Pennsylvania Railroad reports that it has lost $11,000,000 in revenue already during the two-week coal shutdown. It estimates that the steel strike will result in a $10,000,000 revenue loss if it lasts a month.

Computed in dollars and cents the loss to other industries, consumers, stockholders and workers is difficult to determine.

* * *

Almost all types of consumer credit continued to expand during August, the Federal Reserve Board reported.

On Aug. 31, consumers owed $16,452,000,000 on instalment sales, charge accounts, service advances and loans for retail buying. This was an increase of $265,000,000 from the previous month and $1,636,000,000 over a year ago.

Total instalment credit hit a new high for the postwar period of $9,613,000,000, up $282,000,000 for the month and up $1,641,000,000 for the year ended Aug. 31.

Instalment sales accounted for most of the rise over July and last year.

Charge accounts were the only form of consumer credit which dropped during the month. They totaled $3,064,000,000, down $59,000,000 from July to August and down $66,000,000 from a year ago.

* * *

STEEL OPERATIONS FOR CURRENT WEEK OFF 90.3% AS A RESULT OF NATION-WIDE STEEL STRIKE

This week Phillip Murray and John L. Lewis have a double strangle hold on the nation's economy, and, states "The Iron Age," national metalworking weekly, in its current release, even if one of them relinquishes his hold the other can still bring the wheels of industry to a grinding halt by choking their lifeline—steel. The next 30 days will be critical, this trade authority notes, unless both the strikes in steel and coal are settled and only a miracle can prevent serious dislocation of the nation's economy—this at a time when it had just emerged from a critical adjustment period in a healthy state.

Settlement of the steel strike alone would only provide a breather. Lack of coal would eventually throttle the industry. The steel strike has already idled about 500,000 men. Mr. Murray has threatened to call a strike of another 500,000 workers in steel fabrication and processing plants as their contracts expire, if the strike in basic steel isn't settled to his satisfaction.

This would be like shooting a dead horse, since most of these plants will already be closed for lack of steel by the time their labor contracts run out early next month, the trade paper points out.

(Continued on page 33)

Gloomy Foreign Trade Prospects

By LOUIS WARE*

President, International Minerals & Chemical Corporation

Predicting foreign trade will play smaller role in America's business than in past, large chemical concern executive points to unstable conditions abroad, socialization of industries, and inability of foreign producers to compete with U. S. producers, as creating abnormal foreign trade situation. Says activities of ECA has hurt some American industries and opposes tariff changes. Hold devaluation will have little effect on U. S. imports and decries putting "guarantees" on capital invested abroad.

The subject which has been assigned today, "Meeting the Return to Normal Economy," would indicate that there is some degree of optimism in this organization. The word "normal" is a good word, we like it, and most often it carries the thought of the good old days or some period when conditions were pleasant. However, the world is continuously changing and that is true especially of business economy when one considers the recent war and the great economic political and social upheaval that has occurred during recent years. I think we all agree that if we are to return to normal, that "normal" is not likely to be at all like the one we formerly knew. So, at the start we must agree that this title is one not well defined and we are not at all certain as to the time we will return to this indefinitely described condition. I hope I will not be considered too pessimistic if I say at the very beginning, that in my opinion, it will be so different, and so indefinite, that it could best be stated by saying I don't think we are ever going to return.

Louis Ware

The investment people, mortgage bankers and insurance executives are quite well aware of the many recent changes that have taken place that effect today's business economy. Before and during the past war there have been great economic adjustments, the growth of trade unionism has been rapid and the governments of most all nations have embarked on some form of socialistic planning. Thus, the regular change that always goes on, has been greatly accelerated during recent years. When one considers business from the foreign trade viewpoint, that has been even more true and the import-export business of today is on a quite uncertain basis.

I have just returned from a trip to Europe, during which I visited Italy, Greece, France, Switzerland, Germany and Belgium. Two years ago, I was in Europe, at that time visiting Norway, Sweden, Denmark, England, France and Switzerland. After this summer's visit, I can say there is one phase of foreign relations that is back to normal and that is "TOUR-ISM." There were many American businessmen in Europe this summer and there were bus loads of school teachers, college students and the usual tourist traffic. This is one very healthy import-export business, with promise of continuous growth. It is one we need, as the visits of our people to foreign lands and their traveling here, all help toward better understanding and the future solution of the many mutual problems. I think all men responsible for large businesses should go abroad and study the economic changes and conditions there. Americans are welcome in Europe and are treated most friendly. Travel conditions are good and getting better, and above all, they like the dollar credits. It is a healthy business; the traveling Americans leave the dollars and the only thing they take out of the country is usually some poor souvenirs and bum snapshots.

I find when one returns from Europe or some such place and meets a friend here, most often, upon learning you have been abroad, he will ask: "How's things over there?" I usually answer by saying: "Things are bad." That short report will most always suffice and the subject is immediately switched to matters more nearly at home. I realize, however, such a terse remark will hardly do for this meeting and we must get along to the more serious discussion of foreign business as I see it. This can be only one businessman's report, and it must be recognized there is much difference of opinion today.

Out here in the Midwest, we are suspected of living in an atmosphere of Nationalism and fail to give fair consideration to the many International complex problems that exist today. I think that is somewhat unfair and perhaps exaggerated. We might be forgiven if we feel a little closer to the more solid American viewpoint. I try hard to be an Internationalist, but as I travel about today, I usually come home with even more pride in being a citizen of this great nation. We all recognize we now have new obligations and great responsibilities in International affairs, but I think we can do that and still hold on to a good degree of Midwest Nationalism. We must, above all, keep our own country good and healthy and strong if we are to be of help to other nations and the general world economy.

Abnormal Factors Affecting Foreign Trade

There have been many abnormal factors affecting foreign trade during the recent years and which will continue for some time in the future. To begin with, the world is not at peace and we have heavy military commitments both in Europe and elsewhere that will continue for many years. We have the task of maintaining large and expensive military establishments at home. Much of Europe and other parts of the world have suffered destruction and are going through years of rebuilding. After the first World War, we made large loans to help other nations and most of these were later unpaid and cancelled. In this war, we first had Lend-Lease which has totaled to date over 50 billion dollars. After the war there was UNRRA, the Interim Aid, and now military aid and the European Recovery Program. We have bought large quantities of gold so that our hoard, today is the largest held by any nation in history. There is the Import-Export Bank, the World Bank and other International monetary funds, the United Nations has been established and there are many other changes that have affected International affairs. New trade barriers and the bi-lateral trade agreements have developed to a greater extent than before. Currency controls have been established and the freedom of world commerce that we would like to see just doesn't exist.

All of the foregoing, which involved the outpouring of large dollar credits to many nations of the world, has been necessary to give a near balance to our foreign trade. In other words, if the

(Continued on page 26)

*An address by Mr. Ware before the Mortgage Bankers Association Convention, Chicago, Ill., Sept. 20, 1949.

Should Rails Be Subject to Starvation Regulation?

By F. A. DAWSON*
Vice-President, New York Central Railroad

Reciting financial difficulties of the railroads, Mr. Dawson ascribes them largely to regulation, merely for sake of regulation and not for accomplishing constructive results. Points to low earnings of rails in comparison with other industries, and contends, because rails are now subject to competition of other transportation facilities, there is no logical reason for over-regulating them. Says rail service could be improved if fair returns could be assured them.

It undoubtedly is not news to you that, this year, while the railroads are still rolling, they are not rolling in money. Many of us, particularly in the east, have been having difficulty in "breaking even." Great additional problems have been imposed by the unavoidable inauguration Sept. 1 of the 40-hour week with virtually 48 hours' pay for all non-operating employees. This affects four railroad employees out of every five, or a total, nationally, of nearly one million employees.

Fred A. Dawson

It is true also that additional freight rate increases became effective Sept. 1. The estimates of the Interstate Commerce Commission are that the increased freight rates will bring in about $293 million, whereas the 40-hour week, even at today's reduced levels of employment, will cost about $398 million. Thus by the ICC's own figures these increased rates will fall more than $100 million short of covering the financial gap imposed by the 40-hour week — and at a time when most railroads already were finding difficulty in merely breaking even.

Virtually all of you had gone to the five-day week long before—even in the continuous process industries such as steel and chemicals. Thus the five-day week had become inevitable in the railroad industry. But at the same time, the suddenness with which the change had to be made, in conformance with the recommendations of a presidential emergency board, makes the switchover quite severe and quite expensive.

Your industries had three years to absorb the change, going from 48 to 44, then to 42, and finally to 40 hours, in successive years. Those also were years when, by and large, industry was not working even 40 hours. In contrast, the entire burden of adjusting from 48 to 40 hours has fallen upon us in one fell swoop, and the financial impact also is accentuated by the fact that, dollarwise, wage rates have become much higher in the interim.

Effect of 40-Hour Week

The required change means, for example, that our rates for shop work have been forced up approximately 26% in less than a year. During that time, the average of railroad freight rates, however, has increased only slightly above 9%. Frankly, it pains us just as much as it pains you when our rates must be increased. But that is one of the prices which must be paid because of the fact that the railroads have become an over-regulated industry . . . over-regulated in the wages they must pay; over-regulated in their ability to properly price their services; over-regulated in being required to continue unprofitable, unneeded operations . . . over-regulated in all respects.

With these newest increases, are railroad freight rates too high? We are, of course, regularly told that they are. In some cases, they may be, and in that connection and speaking for the Central, I would like to say that we are not insensible to doing the common sense thing. It is our policy to explore all situations where the net effect of a change will be beneficial to revenues, and we are actively proceeding with such explorations.

But I do not believe that the general level of railroad rates is too high. I know that rates are not too high, in terms of railroad earnings, whether looked at by themselves or in relation to the much-higher earnings of other industries. And I know they are not, in terms of the value of the goods transported. For example:

Interstate Commerce Commission figures show that in 1939, railroad freight revenues represented slightly under 8½% of the wholesale value at destination of all commodities transported by rail. But even wtih the newest rate increases, this ratio will be only about 6% of the wholesale value, or considerably below any prewar year for which calculations have been made.

To state it another way: wholesale prices in July, the latest month for which figures are available, were 99% above the year 1939, but even including the effect of the newest increases, the railroad revenue per ton-mile will be less than 41% above 1939. In other words, the increase in wholesale prices in the last ten years is about 2½ times as much as the increase in the railroads' ton-mile revenues. I think, therefore, that the increases in freight rates have been extremely reasonable; I know that they have been absolutely essential.

Rail Profits Low

Are railroad profits too high, on the average? No, they definitely are not. There are several ways to figure the profit percentage.

One way, often used by industry in general, is to compare your profit—or call it net income if you prefer—with your total business volume, which commonly is called total or gross, sales or revenues. On this basis, the nation's Class I railroads made only 3.9% for the seven months ending July 31. The eastern railroads, who have been hit by heavy increases in terminal expenses and other factors, made only 2.2% for the seven months ended with July.

The limitation of the method of comparing your net income with the dollar volume of your business to obtain a profit percentage is that, as far as the railroads are concerned, it does not reflect the heavy investment in plant and rolling stock required to do that business. This investment in capital equipment must be much larger, comparatively, for the railroads than for industry in general.

A better method, which is used for railroad purposes, is to compare the net railway operating income with the depreciated property investment. Net railway operating income is not profit, of course, but is a figure before fixed charges, leased line rentals, and the like. On this basis, the railroad's rate of return for the seven months ending July 31 was only 2.6%, and for the eastern railroads, it was only 2.4%.

There is still another method of calculating the profit percentage. This method is to compare profit with book net assets. This method tends to over-state the true profit percentage, in these times, because the amounts at which assets are carried on many companies' books are far below present-day values. On the other hand, this method is perfectly valid as a rough guide for comparing the differences in profits made by different types of industries. The National City Bank of New York makes regular tabulations on this particular basis. The bank's last available tabulation showed the following profit percentages for 1948:

Mining and quarrying, 20.5%; manufacturing, 18.9%; trade, 18.1%; amusements, services, etc., 10.5%; electric power, gas, etc., 9%; telephone and telegraph, 7.3%; the total of regulated public utilities 8.4%; and of course, at the bottom of the list, the railroads at 5.4%.

In other words, mining and quarrying showed nearly four times the profit percentage last year as did the railroads; manufacturing as a group showed more than three times the profit; trade also showed more than three times the profit; and even the regulated public utilities showed more than half-again as much profit. The newest poll of national public opinion of the railroad industry shows that although the average person mistakenly believes the railroads are making about 10%, the average person likewise believes that they are entitled to about 8%.

Rails Over-Regulated

Once again, I can come only to the conclusion that the railroads are over-regulated, and that in many respects, they are being regulated today for the sake of regulation, rather than for the sake of accomplishing anything constructive by such regulation.

Please get me right: I am not complaining about your profits, for profits make the wheels go round. But I am concerned about the unrealistically low level of the railroad industry's profits — for we must have a fair level of profits to make the wheels go around . . . in your service. The same principles of sound business which apply to other industries apply with equal force to the railroads. That is why the railroad industry urgently requires a substantially higher average annual return in order to continue to progress and fully serve your needs. It is only through a fair return of at least 6% on our depreciated property investment that we can obtain the funds necessary to constantly increase our efficiency, and thus keep our rates relatively low.

Over the years, increased investment in the railroads has reduced the cost of producing transportation far more than the charges upon the additional capital invested. From 1911 through 1948, the investment of the Class One railroads increased by 101%, while their output of units of freight service increased by 156%. Thus, the increase in service output was half again as much as the increase in investments.

In the same way, the railroad investments of today, and the savings they make possible, determine largely the railroad rates of

(Continued on page 20)

*An address by Mr. Dawson before the New England Shippers Advisory Board, Bretton Woods, N. H., Sept. 29, 1949.

Greenewalt Defends Big Business

President of du Pont Company tells National Press Club big business is not inimical to public interest and that growth of an industrial enterprise indicates success in pleasing three groups: its customers; its employees; and its stockholders.

Addressing the National Press Club in Washington on Sept. 29, Crawford H. Greenewalt, President of E. I. du Pont de Nemours & Co., defended large businesses as being in the public interest, and denied huge industrial corporations, particularly the E. I. du Pont de Nemours & Co., were stifling competition by absorbing it. In the opening portion of his address, Mr. Greenewalt stated:

C. H. Greenewalt

"I think we can all get together on the desire for economic progress. We all want a stronger America—a more prosperous America—an even better place in which to live. We have won for ourselves the highest living standard in the world, and the benefits of our economy are spread among all our people, perhaps not so widely as we would like, but nevertheless more widely than in any other country.

"As a nation we are not content to stay put. We are eager to push ahead—to reach ever higher—to spread the benefits of our productive genius ever farther.

"The quarrel comes not in what we want to accomplish but how best we can get at it.

"That is where the problem of bigness in business first rears its head. We have big business—we have always had it.

"But many people now seem to regard big business as in some way inimical to the public interest. They look upon large corporations as 'monopolies,' 'concentrations of economic power,' selfish and heartless, seeking economic aggrandizement for themselves at the expense of the rest of the people. Believing that, it is a natural consequence to favor the use of political power to restrict corporate activities, to bring their operations under the control of the government, and in some cases to break them up.

"Any one who has studied the economic problems of the nation must know that these premises are wrong. A business, whether it be big or little, to be successful must serve the public interest; and if a business grows it does so because the quality and price of its products win public confidence. Its ultimate size is then dictated only by the aggregate demand of its satisfied customers. There is a clear difference between protecting competition and protecting competitors, and true and lasting economic progress lies in encouraging the most efficient producers so that all people may have more and better things for their money.

"Actually growth in an industrial enterprise has only one connotation—and that is success in pleasing three groups of people—its customers, its employees, and its stockholders. That is no easy task. The record also shows that there is nothing static in that success once it is achieved. If you will look at the lists of the largest industrial corporations in this country year by year since the beginning of the century you will see that success in business, as in any other endeavor, is indeed a fugitive thing. Most of us have forgotten that some of the leaders of a generation ago ever existed, and that is because the decision that led to their downfall or shrinkage was taken, not by government, but by the most powerful body in this country—the customers with dollars in their hot hands searching eternally for lower costs and better quality.

"The du Pont Company is successful and it is big, and in saying that I am merely reciting cause and effect. Those of us who are responsible for its management are thoroughly and painfully aware that that success comes about through public acceptance of the goods and services we offer. Should we ever fail in maintaining that acceptance, we will lose business and someone else will gain it. And that, gentlemen, will bring about a breakup of what has been called the 'du Pont industrial empire' far more quickly and far more devastating than any outside attack."

Heavy Enrollment In Inv. Banking Course

CHICAGO, ILL. — Thirty-two employees of Chicago investment banking houses and commercial banks have enrolled for the eighth training course in fundamentals of investment banking, sponsored by the Central States Group of the Investment Bankers Association of America in cooperation with the School of Commerce of Northwestern University. The course will be taught by Warren Browne, Assistant Professor of Finance, under the supervision of Harold W. Torgerson, Acting Chairman, Department of Finance, Northwestern University. The class is designed to provide a broad perspective and intensive training in the basic fundamentals of investment banking to enable inexperienced men better to coordinate theory with on-the-job training and practical field experience. The class meets for three two-hour sessions for 21 weeks, until March 17, 1950.

More than 200 employees of member houses in Chicago have enrolled in these courses since their inception shortly after World War II, according to David J. Harris, Sills, Fairman & Harris, Inc., Chairman of the Central States Group Education Committee. Members of the I. B. A. who have employees enrolled in the present course are:

I. B. A Member	Number of Registrants
A. C. Allyn & Co., Inc.	4
Ames, Emerich & Co., Inc.	1
Bacon, Whipple & Co.	1
A. G. Becker & Co., Inc.	1
William Blair & Co.	1
Blunt Ellis & Simmons	1
Central Republic Co.	1
Coffin & Burr, Inc.	1
Continental Illinois National Bank and Trust Co.	1
The First National Bank of Chicago	1
Harris, Hall & Co.	2
Harris Trust and Savings Bank	1
Hornblower & Weeks	3
Kebbon, McCormick & Co.	1
Kidder, Peabody & Co.	2
Lee Higginson Corporation	1
Merrill Lynch, Pierce, Fenner & Beane	2
Mullaney, Wells & Co.	1
Paine, Webber, Jackson & Curtis	3
Shields & Company	1
H. C. Speer & Sons Co.	1
The White-Phillips Co.	1

Similar courses have been given by more than 20 leading universities in various sections of the country, and the National Education Committee of the I. B. A. expects that such courses will again be made available this year to member firms in the various other financial centers of the nation.

Frank E. Adams Opens

COLUMBUS, OHIO—Frank E. Adams will engage in a securities business from offices at 22 East Gay Street.

From Washington Ahead of the News

By CARLISLE BARGERON

A half million steelworkers went on strike over the weekend. For what? For increased wages so that their babies could have milk? So that their wives could have better than flimsy garments? So that they could have food, as John L. Lewis once dramatically put it, for their shrinking bellies? No!

Carlisle Bargeron

It was none of these things. As a matter of fact they went on strike for nothing that would give any immediate benefit or any benefit in the distant future to 90% of them. It is a most unusual strike, indeed. Heretofore men have gone on strike for a 10% increase, an immediate benefit. They have suffered tremendous privations to get this, they have lived on soup lines, their wives have suckled the youngsters closer to their breasts, they have pawned their furniture and gone into debt and occasionally after weeks or months of privation gotten a similarity of their demands.

But when the steelworkers went on strike there was nothing they could immediately gain. No increase in wages to wipe out after a year or so the loss in wages they suffered.

I have talked with many old time labor leaders, men who, as they approach their graves, question what all their fight has been about, question whether, when the time and the wages lost in a long strike are figured, the organized workers have ever gained a thing.

But in this instance, there is no possibility of their gaining a thing; well, not more than 3% of those who went on strike.

No pension plan can possibly affect more than a very small percentage of the workers at this time. Next year, some other workers, of course, and next year some others after that. But for half a million workers to go out on strike now for something that might benefit them in later years, against the more immediate earnings they will lose, completely defies the understanding.

Frankly if the proposition were put to me in one of these mass industry plants as to whether I wanted to participate in a contributory pension plan or have the company pay it all, I should prefer the first. Because in this instance, a trust fund would have to be set up and in the event the company for which I was working went bankrupt, this fund would be inviolate. I would have my stake in it.

The question of whether I got a pension at my retirement age would not rest upon the solvency of my employer at the time. It would not rest upon his whim or whether the union had been able to maintain a contract with him that long. It would rest upon the money I had paid in and the money he had been required to lay aside.

I suppose United States Steel will be with us for a long time. But it could run upon depression days and for one reason or another, the union could cease to have its hold. Then United States Steel could very easily say that pensions must be suspended on account of things.

The point here is that the workers of Steel, in my opinion, would be much better off with a contributory plan.

Be that as it may, they went on strike for a noncontributory plan. They stand everything to lose, nothing to gain. A capitulation on the part of Steel would mean what? Not a penny increase to partly compensate for the days or the weeks and weeks of wages lost on the part of the workers. To the overwhelming majority of the strikers, it means something 10 or 15 or 20 years from now. And this inevitably would have been worked out in a year or so.

Probably not in all the history of organized labor has there been a crazier strike.

Then why did it come about? We are told that Phil Murray is in great competition with John L. Lewis and Walter Reuther, the latter of whom wants his job. And insofar as Lewis' desires are concerned, he having no hope, we assume, of getting back the CIO, he simply wanted to embarrass Murray because after having been responsible for Murray's career, it annoys him to see Murray's name in the headlines so much.

One hears there is considerable grumbling among the steelworkers that this strike was called. I would be surprised if there weren't because with no immediate wage issue involved these men are bound to wonder what it is all about.

I wrote a couple of weeks ago that John L. Lewis was, in my opinion, in an awful hole with his workers. Their dictatorial boss seems not to know what in the name of goodness he has asked these workers to strike about. They have been on part time work for several months and now they are on full time strike and they can't have the slightest idea what they are striking about.

The steelworkers are striking for something which they are bound to consider of the future, not involving take-home pay. The future something they've given little or no thought to in the past.

The question seriously arises as to whether these Big Shots—Murray and Lewis—have not overshot their strength. It will be interesting to see how they come out.

We Must Advertise to Reach New Classes of Investors

By LOUIS ENGEL*

Advertising Manager, Merrill Lynch, Pierce, Fenner & Beane

Mr. Engel, in pointing out stock brokers can no longer depend for business on handful of rich and financially literate, but must reach great mass of middle income people who have idle funds, urges advertising securities "in same way you advertise breakfast foods and automobiles." Stresses changed market for securities because of redistribution of income in U. S. and warns unless greater mass of public is attracted to stocks, needed equity capital for nation's industries will not be forthcoming.

Failure of the public generally to invest in stocks during the past three years, when they have been selling at bargain levels and returning record yields of 7 or 8%, is in good measure to be blamed on the brokers themselves. I point to the changed market for securities, which has resulted from the redistribution of income in this country, that leads to the threat that American industry may well find itself starved for new capital in the future unless the great mass of middle income people can now be induced to invest idle funds and thus familiarize themselves with the rewards and responsibilities of security ownership. To avoid this, it is economically and socially desirable that securities dealers revise their marketing methods. Brokers can no longer depend on doing business with just a handful of the rich and financially literate. They've got to do business with John Jones and Bill Smith, and that means they're going to have to forget financial lingo and talk to Jones and Smith about stocks and bonds in language that they and their wives understand. There's no reason why you can't advertise securities in the same way you advertise breakfast foods and automobiles.

Louis Engel

The most basic question and at once the most obvious one to answer with respect to advertising is—"Why Advertise?"

An adequate answer to that question involves, first of all, an appreciation of the enormity of the sales problem that confronts this business. We are faced with an undeveloped market of impressive proportions. The Federal Reserve Board Survey made in 1946 on the ownership of consumer assets showed that only 9% of the spending units in the country owned stocks or bonds, other than Governments. In contrast, 48% of the people owned their own homes and 78% owned life insurance.

It is particularly interesting to consider the question of securities ownership in terms of various income classifications. At the level of $5,000-$7,500 income per year, 22% of all the families owned stocks. And at the level of $7,500 income and up, 51% of the people owned securities. Obviously, all of the people or virtually all of them making $7,500 a year or more could afford to own some amount of securities. The big question is why the other 49% didn't own them.

An Uninformed Market

Ours is also largely an uninformed market. We know this because we asked the agency that conducted the survey for the Federal Reserve Board to give us a special breakdown which would show why those people making $5,000 or more a year did not own securities. Here is their answer: 31% of them thought it was "a gamble"; another 31% had "no reason"; 24% said that they didn't know anything about securities; and the balance were not classifiable.

Actually, from these figures it may be assumed that the principal deterrent to securities ownership was ignorance. After all, no one likes to admit his ignorance of a subject, and it is altogether probable that those who said securities were a gamble or who had no reason were equally uninformed as those who frankly said they didn't know.

The Roper Survey that this firm made in 1943 provides further documentation of the point. This Survey was conducted among people with the top 30% incomes in the country. 55% of them had owned stocks at some time or other. But most significantly, 58% of those who owned stocks had not bought any in 5 years, 37% hadn't sold any in 5 years, and 27% had never sold securities at all. They had only bought them and put them away. Obviously, they were not too well informed about the responsibilities entailed by securities ownership.

Another impressive fact from the Survey. When presented with a list of the dozen leading brokers—and that list was varied to take cognizance of the names that were best known regionally—50% of the non-owners and 25% of those who owned securities could not identify any one of the dozen brokerage houses. Their names meant absolutely nothing.

Finally, when Mr. Roper asked where they would go for help in buying securities, 31% said they would go to a banker, 28% to a friend, and only 25% said they would go to a broker, the man who is supposed to know most about the securities business.

Now let me give you just two other facts to dramatize the problem that confronts us. These are from another survey which Mr. Roper made for the New York Stock Exchange in 1945, and there is not much reason for believing the findings have been altered significantly in the intervening years. At that time 34% of those questioned did not know a thing about the Stock Exchange. They didn't even know stocks were sold there. Of those who did know something about the operations of the Exchange, 31% did not know how prices were arrived at. Most of them thought they were set or fixed by brokers, rather than arrived at through an auction process.

An Example of Public Ignorance

Public ignorance is always an appalling thing when you encounter it for the first time. But lest you be too discouraged by it, let me point cut how common-

(Continued on page 31)

*An address by Mr. Engel before the Washington Advertising Club, Washington, D. C., Oct. 4, 1949.

Ogden Edwards Joins Bear, Stearns Staff

Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Ogden E. Edwards is now associated with them. Mr. Edwards was formerly with Barr Brothers & Co. and Union Securities Corp.

With Chilson, Newbery

Chilson, Newbery and Company, Inc., 48 Main Street, announce that Franklin W. Brooks will represent them in Sullivan County.

Paine, Webber Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William J. Slinkard, Jr., has become connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with Pacific Company of California.

Joins Hill Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—John H. Ferris has joined the staff of Hill & Co., Carew Tower, members of the New York and Cincinnati Stock Exchanges.

Consequences of British Devaluation

By PAUL EINZIG

Dr. Einzig lists among probable effects of devaluation of sterling: (1) a lowering of drain on British gold reserve; (2) a slow but eventual increase in British exports; (3) diversion of South African imports from U. S. to Britain; and (4) cessation of sterling black market leakages. Foresees no favorable effect of devaluation on British productivity.

LONDON, ENG.—In all probability the wisdom of the decision to devalue the pound, of the timing of that decision, and of the extent of the devaluation will remain the subject of heated controversy for many years to come. Economists and politicians will argue in the 'fifties and 'sixties for and against the British policy of 1949, as they had argued, and are still arguing for and against the British policy of 1925, when the gold standard was restored, and that of 1931, when it was suspended. What is much more important than to ascertain the rights and wrongs of the present decision is to try to foresee its consequences. the following are some of the questions which call for answer:

Dr. Paul Einzig

(1) Is the devaluation likely to arrest or substantially moderate the drain on the British gold reserve?

(2) Is it likely to stimulate British and sterling area exports, in particular to the dollar area?

(3) Is it likely to cause a substantial rise in the British level of prices, cost of living, and wages?

(4) Is it likely to stimulate an increase of British productivity?

(5) What will be the effect on the economy of the United States?

There can be little doubt that the devaluation will slow down the outflow of gold to a considerable extent. Its immediate effect is that importers of British goods in the United States and elsewhere, who have for months been deferring their sterling payments, will not pay up, and this alone should go a long way towards checking and possibly even reversing for a short while the outflow of gold. In addition, orders for British goods which have been withheld in anticipation of the devaluation will now be placed, so that, apart altogether from the stimulating effect of the lower sterling rate on British exports, this temporary factor should in itself go a long way towards improving the British balance of payments.

On the other hand, the time lag will provide a temporary factor in the opposite direction. The postponement of purchases of British goods during the last two or three months is yet to produce its full adverse effect on the gold reserve. It will take some months before the orders placed after the devaluation will result in actual payments. It remains therefore to be seen whether the covering of short positions in sterling will be able to prevent a sharp fall in the quarterly gold figures of October and January. Possibly the gold reserve will not benefit fully by the temporary effects of the devaluation until the first-quarter of 1950.

Likewise, the permanent effects of devaluation on the gold reserve on British exports are not likely to be felt for some months. In this respect there seems to be much unwarranted pessimism in Britain. The popular argument is that, in order to be as well off as before the devaluation, Britain would have to increase the volume of her exports by 42%, and it is only if she is able to increase it by more than 42% that her balance of payments would benefit. This argument is entirely false. For one thing, a large number of countries have followed the British example. In so far as they also devalued their currencies by full 30% there is no need for the volume of British exports to these countries to increase. In so far as the devaluation is less than 30% it would be necessary to export more, but not in proportion to the difference between the extent of the devaluation of sterling and of the currencies concerned. For the prices of British goods in terms of sterling are certain to rise to some extent. And in so far as British goods are quoted in terms of the currencies of the importing countries there will be no need for a lowering of these prices in proportion to which the currencies in question appreciated in terms of sterling.

This consideration also holds good in respect of exports to the United States. There is no need whatever for any reduction of the dollar price of British goods which have already a well-established market there, unless the British exporters want to try to expand their markets by quoting lower dollar prices. In very few instances would it be necessary to take full advantage of the devaluation by cutting the dollar prices by full 42%. In any case this could not be done, for, as stated above, the sterling price of British goods is likely to rise to some extent. The chances are, therefore, that the increase in the volume of British exports to the dollar area will have to be very much less than 42% in order to enable Britain to earn more dollars than she did before the devaluation.

Nor are exports to the dollar area the only means by which Britain will be enabled by the devaluation to improve her dollar position. Owing to the increase of American prices in terms of South African pounds, many South African orders will be diverted from the dollar area to Britain. And since South Africa pays in gold, this change would be fully as beneficial to the British gold reserve as an increase of British exports to the United States. Moreover, sterling area exports of raw materials to the United States are also likely to increase. For instance, natural rubber should now be in a better position to compete with synthetic rubber in the American market. In addition, owing to the high prices of dollar area goods in terms of sterling and other devalued currencies, there will be a tendency towards a decline of British and sterling area purchases. Last but by no means least, the very substantial leakages resulting from the heavy discount on sterling in black markets abroad will now stop. It will no longer be possible for continental firms to buy Malaya rubber or Australian wool with the aid of cheap sterling bought in the black market, and to re-sell it for dollars in the United States, thereby depriving the British dollar reserve of the proceeds of these sterling area exports, Indeed, the main reason why sterling has been devalued to such a considerable extent is that the government wanted to ensure that there should be no black market in sterling after devaluation, in order not to lose more gold through such leaks.

Although Sir Stafford Cripps has been unduly optimistic about the effect of the devaluation on the cost of living and cost of production, the full effect is not expected to exceed 10%, in which case British goods will remain competitive. Notwithstanding the government's efforts to maintain the present wage ceiling, wages are likely to follow the cost of living. Demands for higher wages are bound to lead to industrial disputes, and owing to full employment the workers are likely to win in most instances. Because of full employment, wages are likely to follow very closely the increase in the cost of living, and may even cut ahead of it.

From the point of view of British productivity, the change of the prospects through the devaluation has not been for the better. It is to be feared that the improvement in the gold position resulting from the devaluation will breed complacency, and the government's task in persuading the workers to work harder will be even more difficult than it was before the devaluation. Nor is the government likely to go out of its way to apply unpopular measures, as they are needed in order to increase productivity or reduce consumption, now that devaluation has temporarily obviated the danger of unemployment through a depletion of the gold reserve.

The devaluation of sterling and of a number of other currencies is bound to react unfavorably on the economy of the United States. Prices are expected to fall. American exporters are expected to lose many of their foreign markets. British and other exporters will be able to compete more vigorously in the American domestic market. The dollar will be grossly overvalued in relation to most devalued currencies. Admittedly, all this will help towards the balancing of trade between the dollar area and the rest of the world. But the adjustment is liable to be fairly painful for American business.

COMING EVENTS

In Investment Field

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

Oct. 11-13, 1949 (Atlantic City, N. J.)
Fall meeting of the Board of Governors of the Association of Stock Exchange Firms at Haddon Hall.

Oct. 12, 1949 (Cleveland, Ohio)
Cleveland Security Traders Association Fall Party at the Chagrin Valley Country Club.

Oct. 12, 1949 (Dallas, Tex.)
Dallas Bond Club Annual Fall Field Day at Northwood Country Club.

Oct. 20, 1949 (St. Louis, Mo.)
Annual meeting and election of officers of Security Traders Club of St. Louis.

Nov. 15, 1949 (New York City)
Association of Stock Exchange firms annual meeting and election.

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

Dec. 9, 1949 (New York City)
New York Security Dealers Association 24th Annual Dinner at the Hotel Pierre Grand Ballroom

Dealer-Broker Investment Recommendations and Literature

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

Federal and State Stock Original Issue & Transfer Tax Rates—50th anniversary edition of booklet revised to date—Registrar & Transfer Company, 2 Rector St., New York 6, N. Y.

Finance Companies — review—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Low Price Speculative Stocks—list of stocks which appear interesting—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are brief memoranda on **General Motors Corp.** and **Studebaker Corp.**

News & Views—leaflet of market notes—Bache & Co., Chrysler Building, New York, 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.

Railroad Outlook — study of favorable factors — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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Abitibi Power & Paper Company — bulletin—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

American Power & Light — memorandum—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

American Vitrified Products—New analysis—Zippin & Co., Inc., 208 South La Salle Street, Chicago 4, Ill.

Baltimore & Ohio Railroad Company—analysis of First Mortgage 4s of 1975—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Bank of America N. T. & S. A.—circular—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Cincinnati Milling Machine Co.—circular—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Also available are circulars on **MacAndrews & Forbes Co., Northern Pacific Railway Co.,** and **The Texas Co.**

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

Also available is a discussion of the **Retail Industry** in the current issue of Saxton's **"Monthly Stock Digest,"** which contains comparative figures on listed and unlisted stocks.

Colombia Bolivia—New study—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Consolidated Engineering Corporation — analysis—Coffin, Betz & Co., 123 South Broad Street, Philadelphia 9, Pa.

Continental Illinois National Bank & Trust Co. of Chicago — circular—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Also available are circulars on **First National Bank of Chicago** and **Northern Trust Company.**

Davidson Bros.—circular—Watling, Lerchen & Co., Ford Building, Detroit 26, Mich.

Distillers Corp.-Seagrams, Ltd.—circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Elliott Company—memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Fireman's Fund Insurance Company—analysis—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Also available is an analysis of the **American Insurance Company.**

General Capital Corporation—study — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Indiana Limestone Company, Inc.—analysis—Ferris & Co., First National Bank Building, Dallas 1, Texas.

Leonard Refineries, Inc. — special memorandum—A. H. Vogel & Company, Penobscot Building, Detroit 26, Mich.

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

McLouth Steel Corp. — circular—Andrew C. Reid & Co., Ford Building, Detroit 26, Mich.

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

Oregon Portland Cement—Late data—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Petroleum Heat & Power — memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Ed. Schuster & Co., Inc.—special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Also available is a bulletin of current news on the **Pabst Brewing Co.**

Southern Advance Bag & Paper Co., Inc. — analytical memorandum—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Virginia Electric & Power Co.—circular — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Berry and Chase

(Special to THE FINANCIAL CHRONICLE)

WOOSTER, OHIO—Edward O. Berry and Leon Chase have formed a partnership with offices at 242 South Beaver Street, to engage in the securities business.

Hope & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—John H. Goodwin has been added to the staff of Hope & Co., San Diego Trust and Savings Building.

Joins Ford Weber Staff

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO—Nicholas V. Szabo has joined the staff of Ford R. Weber & Co., Spitzer Building.

Public Utility Securities

By OWEN ELY

Standard Gas & Electric

A recent report in the "Wall Street Journal" indicated that Standard Gas & Electric might issue an "outline plan" of dissolution in the next month or so, since former plans are now considered obsolete and the company recently "cleared the decks" for a new plan by selling 250,000 shares of Louisville Gas & Electric—the proceeds being nearly sufficient to retire the bank loan. While it was said that the new plan would not contain any definite allocation of assets among the four classes of stock (since such allocation will depend on the outcome of reorganization plans for Philadelphia Company and Pittsburgh Railways), there have been a recurring crop of Street rumors that favorable developments are pending for the $4 second preferred.

The $4 preferred has always been more volatile than the prior preference issues: in 1945-6 for example, when conditions were less favorable than at present, the stock after fluctuating in a low range for some years suddenly shot up from 2¾ to 60⅝. Later it dropped to 17½ and has since been fluctuating in an annual range of about 18-30. Recently it advanced sharply, making a three-year high of 39¼.

The $4 preferred is non-callable and it seems rather unlikely that call premiums will be recognized on the prior preference stocks. Claims would therefore be as follows:

Shares (000)		Par Value	Par & Arrears	Total Claim (Millions)
368	$7 Prior Preference	$100	$203	$75
100	$6 Prior Preference	100	188	19
468	Total or averages		$200	$94
757	$4 Preferred	50	111	84
	Total all Preferreds			$178

The bank loan has now been almost retired, and principal assets are as follows:

No. of Shares	Company	Recent Price	Value About (Millions)
5,024,000	Philadelphia Company	16	$80
550,000	Oklahoma Gas & Electric	38	21
1,375 000	Wisconsin Public Service	*10	*14
133,000	Louisville Gas & Electric	30	4
			$119

*Estimated value.

Based on past holding company dissolutions, and unless some entirely new idea is being developed, the portfolio will eventually be allocated between the four classes of stock. The two prior preference stocks can be considered as a unit and the common would receive only nominal participation, so for practical purposes the following theoretical allocations might be considered:

Possible Allocations of $119,000,000

Allocation Basis	Millions Prior Pfd.	Millions $4 Pfd.	Dollars per Share *Prior Pfd.	Dollars per Share $4 Pfd.
80-20	$95	$24	$203	$32
75-25	89	30	190	39
70-30	83	36	177	47
65-35	77	42	164	55

*The $7 prior preferred might receive about $3 more and the $6 about $10 less, than these average figures.

It seems very unlikely that the allocation basis would be as favorable for the $4 preferred as 65-35, which would mean that the prior preference stocks would average only about 82% of their claims (excluding redemption premiums) while the $4 preferred would get about 50% of its claim. The 75-25 ratio would seem more logical, giving the prior preference 95% of claims and the $4 preferred 35%.

There have recently been some favorable rumors regarding the possible proceeds of the proposed sale of Philadelphia Company's gas properties although the last official word was that negotiations with Columbia Gas and other companies had been broken off. Some time ago Duff & Phelps, the well-known Chicago engineering firm, issued a lengthy report in which they derived some optimistic figures on the future potential value of Duquesne Light. But to attempt to appraise the common stock of Philadelphia Company would mean a separate study. For brevity, we might arbitrarily assume that it may eventually have a maximum break up value of $20. This would approximate the 1946 high, and would be about one-quarter more than the recent high. It would increase the Standard Gas portfolio value by about $20 million, bringing it up to $139 million. On this generous basis, allocations would work out as follows:

Possible Allocations of $139,000,000

Allocation Basis	Millions Prior Pfd.	Millions $4 Pfd.	Dollars per Share *Prior Pfd.	Dollars per Share $4 Pfd.
80-20	$111	$28	$237	$37
75-25	104	35	222	46
70-30	97	42	207	56
65-35	90	49	192	65

*See note above.

The above allocations would be too favorable for the prior preference stocks (exceeding total claims) except for the 65-35 ratios, which would give them almost their entire claim and leave $65 for the $4 preferred.

All values for the $4 preferred should probably be reduced slightly to allow for nominal participation of the common stock although this may be offset through accumulation of cash by Standard Gas before the plan becomes operative.

Appraising the Business Outlook

By HENRY J. SIMONSON, JR.*

President, National Securities and Research Corporation

Picturing present business situation as one of progressive readjustment, in which supply and demand is coming into balance, Mr. Simonson furnishes data as to current industrial production, gross national product, consumer income and spending, employment and wages, etc., as compared with previous periods. Looks for continued decline in wholesale prices and estimates current farm income at 2½ times 1941 rate. Finds, statistically, business on relatively high level with prospect for its continuation through current year and into 1950.

As we all know, our present economy is extremely complex. Events of great magnitude happen suddenly and frequently without advance warning. Therefore, while I am going to speak on the general business outlook, I want to make it clear that the opinions expressed, while representing the composite views of our staff of economists and analysts, are necessarily subject to constant reappraisal and change with the unfolding of new events.

H. J. Simonson, Jr.

Our conclusions are based upon these beliefs: (1) we will not be engaged in a foreign war in the foreseeable future; (2) the devaluation of foreign currencies was a necessary step likely to help Europe and at the same time, although increasing competition for American industry, it should bring long-term advantages to America; however, I might add that as a result of devaluation of the English pound, U. S. hardware that sold in England for one pound before devaluation, when the pound was $4.03, will now cost almost one and one-half pounds with the English pound at $2.80; (3) governmental military spending will continue at about the $15 billion rate and (4) the 81st Congress before adjourning will not repeal the Taft-Hartley Act, pass the Brannon Agricultural Price Program Bill or increase Federal corporate or personal income taxes or reduce excise taxes. With those beliefs established, I will discuss the business situation.

Last year business was at such a high level that we should not judge a 10% or even a 15% decline this year as a serious recession but rather we should view it as a normal expectation following industries catching up with backlogs, the filling up of inventories and the transition from a seller's to a buyer's market.

Balancing of Supply and Demand

Supply and demand are now almost in balance. The business readjustment that has been taking place has really been very healthy for our economy as it is bringing farm and industrial prices and business down to a solid base on which to establish confidence for the future.

Although the readjustment has not been effected in certain heavy industries such as autos and steel, for example, nevertheless there are signs that many industries have gone through their adjustment period and are now emerging with a favorable outlook.

During recent months there have been a number of statements and developments by the Federal Reserve Board, the Administration and the Congress designed to cushion the declining trend in business. Included in these were the lowering of bank reserve requirements and rediscount rates, the expiration of the instalment credit restrictions of Regulation W, the announcement by the President of a policy indicating deficit financing, which is inflationary, and the recommendations of Chairman McCabe of the Federal Reserve Board for a more favorable attitude toward business. Accompanying these were the elimination of some of the threats that concerned the businessman such as increased Federal corporate and personal income taxes, the repeal of the Taft-Hartley Act and the devaluation of foreign currencies. The decline in the business trend stopped in July and confidence in the future is now much stronger than it was some months ago.

Through the use of official government statistics, I am going to try to indicate to you where we are now in our economy and how that level compares with last year and with other years in the past. In concluding, I am also going to give you our views as to the year 1950.

Industrial Production

First, as to industrial production, as measured by the Federal Reserve Board Index with the 1935-1939 period=100. From a high last year of 195 in October and November, the Index of Industrial Production dropped to 162 in July of this year but in August it advanced for the first month this year, the rise being 8 points from the July figure of 162 to 170. We believe this Index is currently at about 172 and it is our opinion that, subject to minor fluctuations, industrial production through the balance of the year will average approximately its current level, namely, up 72% from the 1935-1939 average. This figure represents a decline of only about 10% from the 1948 average of 192 and it actually means that industrial production will continue at the very favorable rate which prevailed during the prosperous year 1946.

Our gross national product for this year is estimated at $251 billion compared with $262.4 billion last year. National income this year is estimated at $218 billion compared with $226.2 billion last year. Personal income this year is estimated to $210 bil-

(Continued on page 28)

*An address by Mr. Simonson at meeting of National Contract Hardware Association and the American Society of Architectural Hardware Consultants, New York City, Oct. 3, 1949.

Pennsylvania Brevities

"Thar's Gold in Them Hills"

The potentialities of women as a class becoming increasingly interested in investment securities is a topic which is currently sparking the interest of three Philadelphia sponsors.

Registrations for a series of four weekly lectures arranged by Merrill Lynch, Pierce, Fenner & Beane, which started Sept. 28, were so heavy that the firm has announced an overflow section to begin a similar series Oct. 6.

The Philadelphia-Baltimore Stock Exchange, in cooperation with the Consumers Advisory Council of the Philadelphia Chamber of Commerce, has announced a women's investment forum to be held Oct. 12. Speakers will include Harry A. McDonald, SEC Commissioner; Percy C. Madeira, President of Land Title Bank & Trust Co.; Norbert W. Markus, Smith, Barney & Co.; Edgar Scott, Montgomery, Scott & Co., and Mrs. Richard Pollock, Chairman of the Council. William K. Barclay, Jr., President of the Philadelphia - Baltimore exchange, will act as moderator. The two groups stated that joint plans are being devised to offer a series of weekly lectures, under the general heading "Invest in America," which will be open to both men and women.

The Philadelphia office of Reynolds & Co., members of the New York Stock Exchange, is planning to repeat a women's lecture course on investment procedure which met with substantial success last spring. Five weekly meetings will be held, starting Oct. 19.

Mrs. Pollock, in her address at the Oct. 12 forum, will cite statistics showing that "60% of savings accounts are in women's names, 70% of private wealth is in their hands and 80% of all life insurance is assigned to them."

Subscribing to the growing conviction that "the hand that rocks the cradle holds the sock," bankers, investment dealers and stock exchange members are united in encouraging a concerted effort to broaden the fundamental knowledge of women investors.

* * *

Repair Shops for Sale

The steam locomotive repair shops of the Delaware, Lackawanna & Western RR., covering 15 acres at Scranton, Pa., will be put up for sale as a result of the railroad's progress in converting to diesel power.

Lee Rubber & Tire Co.

Due to price reductions on tires, net sales and profits of Lee Rubber & Tire Co. are expected to be well below those of the preceding fiscal year ending Oct. 31, according to Dow-Jones estimate. It is indicated that sales will be approximately $31,000,000 compared with $35,702,493 a year ago. This should produce net income of about $1,300,000, equal to more than $5 per share and ample to cover the year's dividends. In the previous fiscal year the company reported income of $1,996,741, equivalent to $7.87 per share.

* * *

Fire Assn. of Philadelphia

Stockholders of the 132-year-old Fire Association of Philadelphia will vote at a special meeting Nov. 17 on the proposed merger of three affiliated units into the parent firm. The action comes as the result of a change in Pennsylvania insurance laws enacted by the state legislature earlier this year. The broadened scope of activity now permissible has started a trend toward consolidation of casualty, fire, marine and automobile risks into single policy coverage. The three affiliates are Lumbermen's Insurance, Reliance Insurance and Philadelphia National Insurance companies. The November meeting will also vote on a proposed capital increase from $2,400,000 to $3,600,000 which, if approved, will permit the parent company to acquire the affiliates and declare a 20% stock dividend on Fire Association shares.

* * *

Budd to Build Plant

Warren H. Farr, Vice-President of Budd Co., announced last week that ground will be broken in October for the construction of a new foundry in Northeast Philadelphia to cost approximately $1,500,000. It will produce grey iron castings for other divisions of the company, eventually doubling present production. Between 400 and 500 workers will be employed upon completion.

* * *

Bell Dividend Not Earned

For the seventh consecutive quarter, the Bell Telephone Co. of Pa. has failed to earn its reduced dividend of $1.50 per share according to W. D. Gillen, President. For the current quarter, the deficit was $1,144,000, Mr. Gillen said. Relief has been sought through a schedule of rate increases now pending before the Pennsylvania Public Utility Commission.

* * *

The American Machine & Foundry Co. has arranged for the acquisition of DeWalt, Inc., of Lancaster, Pa. subject to the approval of DeWalt stockholders. If approved, DeWalt facilities will be operated without change in personnel.

* * *

P.T.C. Fare Increase

Ending the nine months' dispute relative to the 13c basic fare schedule sought by Philadelphia Transportation Company, the Pennsylvania Public Utilities Commission last Monday approved a somewhat complicated pattern of increases which, it is estimated, will add $4,600,000 to $5,000,000 to the company's revenues.

The basic fare is to remain at 10c. Single transfers are to cost 3½c (three tokens for 10c) and multiple transfers 5c. The present two for 25c token fare on buses will be retained for "straight" rides with an added charge for transfers.

* * *

The PUC held that a straight 13c fare would inflict a hardship on the single ride patrons and that the present proposals afford the nearest practicable approach to a fare based on service rendered. According to studies of 1948 traffic, it appears that approximately 32% of car and bus riders avail themselves of transfers.

The new rate may be put into effect upon 10 days' notice.

Scott Paper Co.

Recent capital improvements resulting in increased efficiency and greater production are credited with the favorable results recorded by Scott Paper Co. in the first nine months of 1949. Dow-Jones estimates sales for the three quarters just ended will be over $60,000,000 as against $53,153,594 in the 1948 period.

* * *

Ray H. Timmons has been appointed manufacturing manager of industrial products, Westinghouse Electric Corp.

* * *

Lewis C. Davis, Sales Manager of Halle Bros. Co., Cleveland, has been elected President of Bonwit Teller & Co., Philadelphia, effective Oct. 1.

Goldman, Sachs Adds

PHILADELPHIA, PA.—William P. Hill has become associated with the Philadelphia office of Goldman, Sachs & Co., members of the New York Stock Exchange, 1416 Chestnut Street.

A. L. P. Smith With Hallowell, Sulzberger

PHILADELPHIA, PA.—Hallowell, Sulzberger & Co., members New York Stock Exchange, S. E. Corner Broad & Chestnut Streets, Philadelphia, announce the association with them of A. L. Pennock Smith as Sales Manager and Henry C. Perry, member of statistical department.

Mr. Smith was formerly resident partner for R. H. Johnson & Co.

Hold That Census

PHILADELPHIA, PA. — Contributing but not controlling factor in the selection of Philadelphia as headquarters for the forthcoming national census may have been the expectant fatherhoods, early 1950, of Patriarch Benjamin A. Brooks, Jr., E. W. & R. C. Miller & Co., his seventh, and late-starter Edmund J. Davis, Rambo, Close & Kerner, his second.

NSTA Notes

NSTA CONSTITUTION TO COLORADO

For the first time since its presentation and adoption at the Third Annual Convention of the National Security Traders Association at Los Angeles in 1936, the original hand-lettered and individually signed Constitution and By-Laws of the Association will be on display before delegates and members attending the current NSTA Convention at Colorado Springs.

Since the date of its adoption 13 years ago the document has remained in the custody of J. Gentry Daggy of Philadelphia, third President of the Association and Chairman of the Committee which assembled and composed its contents. At Mr. Daggy's suggestion, Herbert H. Blizzard, Herbert H. Blizzard & Co., Philadelphia, will offer a resolution on the floor of the convention providing that the National Association officially accept title and custody of the document, which, it is felt, assumes increasing historic significance with the passing years. It will be further provided that possession of the original be lodged with each National Association President during his term of office.

CLEVELAND SECURITY TRADERS ASSOCIATION

Cleveland Security Traders Association is holding its Fall Party on Columbus Day, Oct. 12, 1949, at the Chagrin Valley County Club.

This will be a clam-bake with golf, baseball, horseshoes and various prizes. Out-of-town members of the National Security Traders Association are cordially invited to attend. Reservations may be made with E. F. Ehrhardt, The First of Cleveland Corp., Cleveland, Ohio.

Harry Davis Now With Daniel F. Rice & Co.

CHICAGO, ILL.—Harry Davis, until recently a partner of Farroll & Co. in Chicago, has become associated with Daniel F. Rice and Company, Board of Trade Building, members of the New York and Chicago Stock Exchanges, the firm announced.


Harry Davis

Mr. Davis has been with Farroll & Co. since 1924 and has been prominent in La Salle Street for a quarter of a century.

C. C. McCune & Co. Formed in Dayton, Ohio

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO—Charles C. McCune has formed C. C. McCune & Co. with offices in the Third National Building, as successor to J. R. Woodhull & Co., which has been dissolved. Associated with the new firm will be Howard L. Newell and Charles A. Miller, both formerly in the trading department of J. R. Woodhull & Co.

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—William R. Phillips and David L. Turner have become connected with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Ass'n of Exchange Firms Get Slate

The Nominating Committee of the Association of Stock Exchange Firms has announced its nominees for offices to be voted on at the Annual Meeting and Election of the Association to be held on Wednesday, Nov. 5, as follows:

FOR BOARD OF GOVERNORS

Nominated to Serve Three Years

Douglas G. Bonner, Bonner & Gregory, New York City; H. H. Dewar, Dewar, Robertson & Pancoast, San Antonio, Texas; Horace W. Frost, Tucker, Anthony & Co., Boston, Mass.; W. D. Gradison, W. D. Gradison & Co., Cincinnati, Ohio; Roscoe C. Ingalls, Ingalls & Snyder, New York City; Walter Maynard, Shearson, Hammill & Co., New York City; Edward P. Prescott, Prescott & Co., Cleveland, Ohio; William F. Van Deventer, Laidlaw & Co., New York City.

Nominated to Serve One Year

Harold P. Goodbody, Goodbody & Co., New York City.

Renominated to Serve 3 Years

Albert Farwell, Farwell, Chapman & Co., Chicago; Wilbur G. Hoye, Chas. W. Scranton & Co., New Haven, Conn.; Robert A. Magowan, Merrill Lynch, Pierce, Fenner & Beane, New York City.

Nominating Committee for 1950

George M. Purves, Hemphill, Noyes, Graham, Parsons & Co., New York City; Richard P. Dunn, Auchincloss, Parker & Redpath, Washington, D. C.; M. Donald Grant, Fahnestock & Co., New York City; Jacob Stone, Asiel & Co., New York City; Edgar Scott, Montgomery, Scott & Co., Philadelphia.

The Securities Business—Foundation Stone of Free Enterprise System

By LESLIE GOULD*

Financial Editor, New York "Journal-American"

Asserting free enterprise system cannot exist without free securities market, prominent financial editor attacks smears against Wall Street. Cites need of marketing $40 to $50 billion in new capital over next few years as plenty of opportunity for young man in securities business. Warns against limiting sales activities to investment trust shares.

Most of you have gone into the securities business after war service. Your specific reasons may vary, but your general one is the same. A belief in the American free enterprise system and its future. Otherwise you probably would have latched onto a job in Government.


Leslie Gould

It doesn't take any clairvoyant powers to see that if this country is going ahead under the private enterprise system, the securities business is going to expand.

In fact, the best assurance we have of keeping the free enterprise system—that is business and industry privately owned and privately operated—is to have widespread public ownership of securities.

The more people owning securities, the less chance there is of changing our system into some form of Communism or State Socialism. It is unfortunate that our political leaders, our educational leaders and our law makers do not see this and act accordingly. Instead of putting road blocks in the way of the business and making it a political whipping boy, they should be doing everything to encourage the distribution of securities.

So the securities business — to my mind—is the foundation stone of the free enterprise system. The securities business can't exist without our system of private ownership and that system can't exist without a free securities market. While the securities business may be the tail to the dog, it does, in effect, "wag" the dog.

If the securities business can't raise the capital needed for industry, then Government will do the job. And that will mean the end of our system of private ownership where the individual can choose his investment. The Government will do it for him, siphoning off his excess funds via taxes.

That's really what has been behind the smear attacks on Wall Street—to undermine public confidence in the securities markets.

While these attacks have succeeded to a considerable extent, it has not been because of any logic but more to the failure of the business to fight back and properly merchandise its services and its wares.

You hear all sorts of arguments of why the securities business has fallen to its present low state, but you can't get away from the fact that when the brokers and bankers go out and merchandise, they sell securities. The current boom in the open end investment trust shares proves that.

No longer can a salesman or a partner sit at a desk in a comfortable air-conditioned office and wait for some customer to telephone in.

Large Amount of New Capital To Be Marketed

Industry is going to need some $40 to $50 billion in new capital over the next few years—maybe more. Most of this should be equity capital.

Foreign investment — once peace becomes certain — offers new fields and this is the country that will have to supply that money. And it should come in the form of risk and venture capital from the private citizen, instead of handouts from the U. S. Treasury via Marshall Funds, etc.

So, there should be plenty of opportunities in the securities business for a young man of today.

Another condition that should make the securities field attractive for the young man looking ahead is the age of those in the senior positions. The average age of Stock Exchange members is now around 51 and for partners around 57. Prewar, the average age of the Exchange member was 44½ and the partners a couple of years above that.

That means there will be opportunities for promotion into the senior spots much sooner than in any other line of work.

Marketing Investment Trust Shares

I mentioned the growth of the so-called open-end trusts and that, I gather, is something you have more than an academic interest in. When Grady Black invited me to this luncheon, he suggested I confine my remarks to that.

Some of the things I have written recently have not always pleased those in the industry. That's what make markets, as well as horse races and ball games. Differences of opinion.

I think the trusts have a very definite place in the investment field and certainly a little fellow will do better in an investment trust stock than in a Bendix Helicopter, a Higgins Boat or a Canadian gold mine.

I am critical of the open-end trusts on four points.

(1) The size of the "load."

(2) The way some are being sold—the size of the commission and the amount of reciprocal business to the firm being the No. 1 consideration, with management performance and the investor's needs of secondary consideration.

(3) The building up of a false feeling of security in the investor's mind that this is the way to buy stocks with the least risks. Some of the salesmen even go further than this. Time will tell on the matter of risk. There are risks and plenty of them in investment trust stocks as in any stocks. Frankly, I think there is a lot of danger in the present rapid expansion of the trusts.

(4) The possible future effect that concentration of listed stocks in open-end trusts will have on the liquidity of the market.

There are three other points related to the last one. There is a great similiarity in the investments of these trusts. And what will happen when more than one tries to get out of a particular stock on a given day?

Another point is that the trusts provide little if any new equity capital. The mutual funds go in for seasoned issues. M.I.T.'s management recognized this weakness when it joined in a very modest way in sponsoring the American Research and Development Co.

For the corporations there is another point. Would it be better public and customer relations for, say a company like General Electric, to have more individual stockholders than a few trusts?

The individual G. E. stockholder might consider himself part of the G. E. family, a buyer and a booster of its products, and maybe a more militant voice against political attacks on that company, than if the individual instead owned stock in a trust, which in turn held G. E.

A Stock Exchange firm that goes all out in selling the open-end shares is saying it hasn't the research nor the judgement to advise its customers on their investments. Then it is turning over one of its major assets—its customers' list—to an outside organization over which it has no control.

Now, on the load. My friends in the business say they can justify a 7½% charge. Anything over that is questionable. I personally feel 7½% is high. If the load were down to 6% there couldn't be so much criticism, and this would leave 4 to 4½% for the firm and its sales staff.

In addition to the load, there is the management fee, usually about ½ of 1% up to a certain amount of the asset value.

The net result of all this for the investor is that he must hold on for at least two years to be even. I wonder how many buyers of trust shares realize that? And whether they are told?

Some sellers of trust shares have been and are guilty of switching buyers from one trust into another eight months to a year after the initial sale. There is no excuse for that. It is working a racket. I am told this has happened more in the Mid-West than in the East.

To digress from the trusts for a moment, there is an element in the securities business, which I do not think is more than 10% and 5% might be more like it, who should be driven out of it. They will sell any kind of paper if there is enough commission in it. Any house can make a mistake, but when a firm dumps on the public a whole string of such issues, it hardly is coincidental. There is that firm that sold some $34 million in cheap issues to the public and on which the public is now out around $24 million. The SEC isn't doing anything about situations of this kind. Nor is the National Association of Securities Dealers. What economic purpose the latter serves, I do not know, other than provide a few good jobs.

The investment trust field has its fringe, too.

Loading and Commissions

To get back to the matter of loads and commissions. The average Stock Exchange commission is around 1%. You can't go out and ring doorbells and follow up business on that. So, the boys gift-wrap the same securities and sell them at a 5% to 6% commission for the firm and its salesmen, plus another 2½% to 3% and more for the wholesalers and the trust sponsors.

I think Stock Exchange commissions should be revised. It's nuts to charge the trader who wants no service beyond a good execution and the customer who wants a research job and analysis the same commission. Rogers Peet charges more for a tailor-made suit than for a ready-to-wear one.

Times have changed and a new field of investors—those in the middle and low income brackets—have to be reached and this costs more money.

As I see this business of investing the public's money the duty is to find the best medium and value. For me, I would rather buy the shares in a closed-end trust selling at a discount of 12% to 25% of the portfolio's market value and pay the regular Stock Exchange commission than buy the shares in an open-end trust at the portfolio's full market value plus a load of 8% to 9%.

Before sitting down I want to mention what I think is a dangerous part of this open-end trust boom. This is the giving of reciprocal businesss to a firm equal to the dollar amount of sales of trust shares. The firm thus gets not only its share of the 5% to 6% commission on the trust shares sold, but also gets the regular Stock Exchange commission on the reciprocal business. The danger here lies in a possible churning of trust portfolios.

I think the trusts have a real place, but that they are not the answers to a maiden investor's prayers.

*A talk by Mr. Gould before the Investment Association of New York, New York City, Sept. 28, 1949.

Byron Brooke Forms Own Investment Co.

ATLANTA, GA.—Byron Brooke has formed Byron Brooke & Co. with offices in the Citizens &


Byron Brooke

Southern Bank Building to act as dealers in municipal bonds. Mr. Brooke was formerly a partner in Brooke, Tindall & Co.

Frank Burt will be associated with the firm.

Arthur J. Wilson Joins Cruttenden Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Arthur J. Wilson has joined the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Wilson was formerly with H. Hentz & Co., First Securities Co. of Chicago, and Swift, Henke & Co. Prior thereto he was in the investment business on the Pacific Coast.

Mfrs. Trust Promotes

Harvey D. Gibson, President of Manufacturers Trust Co., announces that Leo Mendel, in charge of the bank's Government and Municipal Bond Trading Department, has been promoted to Assistant Vice-President.

After having spent a number of years in the brokerage business, Mr. Mendel came to the bank in 1927, and was made an Assistant Secretary in 1938.

Mutual Funds

By HENRY HUNT

"Eight hundred thousand people own mutual funds. Most of them are small stockholders.

"No one—no individual, company or institution—owns as much as 1/3 of 1% of mutual fund shares.

"The people who own mutual funds come from all walks of life throughout the cities, towns and countryside of America. One in every 60 families in the United States owns shares in mutual funds.

"The fair and regular return on the money these stockholders have invested is an important factor. . . ."

The above reads like an accurate commentary on mutual funds and it is. Actually, however, it represents excerpts from an advertisement of the American Telephone and Telegraph Co. with the words "mutual funds" substituted for "A. T. & T." Mutual funds as well as "Telephone," America's widest held equity, each have some 800,000 shareholders today.

The same kind of people who own Telephone stock are the most frequent buyers of mutual funds. Just as A. T. & T. provides an essential service for the American economy, so do mutual funds render an important service to the American investor, both large and small.

Lord, Abbett Cuts Load but Not Dealer's Commission

Effective Oct. 1, the sales load on Affiliated Fund, Inc., and American Business Shares, Inc., was reduced from approximately 8½% to 7½% of the offering price, but the concession to dealers will remain at 6%.

To quote from a recent bulletin:

"This reduction is in furtherance of our program of reducing costs to investors in our Funds whenever it is practicable to do so. When, for example, the assets of Affiliated Fund, Inc., reached $50,000,000, it appeared to us that we would be able to reduce the management fee on the assets in excess of that amount from ½ of 1% to ⅜ of 1% per annum, and we did so. We believe that when the assets of American Business Shares, Inc., increase from their present size of approximately $34,000,000 to $50,000,000, we will be able to make a similar reduction in the management fee of that Fund, and we plan to do so."

Based on their present volume of sales, **Lord, Abbett** is in effect reducing the annual cost of their shares to the public by $360,000—out of their own pocket. It also represents a voluntary 40% reduction in their sales profit. We believe that this action is unprecedented in the history of investment companies and of rare occurrence in American industry. Hats off to Harry Prankard and Bert Hughes.

"Fully" vs. Seven Selected Stocks

Distributors Group has prepared an unusual and expensively prepared sales piece comparing the performance record of Fully Administered Shares with the following seven "Big Board" issues: American Can, American Tel. & Tel., American Tobacco, Consolidated Edison, General Electric, International Nickel and Woolworth. Without adjusting for cash dividends paid, since its inception in 1938 "Fully" has outperformed each of these selected issues.

Investing by Whimsy

"Investing by whimsy—which is to say that a man invests entirely upon his own hunches, superstitions, financial fallacies, what others tell him, insufficient or erroneous information—or upon a score or more of other failings, physical or mental—is not so uncommon as we may often think.

"Many a man's family are dependent, and subsequently suffer, through an investment program based upon the family head's whims, his fears or his fancies.

"But in those cases where a mutual investment fund is employed, the institution, private estate, or families of average investors, forge a head because their plans are welded by men who lay down broad, *impersonal* investment policies.

"Decisions are based upon 'unpainted' facts, not personal preference. 'Tips' or so-called 'inside information' have no place. Over-enthusiasm, misinformation or fleeting hunches are quickly relegated to the scrap heap.

"It is upon these same principles of 'unpainted' facts that banks and insurance companies invest their millions. The employment of expert analysts to sift every available fact—and weigh it against underlying conditions in the development of an investment program—is an essential for these investors. But likewise of importance is their adequacy of knowledge as to when and how their opinions should be changed—and to be in a position to take quick action when needed.

"Some large private investors obtain the same advantages through the services of private professional investment counsel—and the fees paid for this type of service are testimony enough that value is received.

"The success of the mutual investment fund is likewise based upon this ability to make cold, calculated, unemotional decisions—judgments based on carefully developed facts. It means the difference between an investment program which makes steady progress, and one which has become lost in a forest of uncertainty."—from **George Putnam's** "Prudent Investor."

Motto for Congressmen and President Truman

"I place economy among the first and most important virtues, and public debt as the greatest of dangers to be feared. . . . To preserve our independence, we must not let our rulers load us with perpetual debt. . . . We must make our choice between economy and liberty or profusion and servitude. . . .

"If we run into such debts, we must be taxed in our meat and drink, in our necessities and our comforts, in our labors and in our amusements. . . . If we can prevent the Government from wasting the labors of the people, under the pretense of caring for them, they will be happy."—**Thomas Jefferson.**

Tax Reduction Possibility

The quarterly report of **Massachusetts Investors Second Fund** being sent to shareholders this week contains the following comments on the possibility of a reduction in Federal taxes which could be of great benefit to the American economy:

"The recession in business activity, which has found reflection this year in the widely used and publicized indices compiled by the various government bureaus, as well as by private agencies, has apparently created a favorable atmosphere for the consideration during the next year of proposals to lighten the heavy Federal tax burden on the American economy. There is some reason for cautious optimism in this respect in the fact that these proposals have been introduced by political and other leaders of prominence. It is a matter of encouragement to see publicly recorded by such responsible sources

(Continued on page 13)

Bligh on Vacation

Godfrey Bligh, President of R. M. Smyth & Co., Inc., New York City, will leave on Oct. 9 for several weeks vacation at the Homestead, Hot Springs, Ark.

Mutual Funds

(Continued from page 12)

recognition of the serious nature of the problems created throughout industry by the present tax structure which very much hampers capital formation, vitally essential to business prosperity.

"Any real relief in the form of reduced taxes would favorably affect the whole enterprise economy of the nation and particularly those companies whose growth potentialities would permit the constructive use of additional funds in expanding their business activities. Thus because of the Fund's policy of investing in companies which appear to possess better-than-average growth characteristics any developments as to tax relief should be especially beneficial to the stockholders of the Fund."

Trust Funds in Illinois

In the Chicago "Journal of Commerce" of Aug. 30, 1949, in the column entitled "The Round Table," by Austin Kiplinger, the following article appeared:

"Some weeks ago, in discussing investment companies, I reported that 21 states had taken action of one kind or another to make investment shares legal investments for trustees. Illinois, I reported, was not one of these.

"I now have a letter from the Illinois Banking Department which reports that, in the absence of any specific legal word on the subject, the state considers investment shares allowable under the 'prudent man' rule.

"The letter, from Mr. Chris Stolfa, trust examiner, says: 'We still have a legal list for guardians and conservators under the Probate Act. However, trustees, in the absence of directions in the instrument, are permitted to invest in prudent man investments.'

"'We have always been of the opinion in Illinois that there is no prohibition in the statute regarding investment shares and until we get a decision in this state, we feel that the decisions from other states under the prudent man rule would be followed in this state'."
—from "Selections" issued by **Selected Investments Co. of Chicago.**

Survey Indicates No Adverse Effect of Mutual Funds on New York Stock Exchange

Study conducted under auspices of National Association of Investment Companies reveals bulk of securities held by open-end investment funds are listed on New York Stock and Curb Exchanges.

For the first time in history, authoritative figures reflecting the effects of the growing open-end funds on the business of the New York Stock Exchange have been made public in a survey conducted by the National Association of Investment Companies, covering the activities of the companies holding 98% of the money invested in open-end funds.

The survey, which formed the basis for a report to Governors of the Exchange, shows not only the steady growth of these open-end companies since the passage of the Investment Company Act in 1940, but also the volume of securities transactions resulting from this growth, as well as from changes in security holdings.

During this period, portfolio transactions by mutual funds, excluding those in U. S. Government bonds, totaled $4,469 million, the survey discloses. Of this total, $2,642 million represent purchases by the funds, while $1,827 million reflect sales. In the three years 1946-48 alone, such transactions from these funds aggregated $2,172 million. The distribution of security holdings, other than U. S. Government bonds, on June 30, 1949, discloses that $1,158 million, or 83% of the $1,392 million then held, were in "Big Board" listed issues. Of this total, $990 million was in stocks and $168 million in bonds. Corresponding figures for the New York Curb Exchange show a total of $98 million, of which $85 million was in equities and $13 million was in bonds.

The relatively small portion of the total volume of transactions by the funds in listed stocks which was executed off the floor of the Exchange is shown for the first time in the survey. During the 18 months ended June 30, 1949, volume of transactions in blocks of listed stocks involving at least $50,000, executed off the board, exclusive of secondaries, specials, and new subscriptions, totaled $33 million. This constitutes less than 3½% of the more than $1 billion of total transactions. More than half of this off-board business was transacted through member firms.

Concluding the survey, a geographical breakdown shows that in the past three years, 69% of all mutual fund, or "trust shares" sales have been in the area outside the North Atlantic Seaboard States, while only 31% came from within that area. Although the prior years were not included in this phase of the survey, it is believed that this proportion would substantially hold true for all sales made since 1940, and furthermore, would indicate approximately the distribution of mutual fund shares outstanding today. The significance lies in the fact that the North Atlantic States were and are the source of most financial business other than that in Mutual Funds, thus indicating the broad appeal of the investment companies.

Porteous Pres. of Inv. Distributors

MONTREAL, QUE., CANADA —Douglas K. Porteous has been appointed President and Managing Director of Investment Distributors Limited, Montreal, Canada, sponsors of Commonwealth International Corporation Ltd. Mr. Porteous is a recognized authority in the mutual fund field and was formerly an officer with the Cohu Corporation, New York City.

Douglas K. Porteous

Irving Renneisen Now With Hecker & Co.

PHILADELPHIA, PA. — Irving Renneisen, formerly with Buckley Brothers, Philadelphia, is now on the trading desk of Hecker & Co., Liberty Trust Building, members of the New York Stock Exchange.

Donald Belcher Dir. Of Group Securities

Donald R. Belcher, Treasurer, American Telephone & Telegraph Co., has been elected to the Board of Directors of Group Securities, Inc. Mr. Belcher is well known for his work in statistical research and organization, born in private industry and for various governmental and civil bodies. He joined A. T. & T. 30 years ago, shortly after his discharge from the U. S. Army, in which he served during World War I. He rose through various statistical and research posts, culminating in his appointment as Treasurer in 1944.

D. R. Belcher

In World War II, Mr. Belcher served as Chief of Planning and Statistics of the U. S. Navy Department in 1942-43, and subsequently was awarded the Distinguished Civilian Service Medal by the Secretary of the Navy and the Presidential Certificate of Merit.

Mr. Belcher's civic activities include acting as Consultant on Teachers' Salaries in New York City and as a member of the New Jersey Pension Survey Commission, as well as several philanthropic and business research organizations. He is a Fellow of the American Association for the Advancement of Science, a member of many other scientific societies, and a director of the National Bureau of Economic Research.

J. A. Warner Co. Adds Three to Sales Staff

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Warren A. Casey, Amos S. Treat and Albert S. Branin have become associated with the firm in its sales department.

Mr. Casey, formerly Manager of the wholesale department for Buckley Securities Corp., will be located at the firm's Philadelphia office, 1421 Chestnut Street. Mr. Treat was with Morris Cohen & Co. and prior thereto conducted his own investment business in New York City.

Says SEC Impedes Investments in Canada

Congressman Charles A. Eaton, ranking Republican member of House Foreign Affairs Committee, writes Secretary of State Acheson, SEC policies and practices do not conform with non-partisan stand on encouraging investment of private capital in foreign enterprises.

U. S. Congressman Charles A. Eaton (R., N. J.) has released a letter, dated Sept. 30, calling upon Secretary of State Dean G. Acheson to remove "the barriers placed by the Securities and Exchange Commission in the way of investments by American citizens in meritorious Canadian enterprises."

Charles A. Eaton

In a letter to the Secretary of State, Congressman Eaton, ranking Republican member of the House Foreign Affairs Committee, said, "One of our cardinal non-partisan policies is to encourage the investment of private American funds in foreign enterprises. Yet the Securities and Exchange Commission, an arm of our Federal Government, does everything it can to block the sale of Canadian securities in the United States.

The text of Congressman Eaton's letter follows:

My dear Mr. Secretary:

At the very moment when our House Foreign Affairs Committee is considering President Truman's program for providing American leadership and cooperation in developing world-wide economic well-being, there appears an editorial from one of Canada's leading newspapers, "The Globe and Mail," copy of which I enclose, which deals with barriers placed by a branch of our Government against American investment in meritorious Canadian business enterprises.

One of our cardinal non-partisan policies is to encourage the investment of private American funds in foreign enterprises.

Canada is the largest and best customer of the United States, but Canada needs American dollars to pay for its huge American purchases. American investments in Canadian enterprises furnish dollars, aid in the development of Canada's vast resources, which frequently furnish important raw materials for the United States and contributes to hemispheric goodwill and solidarity, as the "Globe and Mail" points out.

Above and beyond these important considerations stands the grim fact that under present menacing world conditions Canada is now and will continue to be of the utmost importance in our economic and military defense against armed aggression.

Yet in the face of these compelling, mutually desirable considerations, the Securities and Exchange Commission, an arm of our Federal Government, uses it power to block the sale of Canadian securities in the United States by impeding the registration of Canadian securities and their qualification for sale in the American markets with red tape and endless delays. The Commission also carries on a continuous publicity campaign designed to slander Canadian business men and brand their enterprises as unsound; yes, even dishonest.

Is there not some way in which the practices of the SEC can be made to conform to the official policies of the United States?

Sincerely yours,
CHARLES A. EATON,
M. C.

The Honorable
Dean Acheson,
The Secretary of State,
Department of State.

Chas. Churchill Heads Otis Dept. in NYC

Charles L. Churchill has been appointed Manager of the Municipal Bond Department of the New York office of Otis & Co., 120 Broadway, it is announced. Mr. Churchill has been in the municipal bond business in New York for the past 15 years, having been Manager of Shields & Co., Manager of the Bond Department of H. C. Wainwright & Co. and partner in Churchill & Co. and Churchill, Sims & Co.

Canadian Securities

By WILLIAM J. McKAY

Canada's indeterminate economic position vis-a-vis the British Commonwealth on the one hand and the United States on the other can not be maintained indefinitely. Linked neither to the one nor to the other in any positive fashion the Dominion's economic situation, while deprived of any benefit resulting from outright association with the dollar or sterling areas, suffers nevertheless from any adverse trend that develops in either of the two areas. During and since the war Canada has had many opportunities to commit herself irrevocably in one direction or the other. Now it would appear that as far as the United Kingdom is concerned Canada is a dollar area country, but without any binding economic agreement with the United States, the Dominion is unable to compensate its loss of markets in the sterling area by means of increased exports to this country.

Canada's greatest opportunity to obtain more or less permanent economic security was allowed to pass by failure to keep alive the wartime Hyde Park Agreement which during its operation had enabled the Dominion to bridge the traditional gap in the U. S.-Canadian balance of payments. Immediately following the cessation of hostilities Canada's exchange reserves were at an almost embarrassing high level. Consequently this was not the time to endeavor to perpetuate the wartime measure. Subsequently when the economic situation deteriorated following the upward revaluation of the Canadian dollar in 1946, political considerations induced hesitancy to pursue the question with the necessary vigor. Recollections of the unfortunate 1911 episode when a far-reaching trade reciprocity agreement was arranged by one Canadian government and rejected by another influenced the present Liberal Administration to await the outcome of the recent election before making any further approach on this question.

It would now appear that conditions are no longer favorable for the initiation of negotiations along these lines. Domestic economic conditions have dictated even the curtailment of ECA offshore purchases in Canada, and the Buy-America Act of 1933 would appear to debar U. S. purchases of arms in Canada, as an escape clause in the original act no longer appears in the arms aid bill recently placed before Congress. The passage of the Reciprocal Trade Act although offering hopes of ultimate economic benefit will doubtlessly now preclude any U. S.-Canadian negotiations for a bilateral trade pact.

Recent developments therefore suggest that Canada will be obliged to adopt a more independent economic policy. Canada's economic relationship with the United Kingdom and the other British Dominions has become increasingly remote. On the other hand it would appear to be futile to place too much reliance on special efforts on the part of the United States to safeguard the Dominion's economy come what may. At the present youthful stage of development moreover there is no question that virile independence will better serve Canadian interests than the previous policies that have placed the Dominion at the mercy of external developments over which Canada can exercise no control.

During the week the external section of the bond market continued firm with special activity in the Alberta issues. The internals were also steady in sympathy with the demand for Free funds in connection with the public offering of $7½ million Interprovincial Pipe Line convertible debentures which attracted considerable U. S. buying. The corporate-arbitrage rate was steady at 12¾%=12% and arbitraging of C. P. R.'s from London still accounted for a large proportion of the volume of business transacted. Stocks were irregular and earlier strength in Western oils, following the discovery by Imperial Oil of a possible new field in the Redwater district of Alberta, was dissipated by profit-taking in later sessions. Despite London selling there was a strong undertone in C. P. R.'s following the announcement of healthier earnings for the first eight months of the year; the railroad's controlling interest in Consolidated Smelters and potential profit from extensive holdings of Western oil-lands still constitute however the principal bull factors in this situation.

Stock Exchange Firms To Hold Meeting

The Association of Stock Exchange firms will hold a meeting at Atlantic City from Oct. 11 to 13. A feature will be a joint meeting of the boards of the Association and of the New York Stock Exchange.

Scheduled for the first day are business sessions. The joint meeting will be held the second day that night at a dinner meeting, Robert C. Enos, President of the Standard Steel Spring Company, will outline a program which he and other business executives are developing on a nation-wide scale in an effort to restore the flow of risk capital.

The final day will be devoted to a business session of the Association. Emil Schram, President of the New York Stock Exchange, will address the closing luncheon.

Ralph Starkie Now With Robert Hawkins Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Ralph A. Starkie has become associated with the staff of Robert Hawkins & Co. of Boston. Mr. Starkie was formerly local representative for Whiting, Weeks & Stubbs and prior thereto was with Kean, Taylor & Co.

Congress Alone Can Devalue Dollar: Spahr

Executive Vice-President of Economists' National Committee on Monetary Policy points out constitutional limitations on changing weight of standard gold dollar.

"Devaluation of dollar to less than 1/35th of an ounce of gold is legally prohibited now, regardless of debasement of other currencies and could not be undertaken except by act of Congress," Dr. Walter E. Spahr, Executive Vice-President of Economists' National Committee on Monetary Policy, said in a statement released on Oct. 3.

Dr. Walter E. Spahr

"Devaluations in other countries," Dr. Spahr says, "were apparently instituted by ministers or cabinets, often, or generally, referred to as 'the government.' Nothing, apparently, was said about authorization by legislative bodies. The matter of Constitutional government does not appear to be mentioned in connection with any of these devaluations.

"The question arises as to whether our people in the United States would be just as complacent about unconstitutional procedures. Fortunately, if Constitutional and statute law is to be respected here, no one but a majority of Congress can alter the weight of our standard gold dollar.

"It is true that the Gold Reserve Act of 1934 still permits the Secretary of the Treasury, with the approval of the President (in Section 8), and without his approval (in Section 9), to change the dollar price of an ounce of gold. In the interests of safety, those sections should have been repealed when the President's power to alter the weight of our standard gold dollar was permitted to expire on June 30, 1943. But in Section 5 of the Bretton Woods Participation Act of July 31, 1945, which specifies the terms of our participation in the International Monetary Fund and International Bank for Reconstruction and Development, it is provided that 'Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States . . . propose or agree to any change in the par value of the United States dollar under Article IV, Section 5, or Article XX, Section 4, of the Articles of Agreement of the Fund, or approve any general change in par values under Article IV, Section 7. . . .'

"It would seem, therefore, that none of our Administrative officials can lead the United States into another devaluation without Congressional approval; and, if the majority of Congress has sufficient wisdom, such approval will not be given."

"The sole issue," Dr. Spahr concluded, "is whether the United States is to have a thorough-going gold standard at the present rate of $35 per fine ounce with all non-gold dollars redeemable in gold on demand at that rate. Redeemability on this basis, as proposed in H.R. 3262, is the only target at which our people need to aim in their efforts to have reestablished in the United States an honest and sound monetary unit."

United States on Threshold of New Peacetime Growth: Secretary Snyder

Treasury Secretary holds recent economic adjustments have resulted in no serious slowdown, and return of competitive market means greater consumer demand and further business expansion.

Speaking at the dedication ceremonies of the John Hancock Mutual Life Insurance Company's new home office building in Boston on Sept. 29, Secretary of the Treasury John W. Snyder expressed optimism on the business outlook and continued industrial expansion.

John W. Snyder

"The progress we have made in the past century," Secretary Snyder said, "does not mean that America has come of age—that the top has been reached. It means that we are on the threshold of a new peacetime growth which will bring us even greater opportunities for the future.

"It is true that lately we have been undergoing adjustments in our economy. Some of them in fact, were noticeable as far back as 1946. Others occurred in 1947, and in 1948. This year, we have experienced further adjustments in some areas; in others, activity has turned upward or has continued at a high level.

"Each time adjustments have occurred, there have been some of our citizens who have run for their storm cellars, certain that an economic tornado was about to strike. As yet, however, the various adjustments which we have been experiencing, industry by industry, have not resulted in a serious slowdown in the rate of over-all activity. For the most part, they have been of the type which we might expect in the course of our return to the normal American environment of plentiful supplies and competitive business conditions.

"Certain industries and localities have, of course, felt the impact of the adjustments far more than others—New England, I know, is one of them. And I fully appreciate that the over-all picture is of little comfort to the man out of a job. All of us must devote every effort to easing the impact of unemployment wherever it strikes. The recent concern of the Administration with the employment situation in this area is an example of the watchful attitude which we must maintain if we are to keep our economy sound and healthy.

"We should welcome, not fear, the return to competitive business conditions. Our free enterprise system could not thrive long without competition. A sellers' market, such as we have known during and since the war, is in the long run bad for business. Our greatest progress has stemmed from the fact that business in this country has had to seek the customer.

"Certainly, salesmanship is not new to us—particularly not new to New England businessmen. Your tinware wagon peddlers of a century ago were giving us and the world a lesson in what could be accomplished by salesmanship. They refused to sit and wait for customers, but, instead, went out and found new markets for their products. They set up routes and canvassed practically every home from Long Island Sound to the Mississippi, from Canada to the Gulf. They put the workshops of New England in touch with almost every American home. It was our first lesson in retail selling on a national scale.

"During and immediately following the war years, we did not have to sell. Products substantially unchanged since before our entry into the war were selling as fast as they could be turned out. With a return to a competitive economy, we are rapidly recalling our talents in salesmanship.

"And here in the United States is awaiting the greatest market we have ever known. Consumer incomes are continuing at near-record levels. People in this country are now earning money at a rate of nearly $210 billion a year. And behind these current incomes is also a record volume of savings—$200 billion—in the form of checking accounts, savings accounts, government securities and currency. The possession of adequate savings has and will continue to encourage liberal spending from current income. Further, our standard of living is rising and our population is increasing.

"Not only do we have this tremendous consumers' market, but our plant and equipment are ready. New construction and equipment of plants continue at a high level; and, today, the American industrial plant is the most modern and best equipped in the world. It is ready to make full use of the wealth of new materials and new methods which wartime discoveries and development have made available. And despite these outlays on plant and equipment, the net working capital of corporations continues at record levels.

"The opportunities are here, and if we grasp them with vigor and enthusiasm, we can continue to move forward to new heights of achievement in the years ahead."

James F. McCormick With A. C. Allyn & Co.

BOSTON, MASS. — James F. McCormick, Jr., has become associated with the trading department of A. C. Allyn & Co., 30 Federal Street. Mr. McCormick was formerly Manager of the trading department for Mixter & Co.

J. F. McCormick, Jr.

With A. B. Morrison Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Perry L. Smith has become associated with A. B. Morrison & Co., Alfred I. du Pont Building. He was previously with O'Connor, Weller & Co.

Purchasing Agents Cite Business Uptrend

A composite opinion of members of National Association of Purchasing Agents indicates business gains in August have continued in September, though overshadowed by threatened strikes.

The composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corporation, Division of Olin Industries, Inc., New Haven, Conn., is reported as indicating "were it not for the shadows of gloom cast over the general business picture by present strikes and the possibility of others, the September survey of Purchasing Agents' opinion could be rated optimistic, for the important factors of business reported—production; order bookings; price trends; inventory position and employment—fully confirm the improving conditions they found in August."

Robert C. Swanton

Fifty per cent of the reports show increased production schedules, compared to 10% indicating declines—which is the best trend in that respect since last October. New orders continued to advance at the same rate as August—45% are up while 39% are maintaining previous backlogs. Prices have firmed up for the second consecutive month, with only 8% showing further declines while, at the low point of the recent trend, 79% reported lower quotations in June. Inventories are being reduced further; turnovers are improving; employment is up, though still lagging behind production increases. Improved worker productivity is reported. Buying policy is short-range: 86% report covering with 60 days as the limit, but there is a slight movement from 30 days toward 60 days within that commitment spread. While foreign currency devaluations have caused some pessimistic speculation, the predominant belief is that it is too early to determine the probable effect on business and prices.

Despite the many indications of business improvement, a cautious "be-ready-for-anything" attitude will remain a major influence while so much of our basic production industry is threatened with labor disturbance. In fact, an unmeasurable amount of current production may be for protective purposes.

Commodity Prices

Prices showed more strength in September, confirming August's trend toward stability. Of the few taking an upward course, most of them were reflecting recent freight increases. Competition is keen. The effect of monetary devaluation is being watched carefully. Much inquiry reported in heavy goods industries, but few orders being placed. Several reports indicate increased sales volume is yielding lower profits.

Inventories

Purchased inventories are down again in September. The rate of decrease has lessened, reflecting increasing production demands which also expand new orders for replenishment. Supply is generally in tune with demand. Turnover rates, which have been generally reported to be satisfactory over the past several months, are considerably better in September. 83% of those reporting indicate a substantial improvement.

Buying Policy

A further drop from the prevailing policy of a few months back, of "hand-to-mouth to 30 days," occurred in September—70% in July, 64% in August, 57% in September. A corresponding increase in the 60-day column is noted. 98% are still 90 days and under. There has been some extension of commitment range, though not shown by the reports, as a limited protection against possible delivery interruptions.

A very close view of future coverage is evident and in keeping with the short range of production schedules.

Employment

One-third of those surveyed report employment gains, with 19% showing further declines. Reemployment figures are not in balance with the production increases recorded in one-half of the September reports. The figures do not reflect the recent unemployment due to the coal strike.

Seventy-seven per cent replying to a direct question on labor productivity indicate the improvement ranges from barely noticeable to substantial betterment.

G. H. Van Cleve Opens

CHICAGO, ILL.—G. H. Van Cleve is engaging in a securities business from offices at 1226 Farwell Street.

Edward Herlihy With du Pont, Homsey Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—Edward Herlihy has become associated with du Pont, Homsey & Co., 31 Milk Street, members of the Boston Stock Exchange. Mr. Herlihy was formerly proprietor of Edward Herlihy & Co.

Firm to Close

Because of the extended illness of Frank J. Shakespeare, it has been decided to close the firm of Shakespeare & Strasburger, Inc., New York City, of which he was the principal stockholder. The firm of Leroy A. Strasburger & Company will continue as heretofore.

25 Years With Nat'l City

George R. McGee, Jr., celebrates his 25th anniversary as Manager of the Madison Avenue and 72nd Street branch of The National City Bank of New York, simultaneously with the branch's own silver anniversary. Mr. McGee opened the branch as Manager on Oct. 6, 1924. It was originally a unit of Farmers Loan and Trust Co., affiliated with National City in 1929.

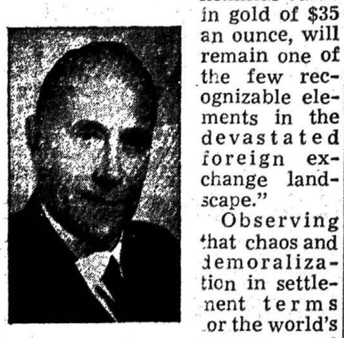
Royal Bank Appoints

Appointment of E. B. McInerney to the Board of Directors of The Royal Bank of Canada is announced. Mr. McInerney has been Manager of the London, England, branch of the bank since 1929, a post he will relinquish on Oct. 31. He will be succeeded by B. Strath, Assistant Manager of the London branch since 1948.

Devaluations Make Imperative Gold Standard Restoration

Leland Rex Robinson, Vice-President of Economists' National Committee on Monetary Policy, contends gold convertibility of dollar is "needed to back America's efforts toward world recovery."

"The downward plunge of the British pound and more than a score of other currencies in terms of the American dollar makes imperative a firm anchorage in gold for our money. When the dust of current devaluations settles, the dollar, because of its unchanged nominal value in gold of $35 an ounce, will remain one of the few recognizable elements in the devastated foreign exchange landscape."



Leland Rex Robinson

Observing that chaos and demoralization in settlement terms of the world's commerce and investment can only be avoided if gold is made unconditionally and everywhere available at fixed rates in return for dollars, Leland Rex Robinson, Vice-President of the Economists' National Committee on Monetary Policy, urged immediate passage of H.R. 3262 which would establish convertibility of our paper money into gold at the rate set by Congress in 1934.

"As things stand today," Dr. Robinson pointed out, "we have pretty much a one-way street down which flows to underground vaults in our country the bulk of this planet's gold production, which—by the way—is over eight times our own. The paper dollars paid for this rapidly growing and immobilized hoard of monetary gold carry no assurance that they can be turned back for gold at the same rate, or in fact that they can be turned back for gold at all.

"This dog-in-the-manger attitude which we have been nursing since the dollar was deliberately depreciated and made irredeemable in 1933 is not going to be lessened as the cheapening of the pound and other so-called 'soft currencies' enhances production of gold in South Africa and elsewhere, and sends into overseas hoarding much of what is left over from the rising tide of shipments to our shores to be impounded at Fort Knox.

"Make dollars readily convertible into gold," Dr. Robinson urges, "as an effective means of establishing our money unit once more as a store of value and universally trusted medium of international payments. This will not increase, but lessen the hoarding of gold. It will store up confidence throughout the world by putting some terra firma, in the form of a dependable dollar, under the world's competitively deteriorating exchanges. It will facilitate arriving at new, more realistic and therefore more stable quotations among currencies which are quoted in dollars but have no directly asserted parity in gold.

"Restoring to holders of American dollars at home and abroad their historic right to demand and to handle gold will actually cause no continued rush for redemption but it *will* spike rumors of further dollar devaluation in gold and put an end to the often substantial and fluctuating premiums at which gold is quoted in terms of dollars, in the 'natural state' in our country, and in such so-called 'free markets' as exist beyond our borders.

"When gold and dollars are made freely interchangeable at the fixed rate of $35 an ounce, the health-giving movement of productive capital across national boundaries will be greatly encouraged. Furthermore, if loans of American monetary gold were required to fortify new exchange parities and undergird foreign central banks, and if participation in them by private banking institutions is to be encouraged, this debt to us needs to be expressed in dollars of unchanging gold content. Fulfillment of some of these essential conditions for economic recovery, bound up with freer circulation of gold and dollars, will bring gratifying response from workers and consumers throughout the whole of the free world. Failure so to act on America's part," Dr. Robinson concluded "may largely negate or even pervert much of our national effort toward recovery and peace."

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Guaranty Trust Company of New York announces the appointment of Elie Delville as Manager and Henry B. Dyke as Secretary of its Brussels Office, effective Oct. 1. As Manager at Brussels Mr. Delville succeeds Omer V. Claiborne, who is retiring after 30 years' service with the company, principally in Brussels.

Mr. Delville, a native of Belgium, has been associated with the company at its Brussels Office since 1919 and has served as an officer of that branch since 1928. Mr. Dyke rejoined the Brussels staff in 1946 after five years' service with the British Navy. Before the war he had been with the company for 12 years, serving successively in the London, Antwerp and Brussels Offices.

Guaranty Trust Company of New York announces the appointment of Alfred W. C. Spindler, formerly Assistant Treasurer at its Madison Avenue Office, as a Second Vice-President associated with the banking department at the main office.

GUARANTY TRUST COMPANY OF NEW YORK

	Sept. 30,'49	June 30,'49
	$	$
Total resources	2,749,862,758	2,832,660,215
Deposits	2,315,252,599	2,391,694,550
Cash and due from banks	581,726,047	598,809,362
U. S. Govt. security hold'gs	1,102,405,251	1,072,285,192
Loans and bills discounted	956,427,340	1,061,252,254
Undivid. profits	71,661,565	70,295,434

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N. Baxter Jackson, of the **Chemical Bank & Trust Company, New York** announces the election of H. Russell Burbank, President of Rockwood & Co., to the Advisory Board of the Brooklyn Office of the bank.

Mr. Burbank is a Trustee and Member of the Executive Committee of the East Brooklyn Savings Bank and is President of the Brooklyn Chamber of Commerce. He is also Vice-President and a Member of the Executive Committee of the Association of Cocoa & Chocolate Manufactures of the United States; Member of the Policy Committee and of the Labor Relations Committee of the Chamber of Commerce of the United States and a Director of the Brooklyn Cancer Committee.

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CHEMICAL BANK & TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
	$	$
Total resources	1,479,365,504	1,516,621,319
Deposits	1,327,824,775	1,366,195,960
Cash and due from banks	372,489,073	443,979,908
U. S. Govt. security hold'gs	494,256,596	466,237,326
Loans and bills discounted	482,255,261	482,100,262
Undivid. profits	12,935,931	12,160,291

* * *

Howard P. O'Shea, for many years in charge of business development at the **Bank of Montreal's New York Agency**, has been named Superintendent of the Business Development Department at the bank's head office in Montreal. His successor is Joseph E. McCully, Assistant Superintendent of Business Development, at the bank's Toronto headquarters since 1945.

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The appointment of Samuel I. Bateman as Assistant to the President of the **Banco de Ponce, Ponce, Porto Rico** was announced on Oct. 4. Formerly Pro Agent of the Prague Credit Bank, New York Agency, Mr. Bateman will be at the New York office of the Banco de Ponce until Oct. 14 when he will leave to take up his new duties in Ponce, Porto Rico.

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MANUFACTURERS TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
	$	$
Total resources	2,268,280,156	2,407,481,056
Deposits	2,094,366,917	2,234,645,610
Cash and due from banks	608,089,065	755,927,142
U. S. Govt. security hold'gs	998,899,704	988,407,905
Loans and bills discounted	555,237,010	577,362,541
Undivid. profits	32,093,716	30,860,436

* * *

CORN EXCHANGE BANK & TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$788,041,337	$789,026,858
Deposits	739,967,802	739,902,018
Cash and due from banks	215,601,272	220,303,315
U. S. Govt. security hold'gs	471,957,695	472,575,324
Loans and bills discounted	69,340,304	69,984,293
Undivid. profits	6,258,676	5,844,681

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THE COMMERCIAL NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$210,932,840	$203,691,110
Deposits	179,006,904	174,359,959
Cash and due from banks	53,274,381	53,236,724
U. S. Govt. security hold'gs	99,127,627	99,054,664
Loans and bills discounted	45,852,596	42,811,746
Undivid. profits	14,399,067	14,302,042

* * *

BANKERS TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
	$	$
Total resources	1,513,701,497	1,620,504,826
Deposits	1,316,710,746	1,416,974,201
Cash and due from banks	362,130,920	432,304,612
U. S. Govt. security hold'gs	532,789,300	542,627,129
Loans and bills discounted	540,975,782	570,009,752
Undivid. profits	56,440,166	55,913,519

* * *

IRVING TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
	$	$
Total resources	1,193,241,901	1,205,668,130
Deposits	1,060,924,525	1,075,448,137
Cash and due from banks	306,338,691	334,720,315
U. S. Govt. security hold'gs	458,345,593	451,101,729
Loans and bills discounted	381,682,980	382,972,979
Undivid. profits	12,927,697	12,393,372

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THE PUBLIC NATIONAL BANK AND TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$513,408,102	$529,999,509
Deposits	475,247,889	492,168,048
Cash and due from banks	113,117,907	124,714,304
U. S. Govt. security hold'gs	220,333,546	238,859,057
Loans and bills discounted	143,752,856	139,927,766
Undivid. profits	8,353,982	8,494,639

UNITED STATES TRUST COMPANY OF NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$146,405,714	$163,054,281
Deposits	113,236,077	130,095,775
Cash and due from banks	18,209,871	27,294,961
U. S. Govt. security hold'gs	58,507,332	65,960,493
Loans and bills discounted	49,043,773	52,962,994
Undivid. profits	1,887,322	1,814,351

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STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$139,028,509	$143,283,955
Deposits	131,002,623	135,529,536
Cash and due from banks	35,170,582	38,636,087
U. S. Govt. security hold'gs	68,784,340	78,500,623
Loans and bills discounted	32,856,330	24,752,489
Undivid. profits	910,016	837,153

* * *

GRACE NATIONAL BANK, NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$103,415,287	$105,655,567
Deposits	89,068,930	88,707,620
Cash and due from banks	27,148,221	29,067,627
U. S. Govt. security hold'gs	45,272,408	45,306,534
Loans and bills discounted	22,959,144	24,368,292
Surplus and undivided profits	4,444,470	4,366,208

* * *

J. HENRY SCHROEDER BANKING CORP., NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$78,372,420	$88,816,979
Deposits	59,882,041	65,560,443
Cash and due from banks	8,903,196	10,446,959
U. S. Govt. security hold'gs	41,005,869	44,831,275
Loans and bills discounted	11,697,949	12,547,691
Surplus and undivided profits	3,297,565	3,294,985

* * *

SCHROEDER TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$34,337,016	$74,472,168
Deposits	29,043,066	29,006,367
Cash and due from banks	8,903,196	10,506,745
U. S. Govt. security hold'gs	41,005,869	17,246,361
Loans and bills discounted	11,697,949	5,674,404
Surplus and undivided profits	3,297,565	2,632,189

* * *

CLINTON TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$24,665,946	$25,567,524
Deposits	22,766,007	23,681,474
Cash and due from banks	6,460,246	7,521,062
U. S. Govt. security hold'gs	11,604,025	11,351,612
Loans and discounts	5,157,392	5,500,857
Surplus and undivided profits	885,073	878,771

* * *

A dividend of 20 cents per share on the capital stock of **The National City Bank of New York** was declared on Oct. 4 and will be paid on Nov. 1, to shareholders of record at the close of business Oct. 14. This payment will bring the amount of dividends per share paid by the bank and **City Bank Farmers Trust Company** in the calendar year 1949 to $1.80 compared with $1.60 per share in 1948. It is the present intention of the directors of the bank, provided conditions permit, to continue dividends of the bank at the rate of $1.80 per share per annum (including any dividends from City Bank Farmers Trust Company) hereafter to be paid quarterly.

NATIONAL CITY BANK OF NEW YORK

	Sept. 30,'49	June 30,'49
	$	$
Total resources	4,897,643,284	4,945,372,474
Deposits	4,526,158,895	4,579,501,332
Cash and due from banks	1,194,580,598	1,411,285,601
U. S. Govt. security hold'gs	1,853,265,018	1,721,538,249
Loans and bills discounted	1,346,355,859	1,367,519,727
Undivid. profits	46,570,600	44,568,623

* * *

CITY BANK FARMERS TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
Total resources	$118,190,283	$119,148,643
Deposits	85,125,189	85,962,411
Cash and due from banks	14,303,795	20,255,553
U. S. Govt. security hold'gs	86,492,340	78,397,363
Loans and bills discounted	1,079,215	6,727,793
Undivid. profits	9,988,260	9,756,569

* * *

Almost 1,200 of the 1,387 men and women who have been on the staff of the **Chase National Bank of New York** for 25 years or more attended a dinner in their honor in the grand ballroom of the Hotel Waldorf-Astoria last night, Oct. 5. Winthrop W. Aldrich, Chairman of the Board, and Percy J. Ebbott, President, were hosts and speakers at the dinner, which was followed by a program of entertainment. A total of 172 employees reached their 25th service anniversary this year, increasing the 25-year group to 1,387, which represents over 15% of the bank's entire staff. Oldest active staff members in point of service are Charles F. Puckhafer, Vice-President, and Max Friesmuth of the loan department, each of whom has completed his 48th year in the bank. Among the women, Bernhardina Jehli has the longest service record, almost 40 years.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	Sept. 30,'49	June 30,'49
	$	$
Total resources	4,507,112,607	4,677,221,404
Deposits	4,106,109,735	4,283,944,130
Cash and due from banks	1,099,289,314	1,291,193,008
U. S. Govt. security hold'gs	1,760,469,739	1,723,449,125
Loans and discounts	1,317,800,673	1,382,631,244
Undivid. profits	67,648,596	65,968,363

* * *

Brooklyn Trust Company, Brooklyn, N. Y. has been authorized by the State Banking Department to open and maintain a new branch office at 116-22 and 116-24 Queens Boulevard, Kew Gardens, Queens. It is expected that the new office will open for business within the next few weeks.

The new office will be the 25th banking office of the company which now operates its main office and 20 branches in Brooklyn, one branch office in Manhattan, and two in Queens — one in Jamaica and one in Bellaire.

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Mr. Charles M. Trunz, President of Trunz, Inc., packers and retailers of meat products, has been elected a Trustee of the **Lincoln Savings Bank of Brooklyn, N. Y.**

Mr. Trunz is a director of the Greater New York Packing Company, Inc., director of the Interboro Mutual Indemnity Insurance Company and a Commissioner of the State Commission of Correction.

* * *

Bernard F. Hogan, President of the **Greater New York Savings Bank**, announces that construction has been started on an addition to the bank's Flatbush office at Church and McDonald Avenues, Brooklyn, N. Y. adding 4,000 square feet of banking space.

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Harold G. Parker, President of the **Flushing Savings Bank, Flushing, Queens, N. Y.** and of Parker & Dobson, Inc., investment consultants, of Flushing, died on Sept. 30. His age was 60.

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Edwin Flint Metcalf, Director of **The National Bank of Auburn, Auburn, N. Y.** died on the 13th of September. Mr. Metcalf was a Director of the bank since 1905 and a Vice-President from 1920-1948.

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CENTRAL HANOVER BANK & TRUST COMPANY, NEW YORK

	Sept. 30,'49	June 30,'49
	$	$
Total resources	1,507,113,320	1,495,176,255
Deposits	1,361,687,694	1,550,499,537
Cash and due from banks	380,648,839	419,803,128
U. S. Govt. security hold'gs	556,049,290	581,317,155
Loans and bills discounted	484,887,391	422,896,181
Surplus and undivided profits	111,126,795	110,601,548

* * *

Elwyn G. Preston, Jr. of the Wellington Sears organization was today elected a Director of the **State Street Trust Company, Boston, Mass.** Mr. Preston is Assistant Treasurer of the West Point Manufacturing Company and Dixie Mills, Inc., also Treasurer of the Equinox Mill.

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Public Affairs Director Miller of Irvington and Roger F. Lancaster, Newark attorney, Sept. 27 were named to the board of directors of the Irvington Trust

(Continued on page 38)

Rukeyser Sees Cripps Killing British Incentive

Economic commentator for International News Service points out increase of tax on British exporters is frustrating Labor Government's goal for increased exports.

Merryle Stanley Rukeyser, financial writer and economic commentator for International News Service, in an address at Denison University, Granville, Ohio, on Sept. 29, sharply criticized the action taken by Sir Stafford Cripps, British Chancellor of the Exchequer, in increasing the tax on profits, calling it "a blueprint for destroying incentives" and an impediment to increase of British exports.


Merryle S. Rukeyser

"In order to cater to demogoguery," Mr. Rukeyser stated, "Sir Stafford wants to make sure that enterprising men do not profit from exploiting the foreign trade advantages opened up by devaluation of the pound, despite the fact that England desperately needs exports. This represents errant economic nonsense and emotional economics. It overlooks the fact that executives in the state and industry, who want to influence people to achieve a stated goal, can inspirit them with rewards. But Sir Stafford, who through devaluation gave the British workingman a concealed wage cut, doesn't want the union leaders to chide him for letting exporters increase their earnings by helping to end Britain's economic crisis.

Continuing his remarks, Mr. Rukeyser contended that:

"Sir Stafford irrational proposal, which steps up the punitive business profit tax from up to as much as 65% of profits, defeats the British need to acquire more dollars, but it may have been a propagandistic necessity in view of the widely circulated Marxian fallacy about class warfare between capital and labor. The truth, which the Socialists conceal, is that, instead of being in conflict with the workers, the British exporters, if they succeed in augmenting foreign sales, will act as the star salesman of the hours of labor of employees.

"In rejecting the profit idea, the British Labor Party throws out of the window mainstring to human motivation, namely the system of rewards and incentives. Backing away from the profit motive, the visonary British Socialists introduce as a futile alternative the cheer leader method of exhorting businessmen, workers and others to work harder and more efficiently. Then they turn around and defeat their objective by absorbing through taxation too large a ratio of the fruits of venturesomeness and the expenditure of human effort.

"But the propagandists of the British Labor Party argue that the Socialists have nothing to do with the current economic crisis, which they inherited when they took office in 1945. This alibi is like that of the farmer who argued that if he put green tinted spectacles on his cow she would eat straw as beneficially as alfalfa. After four days of such diet, the cow died. The farmer commented: 'Too bad the cow died before we could complete the experiment.'"

Holds Serious Depression Can Come Only From Government Blundering and Bad Labor Tactics

Henry H. Heimann, Executive Manager of National Association of Credit Men, tells Middle Atlantic Wholesalers these are only unfavorable factors against business uptrend.

Talking to delegates to the convention of the Middle Atlantic Wholesalers Association in Atlantic City on Sept. 27, Henry H. Heimann, Executive Manager of the National Association of Credit Men, said there have been many reasons in the past few weeks to believe that the first readjustment period following the war is well on its way. In support of this view the head of the nation-wide credit organization pointed to a check in the decline in the durable goods industries and some evidence that the consumer industries are on the upturn; the maintenance of high construction volume, the stabilization of stocks and bonds, and an upward movement in industry to first suffer from the readjustment.


Henry H. Heimann

"The business readjustment was to be expected," he declared. "We would be in more serious difficulty in the years ahead if it had not taken place. While five million unemployed is a challenge to industry and every effort should be made to reduce the number of unemployed, we must be factual and realize that when the number of employed are considered, the ratio of unemployed is small. It is also heartening to note unemployment is being checked.

"It would take a great deal of government blundering and much injudicious labor leadership to plunge us into a serious depression. There are too many favorable factors to permit it. You can't very well go into a tailspin when the consumer has over $100 billion dollars, some of which he will expend the moment he believes values are attractive. You don't plan for a decreased business volume in the farming area when the farmers are going to experience a general level of prices which, though not at wartime levels, are nevertheless very profitable. You can't have an individual or business credit crisis when the consumer, the farm and business in general are reasonably free of debt. You do not face a credit stringency for the consumer or for business when meritorious loans are eagerly sought.

"There is also the fact that both our national and international needs are so far from being satisfied that it will take tremendous production and distribution to replenish barren stocks and wardrobes.

"Credit executives realize that business in the year ahead will be much more competitive. Accounts at present are more difficult to collect and failures are increasing. The outlook of credit executives can be characterized by the statement that they anticipate a return to more normal peacetime conditions with a greater competition than that which they had to face during the war years. This they believe will provide a healthier and more nearly normal business climate.

"Over the longer range period of time, there are, of course, many difficult problems which must be solved before we can find that we are in a safe trend towards the restoration of a normal economy. First, there must be greater concern about our government expenditures. We can't continue much longer diverting one-fourth to one-third of our production to the purpose of government. Secondly, we must plan now to try and develop normal markets to replace the artificial markets presently suporting business activities. Third, the world must recognize the need of a sound money. Most of the world's problems arise out of the confusion and chaos in monetary values. The devaluation is a step in this direction and though its favorable influence will depend upon many other factors, devaluation does mark the beginning of a realistic approach to sound money values. Of course, if labor continues to concentrate its efforts upon the dollar rather than upon the purchasing power of the dollar by demanding inflationary wages and other benefits then the readjustment has not as yet run its course."

"Presently," Mr. Hermann pointed out, "the dark spot in the agricultural situation is in the fruit farming belt. Farmers are unable to market their crops of fruit because inflationary factors in transportation, excise taxes on transportation, high labor costs, have made it unprofitable for them to market beyond a limited area near production. Fruit farmers are not given parity payments."

Tobey & Kirk Admit Gordon & Goodney

The admissions of Robert S. Gordon and Benjamin Goodney as general partners in Tobey & Kirk, 52 Wall Street, New York City, members of the New York Stock Exchange and New York Curb Exchange, is announced. Other partners in the firm are Thomas C. O'Keefe, William A. Brindley and George D. Gordon.

Railroad Securities

Texas & Pacific

One of the smaller roads that has been giving a good account of itself this year is Texas & Pacific. The road is controlled by Missouri Pacific through ownership of all of the 237,030 shares of preferred stock outstanding and close to 60% of the 387,550 shares of common. Naturally with the small number of shares outstanding with the public, the stock is pretty inactive and seldom attracts any widespread speculative interest. Nevertheless, at recent price levels in the low 40s the stock, in the opinion of many rail analysts, has considerable appeal for potential appreciation and for yield. In recent years dividends have been paid at the rate of $4 per annum and this rate is well protected by earnings.

The road has had a very favorable long-term earnings record. Traffic-wise, there have been particularly wide fluctuations in the company's fortunes back over the years. Important oil discoveries brought about a substantial bulge in the company's business in the middle and late 1920s. In large measure this traffic was subsequently lost to the pipe lines, only to be recaptured during the war years when the heavy demand for petroleum products taxed to the utmost all existing transportation facilities. In 1947 and 1948, the company also benefited from extraordinary crude oil movement, but new pipe line construction has since taken up this traffic. Of greater long-term significance, the company has received a large volume of fruit and vegetable traffic as a result of the expansion in agriculture in its service area and in territory served by connecting carriers.

On balance, the company's long-term traffic trend, even with the diversion of petroleum traffic, has compared favorably with that of the industry and with that of other roads operating in the same general territory. Also, and particularly important to the investor, the company has always been an efficient operation. As a result of this favorable operating status, the road was one of the minority in the industry that was able to cover its fixed charges in full and report net earnings in every year of the depression decade. There is nothing in the picture that would be calculated to alter this enviable record.

Over the past ten years earnings on the common have averaged close to $10 a share. In the best year of that period, 1942, the earnings reached $20.18 a share. In the poorest year, 1939, there were no earnings for the junior equity, the company having failed by a slight margin to cover the preferred dividend requirement. It is pertinent to note, however, that in the meantime fixed charges have been reduced by more than a million dollars to an indicated level of under $2,900,000. This reduction was accomplished despite the fact that the company was hampered by the non-callable feature of its long-term first mortgage bonds.

Earnings on the stock last year amounted to $15.06 a share. With the loss of the extraordinary 1947-1948 petroleum traffic and the decline in business generally, revenues this year have been running quite substantially below the level of a year ago. Moreover, maintenance outlays have been kept at a high level. On the favorable side, the management has been able to exercise strict control over its transportation costs. For the eight months through August there was a cut of more than a point in the transportation ratio and for August alone the cut was even wider.

Tax accruals were down substantially and the net debit for hire of equipment was reduced almost $1 million. As a result, the decline in net income was held to $987,549 from $4,260,884 in 1948 to $3,273,335 in the current interim. After deducting preferred dividend requirements, common share earnings amounted to $6.41 for the eight months of 1949 compared with $8.96 a year earlier. It appears likely that maintenance expenditures, particularly way and structures will be curtailed in the closing months of the year. Full year's earnings, then, could come close to $12 a share, or three times the current dividend rate.

Harback to Head Los Angeles Exch. Anniversary Committee

LOS ANGELES, CALIF.—Edwin L. Harbach, partner in the brokerage firm of Hopkins, Harbach & Co., will head the observance committee for the 50th anniversary celebration of the Los Angeles Stock Exchange, Nov. 15 through Dec. 15, according to W. G. Paul, Exchange President.

The Exchange's actual anniversary date is Dec. 7—Pearl Harbor Day.

In accepting the appointment Harbach said, "although the theme of the observance will commemorate '50 years of progress,' the brokerage industry of Southern California is rededicating its energies to the great era that lies just ahead—and era ripe with opportunity for us all."

He pointed out that California has gained 40% of the nation's new population since 1940, nearly half of which has settled in and around Los Angeles county.

"We are now developing the industry to support this astounding population growth," he said, "and in a few more years the demand of those great new industries will attract hundreds of thousands of citizens from elsewhere to seek new opportunities in the greater Los Angeles community."

Harbach graduated from Harvard Military School in 1921 and the University of California at Berkeley in 1925. He entered the securities field in 1926, and in 1928 became a member of the Los Angeles Stock Exchange.

Long active in civic and welfare affairs locally, Harbach was general fund campaign Chairman for Los Angeles Chapter of the Red Cross in 1948, and is a member of the Better Business Bureau and the Los Angeles Chamber of Commerce.

Knight, Wells With Van Alstyne, Noel & Co.

Philip A. Knight and Sheldon S. Wells are now associated with Van Alstyne, Noel & Co., 52 Wall Street, members of the New York Stock Exchange in the institutional department, it is announced. Both were formerly partners in Charles H. Drew & Co.

Leone & Pollack Are Opening in New York

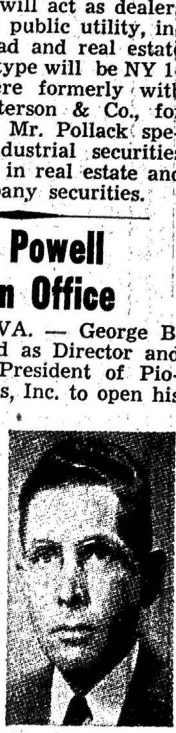
George V. Leone and Harold J. Pollack are forming the partnership of Leone & Pollack with offices at 40 Exchange Place, to engage in the investment business. The new firm will act as dealers and brokers in public utility, industrial, railroad and real estate securities. Teletype will be NY 1-3647. Both were formerly with Frank C. Masterson & Co., for over 20 years, Mr. Pollack specializing in industrial securities and Mr. Leone in real estate and mortgage company securities.

George V. Leone

Harold J. Pollack

George B. Powell Opens Own Office

NORFOLK, VA. — George B. Powell resigned as Director and Resident Vice-President of Pioneer Enterprises, Inc. to open his own office as broker-dealer at Room 102, 105 Brooke Avenue. Under his leadership last year the Norfolk Office led all other offices in Virginia and West Virginia with nearly two million dollars of production. Mr. Powell will specialize in investment company funds and insured savings. He has had twelve years of experience in the field and is well qualified in this phase of investments. He says that the public is more than ever getting away from the speculative field of investments and more interested in estate building through funds plus insurance where they can be assured of security and better than average income. By having a dollar diversified in many companies as well as many industries one can obtain better than average income and protect the purchasing power of the dollar. This can be accomplished through the many management companies he represents in New York, Boston and Philadelphia. He will be able to give his clients a diversification of management as well as investments.



George B. Powell

Mr. Powell served as Lt. Comdr. in the USN, World War II, and prior to that he was with the Investors Syndicate of Minneapolis, Minn., as District Manager of the Norfolk, Virginia office. He is a native of Norfolk and Nansemond County and well known among the business circles of Tidewater Virginia. He is a graduate of V.P.I. in the class of 1923 with a B.S. degree in Business Administration.

Now W. D. Kingston & Co.

NEW ORLEANS, LA. — The firm name of Lamar and Kingston has been changed to W. D. Kingston & Co. Walter D. Kingston, member of the New Orleans Stock Exchange, is sole proprietor of the firm which is located in the Canal Building.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Recent changes in dividend policies of three major fire insurance companies, calls attention, once again, to the favorable position of this group from the standpoint of possible increases in dividend payments over the next several months.

On Nov. 25 stockholders of the Insurance Company of North America will vote on an increase in the authorized capital stock from $15,000,000 to $30,000,000. If the increase in capital is approved, at that time, directors will declare a stock dividend in the ratio of one additional share for each five shares held. This would, in other words, amount to a stock dividend of 20%.

Stockholders of Hartford Fire Insurance on Sept. 22 voted to increase the capital of the company from $12,000,000 to $16,000,000. A stock dividend of 33⅓% was declared earlier subject to such approval by stockholders.

Another of the major groups, Fire Association of Philadelphia has called a special meeting of stockholders for Nov. 17 to vote on a proposed merger of its three subsidiaries into the parent company. At the same time shareholders will vote on a proposed increase in capital from $2,400,000 to $3,600,000. If the increase in capital is approved a stock dividend of 20% would be paid.

In each of these cases the present annual cash dividend payments are likely to be maintained on the larger number of shares to be outstanding.

A number of other fire companies have increased their dividend payments during the past year. Nevertheless, present disbursement for practically all are still low in relation to present and prospective earnings.

In the past the level of investment income was the primary determinant of dividend payments. For the past several years only about 60% of such income has been distributed to shareholders. Historically, it has been normal for companies to pay out between 75%-80% of investment income, using the balance and any underwriting earnings to augment capital funds and provide for the normal growth of the business.

There have been several factors which have prevented a larger distribution of earnings during recent years. One of the most important of these was the pressure on capital funds arising from the great increases in premium volume.

With the increase in prices following the war insurance companies experienced a sharp expansion in the volume of business available. As it is necessary to maintain a certain relationship between capital and premium writings many companies found themselves limited in the amount of additional business they could handle because of their capital position.

Because of this a number of companies raised additional capital by issuing rights to shareholders to purchase more stock. Others obtained funds by public sale of securities. The most important source of additional capital for most companies, however, was the retention of earnings.

Another deterrent to larger cash payments was the unfavorable statutory underwriting results experienced. Many companies had sizable losses in this division of the business.

Within the past year, however, premium volume has been leveling off and the capital position of the various companies has been improved. At the same time, the large underwriting losses of 1946 and 1947 have been converted to very favorable underwriting gains. In many cases the results for the first six months of the current year were the best on record. As the fundamental conditions continue favorable a record year of fire insurance earnings is in prospect.

Under these conditions, it seems reasonable to expect that over a period of time a gradual restoration of a historical relationship between investment income and dividend payments will be made.

In order for this to be accomplished a general increase in dividend payments of between 25% and 30% would have to occur. While it is not believed likely that a disbursement of between 75% and 80% of investment income will be made immediately, over a period of years it could be attained.

Considering the recent action of various companies in declaring stock dividends, other institutions may do likewise. In any event numerous dividend increases are likely over the next few months.

Some of the companies which will meet for dividend action within the next two months are listed below together with other pertinent information.

	Current Annual Div. Rate	1948 Investment Income	Percentage Paid Out	Approximate Next Div. Meeting
Agricultural Insurance	$3.00	$5.21	57.6%	Nov. 19
Fireman's (Newark)	0.50	1.72	29.1	Oct. 10
Glens Falls	2.00	2.50	80.0	Dec. 3
Great American	1.30	2.43	53.5	Dec. 2
North River Insurance	1.20	1.54	77.9	Nov. 8
Phoenix Insurance	3.00	4.97	60.4	Nov. 30
St. Paul Fire & Marine	2.25	4.40	51.1	Oct. 17
Security Insurance	1.40	2.45	57.1	Oct. 7
Springfield Fire & Marine	1.90	2.55	74.5	Nov. 24
U. S. Fire	2.40	3.43	70.0	Oct. 13

Wall Street Riders Elect New Officers

Miss Marie R. Cambridge of Union Securities Corp. was elected President of the Wall Street Riding Club at the club's annual meeting for election of officers, held on Sept. 30. Re-elected to the offices of Vice-President and Treasurer were, respectively, Mrs. Mildred Butler, of McLaughlin, Reuss & Co., and Francis X. Hoart, of Moore & Schley. Miss Helen G. Slane, of the Milbank Fund, is Secretary.

New directors elected were Miss Adele Lotz, of J. & W. Seligman, and Albert Lawrence, of the Marine Midland Trust Co.

On Friday, Oct. 7, the club will begin its 15th consecutive ride season at the Split Rock Riding Academy in Pelham Manor, New York, where formation rides will be held every Friday at 9 p.m.

Miss Cambridge announced an active fall and winter season of rides and social activities.

Securities Salesman's Corner

By JOHN DUTTON

Professional men, such as doctors and lawyers, who have checked up on where their new patients or clients come from, claim that there is no such thing as a "new account." People who go to a doctor for the first time have usually been to several other doctors and for one reason or another become dissatisfied. This is often true of the legal profession and it is certainly the existing situation in the securities business. In matters of health, the law, or finance people shop around. It is because these vital affairs loom so large in everyone's life that it is only natural for all of us to seek the best possible advice and assistance.

One securities dealer put it this way, "This business is nothing more than keeping people satisfied and happy. In a way he was right, but we would go farther. The building of a substantial clientele in the securities business begins with understanding what your customer needs and MAKING HIM LIKE IT. This does not mean bullying anyone into accepting any preconceived ideas regarding securities. The road to understanding and cooperation between the investor and his dealer or broker is too often hidden behind a fog of indecision and lack of clarity on the part of both the investor and the firm with whom he deals. Before you can map out a course of action for your client you must first impress upon him that it is just as important for him to understand why certain securities are good for him and some are not. It is only once in a while that you will hear of someone telling his architect how to build his house, or his doctor how to cut out his appendix, or his lawyer how to draw up his will. But the fellow who doesn't think he knows more about how to invest his own money than any stock broker or securities dealer is a rare bird. Too often, the salesman in this business takes orders for securities that he knows are not suitable for his client and the reason that he does so is that his customer is in the driver's seat and he is the order taker.

It is not always possible to control every situation or every customer. Everyone knows a certain number of people who will act like cantankerous everyday human beings no matter what he is selling. No matter how tactful, forceful or inspiring you may be there are times when you must take orders instead of give them. But when you have an opportunity to open up and show your customer how important it is to HIM that he has a plan and a definite objective in his investment operations by all means go to it. The customer who has no plan, and no one that is helping him to work that plan, is the customer that shops around. He is never satisfied with his broker. He doesn't know what he is doing or why he is doing it, so when a particular security proves unsatisfactory he looks for someone else who will sell him only the type of investment that will always go up in price and increase the income that he receives from it. But if your customers realize that they have a certain percentage of their funds invested in high grade bonds and preferred stocks, or good common stocks, or speculations and that the percentages which are represented by each group are geared to the PREVAILING ECONOMIC AND FINANCIAL SITUATION IN THE NATION AS A WHOLE AND THEIR OWN PARTICULAR INDIVIDUAL REQUIREMENTS AS INVESTORS, then you have eliminated shopping around and have constructed an edifice for every one of your customers that will stand up and prove satisfactory to them.

Investing money today is not a job for amateurs—but the task is less complicated than at any time in our history because today we are able to get the facts. Never before has the conscientious investment dealer been able to bring before his clients the vast fund of information which he can command today. Upon sound information good investment judgment rests. It is a wise investor who goes to his investment dealer and says, "Let us sit down together and talk over my investment situation, let us plan a program and watch that program develop as we go along." The only way anyone can do a good job of investing is to know what he needs. The best way to find out is to bring all the facts into the daylight and start from there.

Europe's Problem

"Europe's problem is a fundamental one which can actually be solved only by a complete change in world economic relations.

"Europe's population and scale of living both were adjusted over a period of many years to the growing overseas wealth of its nations. Europe never had the internal resources to support all its people in the style of before and after World War I. It depended on the external resources inherited from adventurous explorers and businessmen who had built up those resources over a long period of time.

"But enormous portions of that inherited wealth were spent in two world wars, and other portions were lost as a result of the movement for independence in colonial areas. That is why the teeming millions of Europe can no longer live within their joint income."—Owen J. Roberts, formerly U. S. Supreme Court Justice.

We do not know what the learned justice means by "a complete change in world relations," but we are quite clear in our own minds that this situation, which only in part is accurately described by the justice, can not be cured in the absence of a vast increase in European productiveness.

World Bank Grants Another Loan to India

The International Bank for Reconstruction and Development on Sept. 29 granted a loan of $10 million to India for the improvement of agricultural production. The proceeds of the loan will be used to finance part of the cost of agricultural machinery needed for the reclamation of lands infested with a weed known as kans grass, and for the clearing of jungle lands.

The loan is for a term of seven years and carries an interest rate of 2½%, plus commission at the rate of 1%, which, in accordance with the Bank's Articles of Agreement, is allocated to its special reserve fund. Amortization payments, calculated to retire the loan by maturity, will start on June 1, 1952.

This is the second loan granted by the International Bank to India within a period of six weeks. On Aug. 18, 1949, the Bank made a loan of $34 million for the reconstruction and development of the Indian Railways.

In addition to this new loan, the World Bank has completed technical investigations of an electric power development project at Bokaro, in the Damodar River Valley, and negotiations for a loan to finance this project are already in progress.

After being previously approved by the Bank's Executive Directors, the Loan Agreement was signed today by Eugene R. Black, President, on behalf of the International Bank for Reconstruction and Development; and by Vijaya Lakshmi Pandit, Ambassador for India, on behalf of India.

Edw. Lowber Stokes Admits New Partners

PHILADELPHIA, PA.—Edw. Lowber Stokes Co., 1708 Locust Street, members of the Philadelphia-Baltimore Stock Exchanges, announce the admission of S. Grey Dayton, Jr., and Elmer E. Hackman as general partners. Chester M. Grooms has become associated with the firm in its trading department.

Messrs. Hackman, Dayton and Grooms were formerly associated with C. S. Wurts & Co., Philadelphia, the former as a limited partner.

Will Sterling Devaluation Take Britain Off Our Back?

(Continued from page 4)

war. The International Monetary Fund, organized under English leadership and inspiration, set a scale of currency values which prevailed in July, 1944 in the midst of war. For five years the English Government has been insisting that a $2.80 pound was worth $4.03. That government tried to maintain a rigged world market for sterling under which none of it could be traded at less than the official rate. However, there were constant leaks. The sterling area continued to lose its gold and dollar reserves in spite of lend-lease a $3,750 million American and a $1,250 million Canadian "loan" in 1946, and Marshall Plan aid of $1,239 million in 1948 and $962 million in 1949. It was the imminent exhaustion of sterling area reserves which caused the SOS from London in the early summer and brought Cripps and Bevin to Washington last week.

The problem was one which could not be solved by any financial legerdemain. Another major dollar transfusion could only be a palliative. Such a transfusion, furthermore, was politically impossible on this side of the Atlantic. The cure would have to be devised by Englishmen and applied by Englishmen. It would not be a simple cure.

One of the required steps, long recognized by all but the leaders of the English Labor Party, was a correction of the sterling-dollar ratio. This was finally understood and admitted by Cripps. The action of the 18th, devaluing the pound, was a recognition of this need.

Devaluation Effects

What will it do?

It will reduce the cost of all exported English products in dollar areas. The English car which was priced at 500 sterling before the 18th cost the American $2,000. Now it will cost less than $1,500. On the other hand, a pound of American tobacco which formerly cost the Englishman six shillings will now cost eight shillings. Devaluation will encourage British exports, will strengthen the competitive position of English products in world markets. It will discourage the importation of American goods and weaken the competitive position of American exports in world markets.

Together with promised changes in customs administration by this country, it will open our domestic markets to British goods. This is a mattter of degree. But it will be felt by all American producers who have so far been able to ignore English competition in this country.

In this matter Americans cannot have their cake and eat it too. We want the British to get off our backs. They want to get off. Devaluation will mean that British goods, to a degree, will replace American goods. If it does not do that, devaluation will have failed. Only by permitting the English to sell to us, only by permitting them to take some of our foreign customers away from us, only by cutting the amount of American merchandise sold in the sterling area can the "dollar shortage" be relieved. Only in this way can the English be taken out of the international almshouse, which they do not wish to occupy, and which we have become tired of supporting.

All this means that the American businessman will find the going a little harder, the competition will be keener, price structures will be under pressure. Occurring as it does on the reverse slope of a business cycle when this country is in process of economic adjustment anyway, it may serve to aggravate and accelerate that adjustment. In practical terms, this event warns all of us to be more careful in our risks in the future than we have been in the past.

Should Rails Be Subject To Starvation Regulation?

(Continued from page 6)

tomorrow. Because in the long run we can make such investments only through a good credit standing which depends on profits, tomorrow's rates actually depend, to a large extent, on today's profits. If you will act in that knowledge today, and refuse to be misled by superficially attractive but momentary advantages when you are deciding how to ship, you will benefit greatly tomorrow through a much lower rate level than otherwise would be possible.

General Advantages of Fair Rate of Return

There are other, and often unappreciated, advantages to you in seeing that the railroads are permitted a fair rate of return. The late Leonard P. Ayres, a native New Englander who become one of the nation's leading economists, was fond of refferring to the railroads as "America's 20% industry." I said 20%, Not 5%! This is because the railroads traditionally purchased and consumed around 20% of our bituminous coal production, our iron and steel output, our timber, and of our fuel oil output. Thus our purchases, and our employment level as well, have a large influence upon the state of our national economy, and of your own level of business. Thus, the more you help us, the more we help you; and when you hurt us, we cannot help but hurt you.

The railroads are fully aware of your constant need for service improvements. I don't know that we ever will achieve perfection, because there is no such thing. But we would welcome it if you would help us to reach a modest 6% return — which we have achieved in only one year and have approached in only one other year in the last two decades—and then would demand in turn that we give you what you want. For there is very little wrong with the railroads, or with railroad service, that couldn't be remedied by a fair return, and by the improvements in equipment, service and personnel that a fair return would make possible. The attractive part is that this return could be achieved on a relatively small increase in revenues, because our expense ratio becomes quite low after we meet our fixed expenses . . . or as they say in the amusement business, after we "crack our nut." Indeed, it was this factor that enabled the railroads to operate all through the war and until 1946 without any freight rate increases, in a period when all types of expenses were climbing.

Danger of Drifting Into Government Ownership

You have been told time and time again that the railroads urgently require a reasonable rate of return in order to avoid drifting into government ownership. That's still true; it's truer today than ever before. Government ownership would mean that you would be told when and how to ship; would be told the service you could have, and the service you couldn't have. Government ownership wouldn't end with the railroads alone: it would stretch its initiative-stifling, dead hand into all other types of transportation; into steel; into mining; and very possibly, right into your own business. I urge you to keep this uppermost in mind when you are tempted to resort to our subsidized competitors, whose rates do not reflect the true costs of service; who live on constant transfusions from the public purse; and whose expenses to a large degree actually are coming from your own pockets and your companies' pockets, in the form of increased taxes. All of these competitors have their spheres of usefulness. But when these spheres are extended to uneconomical lengths by subsidies, they threaten the integrity of the railroads, and in so doing, they threaten your own future integrity. You are playing with atomic bombs when you deplore socialism with words, and turn around and nourish it with deeds.

Rail Improvements

While we urgently require a higher return, we of the railroads are not sitting idly by and merely deploring things as they now are. Rather, we are constantly making improvements, to the extent of our financial ability to make them.

As you well know, the railroads are rapidly Dieselizing, and the New York Central is no exception. But unless you follow it day by day, the rapidity of this process is quite surprising.

At West Springfield, Mass., we have established modern Diesel shops where we are concentrating all heavy servicing of Diesels for our entire New York Central territory from Buffalo to the east and to the south. Using these facilities, we have proceeded so rapidly with Dieselization during the last two years that approximately 90% of our freight train mileage on the Boston & Albany now is Dieselized.

Our passenger Diesels now are pulling such trains as the New England States Limiteds, our twin new stainless steel streamliners which were completed in June at a cost of $2,000,000 each, and which provide fast overnight service each way between Boston and other Massachusetts points, and Chicago and other midwestern points. Altogether, the Central has spent approximately $8,000,000 for postwar passenger cars and locomotives now serving Massachusetts. Our new passenger equipment now runs in 12 trains serving Boston and other key cities on the Boston & Albany, and consists of 54 of the latest type of cars, in addition to other modern, streamlined cars which were placed in service just before the recent war.

Also of interest is the fact that since April 25 of this year, the New York Central's Pacemaker Freight Service, which speeds less-than-carload merchandise on passenger train schedules, has been linking Boston and other New England cities with cities in New York State and, by connection with fast freight trains beyond Buffalo, with leading cities in Ohio, Michigan and Indiana. The New England Pacemaker, which operates simultaneously westbound and eastbound, moves as a solid train to provide a new overnight delivery in both directions for LCL freight between Boston and Buffalo. Intermediate stops to pick up and drop off cars are made at Worcester, Springfield, Pittsfield, Albany, Utica, Syracuse and Rochester.

The freight Pacemakers are Diesel-powered, and shipments are fully protected through use of a pool of 1,000 specially built red and gray box cars, all equipped with high-speed trucks, cushioned draft gears, and easy-riding springs, to permit passenger train speeds. This new service—which provides first-morning arrival each way for cities between Boston and Buffalo, and second-morning arrival each way on movements between Boston and a number of key midwestern points, has proven so popular that we now are changing the gear ratios of some of our freight Diesel-electrics to permit increasing our maximum speeds from the present 65 to 75 miles an hour. More than 20% of the New York Central's entire LCL tonnage now is moving on the fast and dependable New England and New York Pacemakers, and this traffic has been increasing regularly and consistently, which is the best kind of a testimonial!

We also have coupled this new Pacemaker LCL service in Ohio, Indiana and Illinois this year with a new motor truck service for the movement of LCL freight between strategically located concentration points and smaller way stations. As a result of substituting tractor-trailers for so-called "peddler" cars on local freights, we not only have quickened our LCL service by one or more days, but we also have improved our carload service through the elimination of many of the time-taking operations of way-freight trains.

This new tri-state LCL truck services is operated over 2,600 daily route-miles, and includes 37 truck routes in our Big Four district. These trucks—which, unlike those of some trucking companies, will be operated at all times with legal loads—are leased from private trucking firms and are under our control and direction at all times. The great success of this operation demonstrates vividly that, from a service standpoint, the only sound method of operating a coordinated service is under one management and control.

These new New York Central service improvements which I have been citing are very substantial, but even so, they are only a fraction of the improvements that we and the other railroads would like to make in our mutual interest . . . and which the railroads would make if they were freed from the shackles of overregulation.

As I said before, for the seven months ended July 31, the railroads earned a return on depreciated property investment of only 2.6%; over the entire last quarter-century, the railroads have earned a return of only 3.6%. If it is true, as we often hear, that the competition of trucks, buses, planes, waterways and pipelines is actually what keeps the railroads from earning enough to maintain their financial health, then it logically follows that the railroads have more competition than any other large industry in the United States. Railroads, therefore, should not be the most-regulated industry in the United States; they should be the least-regulated industry. In particular, it seems unwise to have one so-called fact-finding board establishing the level of wages, and another commission—often after much time has elapsed—passing judgment on a rate level to offset the added costs.

Regulation Complicated

Regulation is a long and complicated subject, and there is not time to discuss it tonight. I would like to quote very briefly, however, from a recent article in "Fortune" magazine, entitled "The Coming Crisis in Transportation." This magazine — which certainly is an independent source — says that government and labor must stop treating the railroads, and I quote, "as the monopoly they no longer are. It means that they must be allowed to abandon hopelessly unprofitable operations. It means they must be allowed to market their product—to set rates quickly and boldly. . . This means nothing less than a radical revision of the Interstate Commerce Act, which for a half century has hog-tied and hamstrung the rails with its intricate windings of restriction and protection. . . The real point is that the railroads' position has changed. Owing to trucks, it is not at all what it was when the ICC was invented. The rails are now engaged in a death struggle with an enterprising competitor. They must be set free to fight. . . ."

The function of regulation of the railroads, which provide the only true common carrier service, should be to discipline them, if necessary, but not to subject them to certain starvation. The magazine "Railway Age" recently suggested that.

"Perhaps the easiest way out of this fatal absurdity would be to insert a clause in the Interstate Commerce Act and the Anti-trust Act, making the restrictive provisions of those measures applicable to the railroads only when railroad earnings have averaged 6% or more on the investment for at least three consecutive years. The public is certainly not being gouged by—and hence requires no regulatory protection against — an industry which is profiting at less than 6%. If this expedient is not acceptable, then somebody had better come up with a better one which will accomplish the same purpose—and fast. . . ."

Whether this is the answer, or whether some other step is the answer, something must be done. It is time for some Twentieth Century thinking and Twentieth Century statesmanship. To the extent that you help us, in the long run you help yourself. Tomorrow's rates and service, tomorrow's business freedoms, tomorrow's personal freedoms, all depend on it. In the pressure of doing business today, let us not forget tomorrow, for tomorrow will become today, all too soon. Let us heed well this immortal advice from Abraham Lincoln: "You can't escape the responsibility of tomorrow by evading it today." Let us, instead, cooperate fully in solving this great problem, for the sake of a better tomorrow for all.

Almon Hutchinson Is With Cohu & Co., NYC

Almon L. Hutchinson, formerly with the Trading Department of H. M. Byllesby & Co., Inc., in Philadelphia, has become associated with Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Hutchinson began his career in the Philadelphia office of E. H. Rollins & Sons, Inc., and was later associated with the Trading Department of Buckley Brothers in Philadelphia and New York City.

Almon L. Hutchinson

Applegate Partner

PITTSBURGH, PA.—Arthur F. Humphrey, Jr. has been admitted to partnership with Arthur L. Applegate in Geo. G. Applegate & Co., Commonwealth Building. Mr. Humphrey was formerly with the First Boston Corp.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Government securities continue to move in a trading range, although there has been evidence of a greater interest in these obligations on the part of commercial banks as well as non-bank investors. . . So far the somewhat enlarged demand for Treasury obligations has not been sizable enough to indicate a reversal of policy on the part of many of these institutions. . . . A cautious attitude still seems to be in vogue at this time. . . . Filling in of maturities and switches has taken some of the play away from the professionals who still seem to dominate a narrow and not-too-active market. . . .

Talk of administrative changes in handling operations in the money markets, such as the reestablishing of the preferential discount rate, had a tendency to increase the interest in near-term Treasuries. . . . Economic conditions are being watched very closely for effects upon the government market. . . . Many believe long strikes in key industries would strengthen prices of Treasury obligations. . . .

PRICE STALEMATE INDICATED

The government market seems to be under the influence of forces which are likely to keep prices of Treasury obligations from moving too far in either direction. . . . (This is assuming no general change in the economic pattern or prolonged labor disturbances.) . . . The seasonal increase in loans is taking the pressure off the commercial banks to put funds into the government market. . . . While institutions in some localities may not be experiencing the same demand for loanable funds as those in other sections, there has been and most likely will continue to be a brisk need for borrowings in order to finance the seasonable business pick-up of the country as a whole. . . .

Also there is an increase in tax-exempt municipal obligations which is taking funds away from the government bond market. . . . As these securities are brought out at levels which will make them attractive to non-bank investors, more funds of insurance companies will be put to work in these obligations. . . .

Housing securities will be coming into the market in the not too distant future and these obligations will attract funds that would ordinarily be invested in Treasury obligations. . . . For the time being, but for a temporary period it seems as though the demand for loans and the supply of securities other than governments, will tend to remove the urgent need to put funds to work in Treasury obligations. . . . This will no doubt tend to retard the upward progress of prices of government securities. . . .

On the other hand, credit will continue easy and this should not mean any sizable liquidation of Treasuries in order to meet other commitments by either the deposit institutions or non-bank investors. . . . Because of the forces operating on both sides of the equation it is not expected prices of government securities will move very far in either direction from recently established trading areas. . . .

CURRENT MARKET TRENDS

A somewhat larger, although not too sizable demand, has been appearing in the market for the longest 2s and 2½s due 9/15/67-72. . . . Out-of-town deposit banks continue to be the major buyers of these securities, although the large money center institutions have been giving them more competition than in the recent past. . . . Certain New York City banks which have been buyers of shorts almost exclusively for a long time have been making commitments in the aforementioned eligible issues. . . . This seems to indicate a change in investment policy of these deposit banks. . . .

Savings banks are still the all-important force in the restricted issues, albeit on not such a large scale as previously. . . . The demand for Vics recently has been more sizable from these institutions than for the earlier eligible tap issues. . . . Some switching has been going on from the 1952 and 1953 eligible restricted bonds into the 2½s due June and December 1967/72. . . . It has been quite a while since that type of swap has been in style with the savings banks. . . . Life insurance companies as a whole continue to assume a passive role in the government market. . . . These institutions, along with the fire and casualty companies, are beginning to make fairly substantial purchases of municipal obligations when the yield appears to be attractive such as the recent issue of Pennsylvania Turnpike bonds. . . .

BRIEFS

There is considerable talk about the reinstituting of a preferential discount rate, which would probably be done to bolster the short end of the market in order to prepare it for increased offerings of this type. . . . Although many money market followers do not see the need for such a development at this time, there would be no great surprise if a measure like this one were put in operation by the monetary authorities. . . .

Although the partially-exempts have been moving with the trend of the market, the 2¾s and 2⅞s which have come in for sale have been quickly snapped up, some of them at prices that were above the quoted market. . . . World Bank bonds, especially the longest issues, have been well bought by non-banking institutions.

Chas. and John Wurts Join Wurts, Dulles

PHILADELPHIA, PA. — Charles Stewart Wurts, Jr. and John Wister Wurts, formerly conducting the partnership of C. S. Wurts & Co., are now associated with Wurts, Dulles & Co., members New York Stock Exchange, New York Curb Exchange and Philadelphia-Baltimore Stock Exchange, 1416 Chestnut Street.

B. J. Cunningham With Goldman, Sachs & Co.

CHICAGO, ILL. — Goldman, Sachs & Co., 208 South La Salle Street, members of the New York Stock Exchange, announces that Bernard J. Cunningham has become associated with the retail sales department. Mr. Cunningham was formerly with Hicks & Price.

Dean Witter Co. Opens Branch in Portland

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — Dean Witter & Co., members of the New York Stock Exchange and other leading exchanges, has opened a branch office in the Equitable Building. Associated with the new office are William B. Boone and William W. Rosenfeld, both formerly with Blyth & Co., Inc.

Intercoast Finance, Inc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Intercoast Finance, Inc. has been formed at 6367 Wilshire Boulevard to engage in a securities business. Officers are William L. Irwin, President, and Frank S. Halvorsen, Vice-President and Treasurer. Mr. Irwin was previously with G. Brashears & Co. Mr. Halvorsen was with John B. Dunbar & Co.

Granbery, Marache to Admit R. V. V. Miller

Granbery, Marache & Co., 52 Broadway, New York City, members of the New York Stock Exchange, will admit Raymond V. V. Miller to partnership on Oct. 17. Mr. Miller was formerly a partner in Cohu & Co. and Cohu & Torrey and in the past was a principal of Robinson, Miller & Co.

How the Salesman Should Analyze Himself

(Continued from page 4)

society, through the function he performs.

You should consider yourself the equal of every prospect you call on. Regardless of the position of the person you contact, there is no reason for you not to think that you are an equal of that person in the business world.

When you visit the president of a large bank, there is no reason for you to think that he is on any better level in business than you are, because selling is a two-way street. You sell something and somebody buys it from you. One participant in the transaction is not lower than the other on the business scale.

There is a host-guest relationship in any sales interview. Usually, the salesman is the guest, and as the guest you need not feel yourself any lower than the man you went in to see, because if you do it is going to be reflected in your whole attitude in your sales solicitation.

The next point is that you have to become imbued with the will to go out and sell. If you are the kind of person who needs the boss to start you out selling, then there is an adjustment that you've got to make. You have got to want to do the work. You must like selling enough to want to start yourself out selling every day.

A lot of people sit at their desks the night before they start out, and they have planned a wonderful sales campaign. They have been dreaming it up. And by the time the reality of the working day hits them, they simply leave all that stuff in the dream and don't get to moving at all. It would be like the concert singer who foolishly leaves the best of her concert back in her hotel room by vocalizing there too much before she arrived at the concert hall.

In selling there is a difference between getting out there, and just dreaming about it.

Overcoming Timidity

Another point, a salesman has got to overcome any timidity he has about the job of selling. There are two kinds of timidity that we meet with. The first is very common. It is the young fellow just starting out, and afraid to make his first call. . . . Probably, we have all experienced some of his emotions. You walk by the door two or three times before you can get up enough courage to go in and talk.

That is a temporary stage and I won't talk about it for long; the other kind of timidity is something of which you may not be quite so well aware. That is the fear to keep going with a strong solicitation after the man says no.

Now, how many of you men quit when a buyer says no he is not interested? Is that a signal that your selling canvass is over, that you should look up somebody else who might be interested? No, it isn't.

No real selling begins until the buyer says no. Because, if he didn't say no, we wouldn't need any salesmen. You could then just send the office boy over, and he could ask questions.

Your real selling begins when you meet the opposition on the part of your buyer, and that is the place where this second type of fear is demonstrated by a great many salesmen. They just fold up. They give up, reach for their hat and leave.

Now, if you are doing that, you've got to get over it. Remember that selling is overcoming the indolence of people. That is especially true in the selling of securities. It is putting a new idea into their minds that they ought to be doing something with their wealth, in the nature of investing it.

People are in a rut, and they don't want to do things, and it is up to the salesman to go and impel them to take action. But their first reaction to your solicitation is going to be "No."

You must expect that when you start in the morning. When you plan your sales solicitations you've got to expect that the fellow is going to say "No," that he doesn't want what you have to sell, and then you've got to know what to say after that to overcome that first "No" that you meet with.

I'll give you one little hint about this fear business. If you find that it bothers you too much that means that you are thinking about yourself too much. It's like an actor who gets stage fright. He isn't thinking about the role he has to play, sufficiently, or about the play. He is thinking about himself.

Now, if you will externalize your thinking and think objectively and forget about yourself, you will find that you lose that timidity and do a lot better job.

A Steady Performance Required

Another factor: The salesman has to sustain a steady performance from day to day. This up and down business in selling is not right.

If you find yourself being temperamental about it, it means that you have not made the right kind of an adjustment to the demands of selling. Selling means Monday, Tuesday, Wednesday, Thursday, Friday, you have got to be out on the job looking for business, and selling new business, and developing more business from your present accounts. If you are not doing that, something is wrong.

You may say, "Well, I get moody," or "My work rhythms run that way," and I say never mind that kind of talk. The facts that you are moody or have such a rhythm in your work, are very personalized matters that you can control if you really wish to.

I must bring up one other point in discussion of the salesman, the matter of emotional security. A lot of men in selling are emotionally unbalanced, or emotionally immature. They are having trouble with their girl, or trouble at home, or trouble with their boss, or something like that but the salesman, if he is going to be a really successful person in his field, has got to learn to control his own emotions, and to stabilize them.

If you can not accomplish that, it is going to eat into your selling time, and into your selling attitudes, and you are going to lose an awful lot of business, so in this analyzing of yourself, of your own selling operations, just consider whether extraneous emotional things are upsetting your work, and if that is so, you should take some steps to correct the situation.

"How Hard Should I Sell?"

At some time the question is going to come up, "Well, just how hard should I sell?" There is an adjustment between a positive drive to get business and a negative restraint, because of social consequences. In other words, "How much pressure am I going to use when I am going out and selling these stocks and bonds? Where do I quit? How hard do I put the bee on these people?"

Well, I'll say that, certainly selling is not going out and making timid inquiries as to whether people want to buy securities. If that is all you do, you won't be getting many orders. If your solicitation is too light, there are too many misses.

If you don't give a pretty strong canvass, you are going to miss an awful lot of business, because of your weak presentations. There is the very weak presentation and then there is the man who goes out and puts on too strong and too heavy a canvass. Well, just where the line is going to be drawn between them is determined by your own self.

But I will say that selling in most cases today usually is overwhelmingly on the light side. There is not enough strong solicitation work being done today.

There is another consideration on this same point. There are different levels in every sales occupation, and where are you, as far as these levels are concerned?

Suppose that you are in a job that is too heavy for you. Perhaps your boss has got you contacting accounts now that are too big for you to handle at this time. Well, that very point defeats you. You are up above your own level and because of that you are not working right.

On the other hand, suppose that you are out contacting very small accounts and yet you are the kind of a person who should be handling the heavier work. The little, trifling business has no challenge for you. It is not interesting enough for you, because it is below the weight that you can pull. Therefore, the solicitation that you give to these small people, or these small accounts, rather, is too light.

Let's go away from the investment business for a minute and say that a fellow gets a job in a store somewhere and he is selling some item over the counter and yet he is executive material. Perhaps he just landed in a new city broke, for some reason, and he took on this job to pay his expenses for a while until he could get a better job. Here he is fiddling with some work that a very unintelligent clerk could do. You don't think that he is going to put much into that job, do you? There isn't enough there to challenge him, to make him work hard. He is in the wrong level and therefore the weight of any solicitation he would give would be wrong.

Are You Working at the Correct Level?

In adjusting yourself to your selling career, ask yourself, sometime, at what level you are working. Is it the right level for your present capacity. If you find that it is not, do something about it. If you are working too high, increase your own stature to handle the job, I would say. If you are working too low, do something about getting better accounts, because the weight of your selling work itself is determined by the relationship of your own capacity to the challenge of the job, and if it is inconsistent, your work is not going to fit into that level.

We have also the matter of sincerity in your work. You've got to have it, or you are going to be out of luck. There is a direct relationship between the sincerity you invest in your business and the number of sales that you make.

Insincerity is easily spotted by your prospects and your accounts, and if they don't believe that you are sincerely interested in your work and in them, they are soon going to find somebody else to handle their business for them.

The next point is the matter of friendliness. Consider the situation where you might find a man who works for a big institution, who invests all their funds for them. He's got an inside job. He's sitting behind a desk, and maybe there are a lot of things that go wrong in the course of the day. There is a lot of unpleasantness that may happen to him during the course of a business day. On top of those unavoidable unpleasant occurrences, he certainly does not want to entertain any grouchy, unfriendly salesman, because that would just add to his unhappiness.

So, if you are not friendly and cheerful as you go around to see people, you can be just another spot of gloom during their working day.

On the other hand, if you are a person who is very friendly and enthusiastic and alert and cheerful, and you come in and see this executive and spend 15 minutes with him and during the course of the interview you brighten his life up a little bit, certainly, he is going to look forward to seeing you. When your name is announced, he'll say, "Send him in," because here is going to be a little oasis in his day. He is going to talk with someone who is going to bring an atmosphere of friendliness and happiness into that office.

Now, that makes a lot of difference. In the course of your daily work you probably see a lot of men going around who are supposed to be selling, and they look unhappy and gloomy, and I wonder how they ever get any business. Maybe they don't because they surely don't add any thing to the pleasure of a man's life. But if you go in and bring with you a little bit of friendliness, your prospect will be much more apt to want to do business with you.

Ask Yourself "What Am I Doing?"

Those are some of the points on the subject of adjusting your own self to some of these demands upon salesmen. Still on the subject of the salesman for his own sake, you have got to emphasize the point that every salesman must maintain a clear perspective of what he is doing. Just what are you doing?

When you get down to the office in the morning, what is your job? You are being paid for bringing in a profitable sales volume to your firm. That is what you are being paid for; that is what you have to keep in mind.

As far as you are concerned—and it is you that we are talking about—what are you doing? You are earning your living, and the living for your family. You are earning your way through life by selling. A lot of salesmen seem to forget that. They get into a lot of nonproductive overhead things to do and they forget that what they really get paid off on, in the long run, is how much profitable business they do.

So, when you start out on your job, the thing for you to say to yourself is, "Where am I going to get some business?" That is the question to ask yourself. "What am I going to do to get business?" Always keep your mind on that point, that what you are getting paid for is to go out and write orders, to sell shares and bonds and things like that, and keep that foremost in your mind. When you do that you will forget a lot of these nonessential things that you may be spending your time on.

I think a lot of account executives spend too much time in the board room watching the figures go by. Why? Somebody else can handle a lot of service calls for you, but an account executive is really paid to develop and service a profitable sales volume, and his attention should be directed to that as many hours of the day as possible, and all these other overhead things, nonproductive errands should be assigned to somebody else.

If you are the fellow who is stuck doing a lot of those little extras around your office, it would be well for you to get somebody else to do it. Let George do it, and not you. You must protect your own time. If you don't protect your own productive selling time, no one else is going to protect it for you, because if you get the reputation in your office of being the kind of a fellow that will run these nonproductive errands and do things that won't produce business for you, you are the fellow who is going to get stuck. It will get you nowhere. Remember that you are working for your own advancement. Your advancement is judged pretty much, at the end of a quarter, or at the end of a half, by the figures opposite your sales record. How many dollars worth of business did you bring in? And if that is how your progress and your pay and your advancement is measured, then you certainly should direct your time to seeing that the figures look right.

Do Not Ape Other Salesmen

Maybe a lot of you salesmen, when you started in at your work, were assigned to travel with one of the older salesmen, or you observed him for a week or two. If you are still doing that, please remember that no matter how good he is, you should not ape him, that you have to be an original, and not a carbon copy, and that you've got to develop your own selling style.

He may have a lot of good points, or that other fellow sitting next to your desk is getting more business than you, and you wonder how he does it. Don't try to copy him.

If he has certain good points, you can use them, adapt them to your own work. But do not try to ape anybody, and to imitate them, because you are not going to get away with it.

There is another point in selling that has to do with the impersonal factor. A salesman really has two entities. He has his own personal self, and standing somewhere alongside that is his entity as an investment salesman.

They are two distinct entities. from your point of view. You call on a buyer late in the afternoon, and you get tossed right out of his office. Now. how do you feel about a thing like that? He practically insults you. He told you he didn't want to do any business with you, and with the firm that you represent.

Well, if you let that affect you, personally, you're crazy. There is a personification of a salesman that you represent in some calls, and that element is not you, and when the fellow threw you out, or would not talk to you, or ran your firm down, he didn't do it personally. There was none of your personal character involved in that, and therefore you should set up a detached defense against that sort of occurrence.

If you get treated badly in an office, forget it. It doesn't mean a thing. If you let it bother you personally, then perhaps the rest of your day is ruined. You develop this emotional off-balance that I was talking about a while ago, and when you get off balance that way you just don't do a good selling job.

You must learn to take slams like that in an impersonal manner. Don't even allow your mind to contemplate the incident, because if you do there is a tendency for it to deflate your own ego, and when that happens your selling aggressiveness is ruined for a while, so if somebody tells you to get out of the office in a discourteous manner, just get out and forget about it. What do you care? It doesn't mean anything to you. More than likely, the remarks were not directed against you personally at all. It was just this personification of somebody else that came in to sell him something at a particularly bad time, that's all.

There is such a thing as an emotional transference, and this prospect, 10 minutes before you came into his office, his wife called and told him that his son had just taken the Buick out and smashed it all up. He just heard about that, and it is still in his mind. He hung up the telephone without being otherwise than nice to his wife, and then all of a sudden you come into the office, and you are the one who gets it.

It just happened that way, that's all. It had nothing to do with you. A little girl will drop her ice cream cone on the sidewalk and wail and cry, and when the mother buys her another one, she doesn't stop crying immediately. There is an emotional carry-over. You continue to cry after it's been patched up. And it's the same story in adult life. Perhaps the fellow had a terrible scrap the night before, at home, a terrific wrangle, and he carries that over into the next day.

He isn't so pleasant to get along with. His secretary keeps out of his way, and she warns everybody in the office to stay out of his way. But you have the 10 o'clock appointment, and you bounce in there feeling fine. What happens? He takes it out of you.

So, for your own protection, just let that sort of thing slip off your back. Don't let it get you, because then it will take away from your sales operation. You don't really mean to allow it to do that, but that can happen, so be objective about it, and protect yourself.

Forget the "Turn-Downs"

There are two more points on this subject of the impersonal factor in selling that I think will be of interest to you. The first one is that you should forget the turndowns. You can't sell everyone. You go in and make a very strong solicitation and find that you aren't getting anywhere. There's another thing that you shouldn't take personally. Let it go. There is no salesman in the world who can sell everyone.

The second point is this: When you lose an order, be a sport about it. Sometimes, at the close of your interview, if you have done a really good job and a long job, but your buyer doesn't see eye to eye with you, you really feel that he should have made the purchase, never mind making those little innuendoes or wisecracks, at the very end. None of that business of just biting into him a little bit.

That never does you any good and although you didn't sell the man that day, next week or next month you might sell him. But if you have made a wisecrack at him, or said anything that questions his judgment in turning you down, you may have ruined yourself in that account. So forego that sort of thing.

More about the salesman, for himself: There are certain personal attributes that a salesman should have. You gentlemen are selling securities, but your essential job is handling people, because it's people who buy securities. There is nothing to the securities themselves, from this aspect, but it is the handling of the people who are going to buy those securities that is important.

The person in your organization who is the smartest of all in product-knowledge may be the most stupid person in the world as far as getting any business is concerned. You get paid off on your ability to handle human relations, an how you can influence people to do what you want them to do. A salesman should have a preference for people over things. That's why you are in this job.

If you wanted to work with things, you could be an engineer, or you could go to a plant somewhere and work on product, and that would be quite easy, handling inanimate objects. But the toughest job in the world is handling people, and the person who can do that successfully is the person who has a lot of earning power. And if there is anybody in the world dealing with humanity it is the salesman.

Getting Along With People

All day long you are talking with your clients, with your accounts, with your bosses, and with your associates. So, if a salesman doesn't have some skill in getting along with people, in handling human relations, the human relations factors, he isn't going to be very successful as a salesman.

You have got to have a capacity to make people respond to you. People who buy investments from you respond to your suggestions and your ideas, and the easier you can get people to respond to you the easier it is for you to make a sale.

How you get the people to be attracted to you and respond to you and want to do business with you is everything that we are talking about.

Now, what will make the people come to you and respond to you? Well, the first suggestion along that line is that people flock around a person who thinks. The person who thinks for himself is the person who is busy doing constructive things, accomplishing things, and that is the kind of a person that other people come to for decisions, and to get that person to do some of their thinking for them.

Think back to some of the offices you have worked in and some of the people there. How many of them were doing their own thinking, and how many of them relied on some other person to do it for them? The latter predominate.

We are talking now about skill in handling human relations, and in the first lecture I said that in taking your initiative as a salesman you have got to do a lot of the telling and a lot of the thinking for your accounts.

If you do people's thinking for them they will respond to you, group about you, and put their faith and confidence — and, incidentally, their orders—with you.

Another way of getting people to respond to you is simply by being very cordial. You don't like a person to come up and shake hands with you with a "dead fish" handshake, so that when you get your hand back you feel that you want to wash it, because that is exemplary of being cold and very uncordial.

In contrast with that, the warmth of friendship, of social acceptance, a mutual relationship that is very friendly between people is what draws people to one another, and that is what you must put forward as a salesman.

You've got to go overboard, to be particularly gracious and cordial and, if you will, to exert a certain amount of social charm to your client.

To do that, you have got to expend a great deal of effort. I said a minute ago that you have got to go overboard in doing it. You must exaggerate a little. Not to the point where it becomes offensive, but just to the point where it accomplishes the best result.

I mentioned in one of the earlier lectures that every time you make a sales solicitation you should consider it as your opportunity for a perfect performance, like a great actor going on a stage and putting on something that is really worthwhile. Now, your sales solicitation is where you, yourself, extend yourself with effort to make yourself very friendly, a strong type of person who extracts admiration and respect from your account. That is the thing that gets you business. You've got to make these people come to you. You have got to be a strong personality.

When you enter the offices of these people, you must make them realize that something good is coming into their lives.

Now, gentlemen, I don't exaggerate on this. I am talking about personal attributes that will get you business, that will make you a very successful salesman. These things I'm talking about must be worked at. You have got to extend yourself.

You don't have to be a glad hander, I don't mean that at all, but you must be a person who manifests a great deal of cordiality, sincerity, interest and friendship with the people that you call on to do business with, because after all in your case they are really putting a lot of faith in you to let you handle their investment programs, so that of all salesmen you in particular must be most careful to do an excellent job of gaining their confidence and their friendship.

That applies not only to all those people in front of you who represent your potential market but also to all the people behind you, your boss, the girl at the switchboard, the girl who writes your orders up, the person up in the market research place that you get to do work for your accounts, all those people, you have to handle with kid gloves because if you don't your work is going to be the last done. Your orders are going to be the last orders that are acknowledged. When you make your calls you are going to hang on the switchboard until somebody else gets through talking.

The Salesman's Personality

The next subject is a difficult one. It is that of personality. We have already committed ourselves to the proposition that personality is important but it isn't everything in selling. You can't get along just on personality, but that does not take away from the importance of the amount of personality that you do use and manifest in your selling work.

Personality is really the manifestation of the kind of adjustment you make to life. It is developed from a learned response to the incidents you meet every day in life. The child, for instance, who is thwarted in some activity and makes believe he is sick in order not to have to do the work, his reaction to the problem was to duck away from it and feigning illness. Now, if he repeats that particular response to various problems, that becomes part of his personality and later on in life he might very easily develop the psychic illnesses that he can't control when he meets with difficult problems. That represents a part of his personality that was weakened by a continuation of the wrong kind of an adjustment to a barrier that he met with in life.

Personality is controllable by an individual. A person who has a good personality has the proper integration, based on his ability to discriminate wisely between alternate courses of action. He chooses the right road and in doing that he adds strength to his personality.

Now, the principle is true in selling that if you respond correctly to certain sales situations you add strength to your selling personality. But if you duck away from them and find various and

(Continued on page 24)

How the Salesman Should Analyze Himself

(Continued from page 23)

sundry excuses for neglecting calling on a certain tough account, or handling a certain difficult problem, then you are doing something to weaken the integration of your own personality into a sales character.

The next point is the attitude of a salesman toward his work. Suppose your wife says to you, tonight, after you get home—you have had a long day of working and you have come over here and listened to this lecture and missed your regular train, and you get home late and dinner is late, and after dinner she says, "I have an awful lot of dishes and pots and pans in the sink, will you help me with them?"

Well, your attitude toward that job is certainly not enthusiastic. If you're a Good Joe, you may help her.

Or, say that on a very cold winter day you've got to go way out back and empty the garbage can some 50 yards from your house. Well, you don't look with a great deal of enthusiasm toward that job either, but on the other hand, you are sitting in your office and the telephone rings and, "Oh, hello, Joe, how are you?" "I'm fine." "Say, Joe, we are going to have a bathing beauty contest down our way next week and there will be maybe 75 or 80 girls competing to be chosen as the beauty queen of our beach, and we would like to have you as one of the judges." Now, there is a different kind of assignment that you might look at a little bit differently than the dishwashing assignment.

Every job or piece of work elicits a certain response on the part of a person. Either you don't like it and try to duck out of it or, on the other hand, you do like it and want to do it. Now, you ask yourself, sometime, what is the nature of your response to the work that you have chosen to be your life's work.

That is a pretty serious question to dwell on for a while. Do you like to come in to work? Do you like to go out selling? Do you like to call on people and try to get them to buy investments and securities?

Well, you have chosen it as your life's work and you've got to like it, because your attitude toward your job is going to determine to a certain extent the success of your work. If your attitude is wrong, it is going to be spotted by your associates and by your customers, and you are not going to get along well.

Most of the people who get fired from their jobs don't get fired because they can't do the work. They get fired because of character weaknesses, because of their attitudes toward their work. Try to think of some of the people who have been let out of your organization and ask yourself, "Well, why was that fellow dismissed?" It certainly was not because he couldn't do the work, because he probably worked there for five years, and he had done his work in a satisfactory manner. But at the same time, he got fired, and usually he gets fired because of the wrong attitude toward his work. He was lazy, or indifferent, or shiftless, or something like that, so that this factor of how you regard your work determines to a great degree whether you are going to be successful in the work, and regarded as successful by your superiors and by your customers.

"Control That Interview"

The next point is the control of your perspective during the course of an interview, while you are in there talking. You have got to be able to control that interview from the beginning to the close. You must maintain a sufficiently detached perspective on what is transpiring so that you can engage in specific points with your customer but at the same time know where you are in the overall course of the canvass and where you are going as soon as that particular point is completed.

I think you have all been witness to salesmen getting bogged down and involved in a particular sales point and then, when that is over, silence. They don't know where to go. They've forgotten where they were. Were they at the beginning of the interview, or were they about to quote a price, or about to take a syllabus, out and show them? Where are they? They're lost. They got sidetracked.

You can't let that happen. Here, again, is this business of being a split personality. You have to become very much engaged and interested in any particular point under discussion, but remember still that when that is over, what you are going to do, where you are in the course of that solicitation, because if you don't you are going to lose control of the interview and once you lose control of that interview most likely you are going to lose the sale.

A part of every particular discussion in the interview will call for your attention. You are a part of it, and yet you are not a part of it. You are detached enough to maintain in your mind what is happening all along, that you are slowly driving that fellow toward a purchase, and you've got to keep that in your mind all the time.

Everything that happens, you have to influence, to lead that prospect over to buying. No matter what the subject is, if there is a point of controversy, or if you are in particular agreement on a point, you still can't get so involved that you let him take the interview and cancel it out when he wants to.

Persistency is the next subject. You've got to gauge your persistency, as far as individual canvasses are concerned, and also long-term work on snagging a new account. You must be persistent enough to get the business, but not so persistent that you become a pain to the account. You've got to gauge it very carefully.

"Don't Be a Pest!"

Don't be a pest, but don't give up too soon. Lots of sales are made on the fifth or sixth or 20th call. I was talking with a sales manager a while ago and he said that they worked on an account for 10 years before they finally got that account.

Be aware of the factor of persistence, and gauge it correctly.

Your personal appearance: When I look out in front of me, I arrive at the conclusion that it isn't necessary to spend much time about personal appearance, as far as you gentlemen are concerned. Just bear in mind this fact, that from the time you are in the presence of your buyer everything said and everything seen is a determining point in whether he is going to buy or not buy. If there is something about your personal appearance that doesn't hit that man right, or if it detracts from his attention, then you should do something about your appearance.

Being an old Bostonian, I lean toward the conservative side in dress, and I think as far as selling is concerned that I may be right. If you go overboard in your dress while you are selling, your taste might not hit your prospect right, whereas, if you are conservative it won't hurt anyone one way or the other. If you dress too loudly, it might distract attention either one way or the other from your sales work.

It is necessary that a salesman keep in good health. In the first place, people want to do business with a healthy person. They don't want to do business with a cadaverous individual who is going to kick off next week during the course of an important investment transaction, so try to look as if you are going to live a while when you go in to get a man to invest a million dollars.

Also concerning the health topic, in order to have the energy and the strength to keep going continually in selling, you must have good health and plenty of energy, if you are going to sell.

If you are not in good health, you can't give and take with a customer in such a way that the strength remains on your side. Otherwise, he will just wear you down too soon. Your physical condition is reflected in your mental aggressiveness.

Avoid excessive fatigue, and be careful about dissipation. I have seen a lot of fellows allow drink to lick them. I have seen plenty of men damaged that way, and it is just sorrowful to see. We all know that drink can be used either in a correct or an incorrect manner.

Still on "Personal Attributes," the knowledge of your product, and the knowledge of your prices. You have to know your stuff. If you don't you're out of luck and lose your accounts. If you have an authoritative knowledge of what you are selling you get the reputation of being an expert with your clients, and that is just exactly what you want, that when they think of investing money the bell rings in their heads and it's your name, and perhaps one of the best ways to register yourself with them, as far as investments are concerned, is to impress them, in a very diplomatic way, that you know your finance.

There is a wrong way to use a great deal of knowledge. In the first place, if you are a shark in all this business, don't use it to win the little, petty arguments. It won't do you any good that way. We have covered that already, but don't use it, either to flaunt your superior knowledge around everywhere you go. That turns people against you. Use all this information you have at the right time and in the right place.

The next point is that if you are going to sell anything successfully you've got to work. You've got to pay the price of success by working hard. Now, I don't know what you men consider hard work in your business.

Selling Work Is Hard

Everyone has his own interpretation of what work means, but selling work is hard. It does not mean coming in and sitting at your desk and waiting for somebody to call you up, or waiting for something to happen. That certainly is not work.

Selling work is creative, contacting people, talking with people, trying to get things done.

There is also another angle to this business of work. We have been talking about overall work. Now, let's think just for a minute of work during the course of one interview. After all, that's where you really work. That is when your productive work begins, when you start talking to a person, either over the telephone, or in person. How much work do you really put in when you are trying to make a sale? Every time you make a call you should make a complete canvass. If you don't you've already predetermined in your own mind that you are not going to sell anything. So, what is the use of doing it? No use. You have wasted his time, and you have wasted your own time.

If you are going to go up to make a sale, give him the works, everything you've got in the book. Otherwise, what's the good of going? There is no use at all in making half a solicitation, and that is frequently what is done. A lot of people go in and talk a little about this and that, in a very weak way, and what they expect to accomplish I don't know. If you are going to go in and try to get a bit of business, say to yourself, "I'm going to give this buyer everything I've got in the book."

That's working. That is real work.

Perhaps the best way for you to determine your own attributes as a salesman is to measure how you stand with your customers. That is what you are trying to accomplish, to stand so well with your customers that you get their business.

Now, what we have been talking about last time and today are things that help you ingratiate yourself with your accounts so firmly that it helps you to get business. You see, what we are working along with right now are the basic factors that will aid in your work, and if you are weak in making a certain type of solicitation, all these other personal attributes will strengthen you in the eyes of your prospects.

So, sometime, analyze how you stand with those accounts.

If you make quite a few calls and make no sales, you gradually begin to doubt the efficiency of your selling work, and as the number of lost sales increases this doubt in your mind increases, and as that happens it deteriorates your selling style.

Don't Force Your Prospects!

There is a cumulative effect that a salesman absorbs from going quite some time without getting business. The longer he goes the harder it is for him to get business, because he begins to question himself and his own methods, so you've got to have enough long-term confidence in yourself and what you are selling, and the house you are working for to be able to take one day, two days, three days of no sales, and still realize that what you are selling is okay and that you, yourself, are okay. There, again, it is part of your adjustment to the work.

As you talk to customers, don't continually force them. Some salesmen have that habit of forcing their prospects. It's no good. Let up on the buyer.

Try for a closing if you can make it. If you can't make it, let up for a little bit and work on him some more, but don't continually force him.

Now, the subject of sales barriers that a salesman unwittingly, unintentionally, sets up against himself. There are certain things that salesmen inadvertently do that makes customers turn away from them. In psychology, it is the difference between the adidem drive and avoidance reaction. Let's say that you are sitting at home in your arm chair and the kitten comes alongside your chair and you reach down and stroke the kitten. As you do, the kitten moves closer against your arm. He wants you to continue. He likes it, a pleasing reaction, an adidem drive.

On the other hand, if you pinch the kitten, he runs away. He avoids you. Avoidance reaction. He does not like it.

Everything you say or do during a sales solicitation has one of two effects. It draws the person towards you, or he reacts away from you, trying to avoid you.

Now, that is very important, so do not unwittingly set up barriers that will drive your customers away from you. We have talked about some of these barriers already; being too long-winded, scratching your head, picking your teeth, buttoning and unbuttoning your clothes, opening and closing books continually, being nervous in the chair, jumping around, looking at things on your customer's desk. Don't do it. When you come in to sit down, fix your chair in such a way that you can't see what is on his desk. That may be just the one thing that will cause him to want to get rid of you fast.

So, check yourself constantly against things like that. What are your characteristics? Maybe you can even ask your friend, or perhaps you could ask your wife. Don't be nervous or do anything of that nature that will turn your accounts away from you because certainly if you are good in everything else you should not allow some small characteristic ruin you.

Smith, Barney Opens New Investment Div.

Establishment of a new investment division to specialize in assisting small investors to plan and supervise their investment programs — a service heretofore generally available only to large investors—was announced by Charles B. Harding, Senior Partner of Smith, Barney & Co., 14 Wall Street, New York City, members of the N. Y. Stock Exchange.


Charles B. Harding

Decision to set up a specialized division in its Planned Investment Department to "make possible the application of sound planning to even the smallest investment accounts—from $1,000 to $50,000—followed upon a survey among small and medium investors," Mr. Harding said. The survey was done during the summer months to ascertain whether there was a need and demand for such a service. The market research, believed to be the first of its kind in the financial field, was based on the established practice of the consumer-goods industries to predetermine by surveys the potential market for a new product. "The survey," Mr. Harding continued, "disclosed a broad interest in the new service. We also learned how to adapt policies and procedures which have proved successful in the management of the firm's large investment accounts to the needs of the small investor."

The services of the Planned Investment Department to the investor, Mr. Harding said, meet his four principal problems, namely:

(1) Determination of the investment objectives.

(2) Decision on the broad policies to be followed to attain the objectives, such as the types of securities and the timing of their purchase.

(3) Selection of specific securities best suited to the objectives.

(4) Analysis of developments affecting security values so that appropriate changes in holdings will be made when warranted.

Charles Springer Joins E. H. Rollins, Chicago

CHICAGO, ILL. — Charles Springer has joined E. H. Rollins & Sons, Inc., in the municipal department of the firm's Chicago office, 135 South La Salle Street.

Mr. Springer has been in the investment field for the past 21 years and was recently with Francis I. duPont & Co. and previously has been with Merrill Lynch, Pierce, Fenner & Beane for eight years.

Deterrents to American Foreign Investment

(Continued from page 2)

Their countries have set up import restrictions and exchange controls. Obviously this hindrance to sales reduces the willingness to make investments.

Exchange controls are not used in all cases simply as an aid to the rationing of petroleum or the conservation of dollars. In certain cases the operation of exchange control places American companies at a disadvantage compared with foreign companies. For example, American companies are unable to sell oil for sterling today. Some countries, though unable or unwilling to pay dollars for petroleum, would be able and willing to pay American companies in sterling. We on our side would be willing to accept sterling payment provided we were able to put these funds to use. We do not believe that permitting us to operate in sterling would occasion any important dollar drain on the United Kingdom. We hope that the current intergovernmental discussions of financial aspects of oil will establish a basis on which American oil companies can work out with the British government a solution to these problems.

Question of Political Risk

Another question our Board will consider in studying investments concerns political risk—whether continuity of government may be so completely broken that contracts entered into under one government may be abrogated under a succeeding one, or whether there may be danger of actual expropriation.

To give an illustration, an affiliate of Jersey Standard had been active in Hungary since 1934. It discovered and produced the only petroleum ever found in commercial quantities in that country. It paid substantial royalties to the Hungarian government. During the war the property was severely damaged. Last year our affiliate was expropriated by the Communist government of Hungary, which tried to justify its action by false accusations. At the time of the seizure of our properties, this affiliate had invested amounts with a book value of $20,000,000 — not including the crude discovered but not produced—and had taken only $206,000 in dividends from its investments.

Another question will be whether a particular nation, even though it does not break contracts nor seize property, may impose so many burdens and restrictions upon an enterprise as to make investment unattractive. Such measures might be the fixing by law of unrealistic price or wage levels, thus making it impossible to operate at a profit; import or export barriers; high taxes. With respect to the latter, we all know that a government attempting to increase its revenue by higher and higher taxes may actually decrease its revenue by weakening the enterprises upon which taxes are levied.

The burdens I refer to may arise from ideological causes, or they may be expedients adopted as apparent (and I emphasize apparent) solutions to economic difficulties which a nation is going through. In either case, however, they will obviously discourage investment. Also, such burdens may not be actually in existence but merely threatened. In this case, although the possibility of burdensome controls and taxes may not wholly prevent investment, it certainly will act as a retarding factor.

Then there is the problem of government monopoly. Some of the nations of Latin America furnish illustrations. For example, the government may forbid private business concerns to explore for, or produce, petroleum in the country. The country's economic problems probably cannot be solved without the liquid energy provided by oil. Yet the absence of an atmosphere healthy to free investment prevents development of its oil resources.

In contrast with such a situation, you gentlemen are all aware of the current development of Canadian oil resources by private enterprise. Imperial Oil Limited, our affiliate in that country, spent over $20 million before finding oil. But oil was found and Imperial now contemplates an additional investment of several times that amount to develop its find. Already substantial reserves have been located. This development will be a great contribution to the Canadian economy.

In summary, the two most important deterrents to Jersey's investment abroad nowadays are: **first**, increasing difficulty in trading among nations which arises from restrictions on convertibility of currencies, and **second**, the nationalistic tendency of some governments not to allow Americans or other foreigners to take part in the oil business.

Countries in the process of raising their living standards offer choices as to where investments will be made. Our Board, like the board of any U. S. enterprise, is inclined to make investment where it is most welcome. Often this may mean passing up the chance to invest in a country where exchange problems are too complex, where taxes are too high, or where nationalism is rampant. Instead, we will pick a nation where the economic climate is more favorable to capital investment.

Where Shall We Get the Money?

Even when an investment opportunity, whether domestic or foreign, looks good, there is still the question: **Where shall we get the money?**

As you know, there are several avenues open to a corporation seeking funds. It can use equity financing or issue notes or bonds. It can sell some of its assets. It can use retained earnings. We have no rigid idea about how our company should be financed, but choose the method most desirable at the time when the money is needed. Since the war we have used all these methods. In recent years, when the oil industry has had to meet tremendous demands all over the world, an important factor in providing the enormous amounts of capital required has been a favorable level of earnings. These earnings have helped productivity and employment. In addition to reinvesting earnings, however, we have issued notes and bonds, and increased our outstanding stock, and sold assets.

As members of an industry that provided four-fifths of the private investment made by American interests abroad last year—totalling one and one-half billion dollars—we are disturbed by the worsening of the investment climate in many countries. It seems to us that such factors as the inconvertibility of currencies — particularly the pound sterling—and the growth of restrictive controls on private enterprise are steadily working against private investment.

Speaking as oilmen, we are specifically concerned by the world-wide problems of "dollar" oil and "sterling" oil. We know that part of the solution is up to us, but the final solution can only come with the cooperation of the governments involved. If this final solution does not provide full protection to American companies but results in substantial losses in their foreign business, it will strike a hard blow against American private investment abroad and, as you gentlemen realize, one of the most important means of balancing the position between the dollar and non-dollar areas is through the outward flow of American investment capital.

In our opinion, other actions by the United States Government can aid in improving the foreign investment climate. Many good ones have been suggested under the "Point Four" program. One of the best is for arrangements between this government and others to insure fair treatment for American private investment abroad. This would help to strengthen friendly nations and to lessen their social and political problems.

We know that such actions would greatly increase our interest in putting money to work in other countries, to the benefit not only of those nations but our own. We feel that some salutary action by the U. S. Government is urgently needed if companies like ours are going to be able to continue foreign investment—if other companies are going to be attracted to a policy of foreign investment which is so badly needed and which now presents a very discouraging prospect indeed. We strongly support a U. S. Government policy which will encourage private investment abroad of American funds and techniques.

Upon the assessment by Jersey Standard's Board of the many factors I have mentioned depends on our decision concerning investment of stockholders' funds. Usually each question cannot be answered by a straight "yes" or "no." If it could be, investment would not be the complex subject that it is.

Naturally, we try to make every investment a good one. But being human, we sometimes make mistakes. Further, there are conditions affecting investments over which the investor has no control—actions by other companies, wars, changes in tax rates, imposition of controls which while perhaps well-intentioned, may have the result of actually depressing business. We believe that in our company we have able men who make as good forecasts as any that can be made. But the conditions existing at the time an investment decision is taken may change in a way that is entirely unforseeable. In such circumstances, an investment may result in loss.

Profits Are Uncertain

In this connection, I should like to emphasize that the profit expected from an investment cannot be precisely known in advance. In some instances, an investment may turn out to be more profitable than was anticipated. In others, the return may be less than expected, or longer in arriving. In still others, the investment may prove to be a losing proposition. A successful investment policy is one under which a company can sustain losses but make a profit on the whole.

Plainly, we should like nothing better than to be able to read the future so clearly that every investment decision would be to the greatest possible benefit of our stockholders, our customers, our employees, and society as a whole. But in this world, risk is inevitable. It is, perhaps, what makes life human. By careful study, we do our best to minimize risk, but to think we could eliminate it entirely would be unrealistic.

The matter of careful study relates not only to the "where" of investment but also to the "when." We should like nothing better than to make our investment at periods when our money would buy the most — in other words, at times of low price-levels. Under the profit system, managements have every incentive to minimize capital outlays when the costs of what they have to buy are high and maximize them when such costs are low.

But here again, many factors which a company cannot foresee, or over which it has no control, come into play. For example, during the war Jersey Standard and its affiliates were not able to undertake normal investments for replacement and for expansion to take care of the normal growth in civilian demand. Thus, at the end of the war, there was a great backlog of work to be done. A similar situation faced other oil companies. Materials were hard to get then, and prices were high. Yet the industry felt obliged to embark on major capital projects to meet consumers' wants. To have deferred investment in the hope of lower prices would have imposed hardship on consumers.

Finally, let me repeat what I have said earlier — a continuing flow of investment funds is basic to the health of our economy. It is vital to employment, production, and the creation of purchasing power. It is my earnest conviction that in America we have proved that the system of private competitive economy, providing many different centers of imagination, initiative, and judgment, and offering the incentive of reward for success, is by far the best way to assure investment flow.

So far as Jersey Standard is concerned, I can say that we believe that people's use of oil will continue on an upward trend far into the future. Under this circumstance, and while we continue to operate in a free private economy, Jersey Standard and its affiliates expect to continue investing on a very substantial scale in productive facilities here and overseas. We believe that such investment will be of real benefit to society.

Meissner Asst. Cashier

BROOKLYN, N. Y.—Arthur W. Spolander, President of The People's National Bank of Brooklyn, announced that the Board of Directors had appointed Jeromus E. Meissner, Assistant Cashier. Mr. Meissner has been with the bank 23 years, serving in various capacities.

Stephens Retires

BEVERLY HILLS, CALIF.—Raymond E. Stephens retired from partnership in the New York Stock Exchange firm of Daniel Reeves & Co. on Sept. 30.

Gloomy Foreign Trade Prospects

(Continued from page 5)

dollar credits had not been allowed, the foreign nations would not have been able to buy our goods at the rate which they did. Most of these projects have been either for war or to aid in the readjustment after wars. Unless there is another war, such operations would be expected to come to an end. So, foreign trade has operated in this artificially supported atmosphere for many years and if in considering "normal" we think of a period of world peace, the "normal" as regards export business which we would hope to achieve is that which would occur after these various stimulants are stopped.

In considering the possibilities of future foreign trade, we must start with the first basic principle, that export business cannot exist unless there is import business. That is one of the troubles today and the reason we hear so much about the dollar shortage. Other nations need and want to buy the things we have to offer and they are buying them even beyond that which they can afford. They, however, are not making things and offering goods to us that are of a kind, quality and price which we will buy in sufficient quantities to even nearly offset their purchases here. In most cases, other countries have gone farther than we have with trade unionization and socialized projects. Also, because of the socialization and because of the aftermaths of war, they have much higher rates of taxation. The production costs of their goods are, therefore, heavily burdened with high taxes and governmental charges which support these social projects. There is no longer cheap labor in Europe as compared with pre-war, and that, together with the taxes and government assessments is making their production costs unusually high. One industrialist in Belgium told me this Summer, for example, that he had to pay 18% wage tax on his labor bill for social security, and that the workers themselves had to pay another 8%, or a total of 26% for social security.

U. S. Produces More Cheaply

In the United States we have made much greater progress in the application of new inventions and modernizing the technique of production. We have always had highly paid labor and the American manufacturer has been forced to adopt labor-saving devices more promptly. Our factories, therefore, produce more cheaply. Moreover, our country has become steadily more self-sufficient. Many things we formerly imported are now successfully made in this country of such quality and at such prices that the foreign-produced goods are no longer attractive to American buyers. You will recall at the end of the first war how we developed the dye industry in this country and the European chemical producers never again recaptured it. There are, of course, certain specialties, craftmanship articles, etc., which we will always need and buy from abroad; also certain raw materials; but the point I would make is that as this country has grown, it has become less dependent on foreign trade. Any large department store in our cities imported a sizeable percentage of the merchandise it carried two or three decades ago, but today its imports have been lessened until it is most often below 1%.

Take as an example one important raw material which we use in large quantities and with which I am familiar. At the time of the First World War, we had little or no potash production in this country and almost all that we used was imported from Europe. In 1925, the large potash ore reserve we now have was discovered in New Mexico and since that date the domestic industry has been developed. Even at the beginning of the Second World War we were still importing about half the potash we used. Since that time the American business has been expanded and we have made steady progress in improving the mining practice and refining methods. Today we are able to sell the American chemical industry and the American farmer the cheapest potash that is being produced and sold in the world. Our plants have been built and millions of dollars have been invested in the business. The operators and our labor who enjoy the good jobs that have been created will not permit foreign producers to again regain this market. Our country is now in a much stronger position by having these resources and this new industry. During the First World War, when there was a shortage of this material, the product we are now selling for $30 a ton sold for as high as $500 to $600 per ton. Also, during the past few years, we have sold the product to users even on the East Coast at a price about half that which foreign producers were asking and getting for theirs. There is an example of a business which has been lost permanently to the foreign countries.

Likewise, we have built nitrogen plants in this country for the fixation of nitrogen from air so that we will no longer require as large quantities of nitrogen from the rest of the world. Under pressure of war, other industries have been expanded and with the stimulas of war prices, new businesses have been started so that the need for foreign goods is now not so great. Once those plants have been built and paid for, their owners will not give up the domestic market. The foreign seller will never again enjoy this attractive market as he did before. In fact you perhaps hear frequently, as I do, foreigners visiting the United States and exclaiming upon their arrival, how cheap prices seem to them in New York or in Chicago. Prices here do seem cheap and are cheap to many people coming from other lands, even though you and I are somewhat surprised to hear it.

This trend toward our self-sufficiency is all a natural development and one to be expected. Sure it tends toward Nationalism! But I don't think Nationalism and intense pride in one's own country is entirely objectionable. Each country should make all the things it can advantageously, using its own resources, employing its own people and developing its own technique. If one thing can be made better and cheaper in one part of the world, or if a country has raw materials another country does not have, inter-nation trade will follow.

Danger of Tariff Changes

There is much discussion today about our removing some tariffs as a stimulus to foreign trade. It is just not possible to take off long imposed duties without hurting our own economy. Dollars already invested and plants built with such protection as well as jobs may be destroyed by hurried and ill-considered tariff changes.

I do not mean to say that foreign trade is dying. We will always have much foreign trade, but the point I would make is that these changed conditions have been such that I believe the import-export business of this country in the future will be less than before. That will especially be true after the relief and give-away dollar programs we now have in operation are finished. I think the American industrialist now too dependent on foreign trade would do well to guide his future developments more toward business here at home.

Now it is realized, of course, that too much Nationalism and lack of friendly trade can be undesirable and dangerous. Also, trade agreements and high tariff barriers are unhealthy when carried too far. The United States has assumed a new position of leadership in world affairs and we are doing everything possible to help get world commerce moving toward normal again. No one would like to predict a failure or discourage such efforts, but American businessmen must be realistic and in my opinion, plan for a future with lessened export markets.

There is much interest in the present European Recovery Program, or the ERP or ECA as we most often hear it called abroad. It is undoubtedly the most altruistic, unselfish, magnanimous give-away plan any nation in history has ever carried out. In traveling through Europe, it is thrilling to an American to see how our extending this help is applied toward restoring homes, factories and building up the economies of the countries. I had opportunity to observe its operations in many countries this summer. There are capable personnel in the ECA organizations and I was impressed with the good they are doing. Some returning American businessmen have referred to there being too many bureaucrats abroad in ECA and say we should have more businessmen on the job. I would wager, however, if they were to undertake that assignment and recruit personnel from this country, they would in the end have a staff about like that there is there. The program seems well planned and controls have been established at the various headquarters that seem reasonable and workable. There are, of course, mistakes being made; but as a whole, from the observation of one traveling businessman, I would say our ECA is being well operated.

The purpose of this present program, as you know, is to aid in reconstruction and the re-establishment of commerce among the various countries and with us. If I were to criticize the operation I would say we have been somewhat over-ambitious in planning to build up their industries and efficiencies at the rates and in the manner now established. We should recall, however, that in the beginning, the "Marshall Plan" as it was first called, was established on a trial basis, dependent upon the cooperation of the participating nations and with some question as to its ultimate success. A number of years ago, I lived in South America for a few years and had charge of a large mining plant employing many people. If there was one lesson. I learned in living and working abroad, it was that one cannot expect to make too rapid and extensive changes in countries and with peoples that have so long been accustomed to one way of living and one way of working that is quite different from ours.

How ECA Hurts U. S. Business

Many American businessmen have found the activities of our aid in Europe have hurt their own business and will make it more difficult for them to hold markets they have had in the past. I can cite two examples in my own company. First, in the potash industry in France. Production of potash there before the war was 400,000 to 500,000 tons per year. Largely with our dollar aid, their war-damaged plants have been rebuilt, which is all very good, but in addition, their production has now been expanded to where it is almost twice what it was pre-war. At the present time, more millions have been granted the industry and they will further expand another 50%, mainly by modernizing and getting the latest American machinery which we have developed in the potash mines in this country.

Also in the phosphate industry, where we sell in the world market, millions have been given to the competing French-owned phosphate mines of North Africa for rebuilding and modernizing. Large gifts are now also planned for the development of potash production in the Red Sea area. In later years because of this expansion beyond reason, they will have much greater tonnages to sell in the world market than ever before.

The American producer who sells goods abroad does not fear fair competition from the manufacturers of other countries. He makes products of high quality, mass produced, well packaged, to sell cheaply, and he gives good delivery performance and good service. He can hold his markets against fair competition. But where socialized industries have been greatly expanded by aid from their governments and later have to sell this large production against American firms, they may resort to unfair subsidies or dumping. The socialized government depending on votes from one industrial area to sustain itself in office would be most likely to approve such methods rather than see those industries impaired and unemployment there. I think many American manufacturers can expect, to some extent, to meet this situation in the years ahead.

Devaluation Effects

There has just occurred a general devaluation of several foreign currencies. Devaluation of these monies in relation to the dollar raises the purchasing power of our dollars and correspondingly lowers the buying power of their money in the dollar areas. It is a drastic cut in their prices of the goods they sell to dollar people. One manufacturer in France who complained to me that his cost was too high and for that reason he was unable, today, to sell in the United States, hopefully stated that if the dollar-franc-exchange was raised to 380, he would then be able to sell his goods in the U. S. That is true of many manufactured items and raw materials in England and on the Continent today, and because of this general devaluation there will follow a spurt in foreign trade. Such adjustments, however, are often of temporary value. The costs and prices within a nation which devalues usually rise and inflationary reaction results in higher demands for labor which is followed by the up-trend of other costs. The loading of costs and high labor charges can in a short time again raise prices to where the movement of goods is impeded. It has been done before and with the same result. The sound way to price their goods down is to increase the efficiency of production and have lowered labor, taxes and other charges.

Of course one can understand the desire of our ECA representatives to build up any industry they can in those countries to make them more self-sustaining. But, where it is done to such an extent that their former business is not only reestablised but expanded to great proportions, it will only serve to unbalance the previous conditions and former trade. Likewise, the shortage of dollars which basically is caused by the fact that America is not buying the foreign-produced goods which they would like to have us buy, puts pressure on our ECA representatives to curtail dollar spending and to push those countries toward buying in non-dollar areas. While some of this may be helpful, it is all further destroying the established lines of more normal trade.

Fear of Another War

The fear of another war and the spread of Communism have, of course, been the main compelling items in our foreign plans. Now the threat of immediate war seems much less than a few years ago. It is also well known that the spread of Communism has been lessened, as shown by recent elections in Italy and Germany. While much good progress has been made, those two factors will undoubtedly be dominant for many years ahead. Take our military commitment in Germany, for example. There is no likelihood that it will end in the foreseeable future. When an American businessman actually sees Germany today and talks to our military and civil representatives there, he gets a feeling of that commitment that is more sobering than in any other way. A look at the "Iron Curtain" also adds to the feeling about our holding the line in Germany.

Last month, I visited a potash mine at the very north border of the U. S. Zone in Germany. The potash mining district there extends over many miles and the line between the American and Russian zones cuts right through it. The property of the mine where I went underground and inspected the plan is along the boundary. When I came to the surface and we started for lunch that day, the German mine manager pointed out this boundary and the red flags flying on the buildings in that area. I expressed a desire to see the line more closely and when he asked what I wanted to do about it, I suggested that we drive toward the frontier until we were stopped by the Russian guards as I wanted to see what they were like. He took me down past his property to a point where the road, which paralleled a creek, came up to the line. There was a bridge over this creek and as we approached I could see the guards on the bridge. The line was marked by a fence and we stopped our car, got out, walked up to this fence and looked over it. As we did, to our surprise the guards on the bridge came running at double time and, slinging their guns from their shoulders, leveled them at us in firing position and yelled "Go away or we will shoot." It was impressive to me that in a time of peace, just to walk up to the line and look would bring a threat against one's life. Needless to say, we did go away. The incident has probably been reported to Moscow.

We should recognize that if it were not for this so-called kind of peace, and the commitment to hold our line in Germany, we would not be in Europe as we are today. The ECA aid to Europe was set up with a definite termination established in 1952. While much good has been done, it is my opinion we should start now and continue to lessen the outlay with a view toward getting out, except for our commitment in Germany at that time. There is much talk in Europe today of the need to continue beyond 1952 and there will be great pressure to keep it going, especially in some countries. The need for relief in some areas will, of course, exist after this program and America will, as it has in the past, always continue to meet its responsibility in that respect.

Problem of Private Foreign Investment

One program now being envisaged to help give Europe needed capital goods is that of setting up some plan to make it attractive for investment of American capital in many countries. In Germany, in the Bizone area, where we are responsible, some such plan is necessary. In the other countries, to a relatively small extent, it might be desirable, but as a whole, it is unsound and unworkable. The reason is that there does not exist an atmosphere which will be attractive to new risk capital. I mean politically and as regards labor, taxes and governmental regulations. We hear a lot about Socialism and the difficulties in England, but in most all of the countries outside the United States, it has progressed and exists to a much greater extent than here. For our government to put guarantees on capital and even provide a guarantee for recovering in dollars a portion of the income against the many dangers and obstructions which under no other condition would ever attract capital, is just not sound. A controlled and small program of that kind may be desirable, but the controlling and keeping relatively small is a great undertaking. Once started it may grow beyond reason and result in greater dollar losses than ever expected. We need new, risk capital in our own country, too. I think we must realize that even the United States is not big enough to continue the give-away programs to such an extent.

Summarizing, I think so many abnormal conditions have been recited in the course of my talk that you will agree that there is not likely to be an early normality in foreign trade. I don't think this is an altogether pessimistic outlook. The more one sees of other nations and their troubles, the more one realizes how truly fortunate we are in these United States. With our great resources, modern manufacturers, and the finest skilled labor in the world, and possessing the greatest markets, we can and will go ahead to a good normal, even with lessened foreign trade.

I am remined of a question that was asked me by a young man about a year ago. He said he wanted some advice. He had been giving a lot of thought to where he might live and make an interesting and useful life for himself and his family. He explained that he had a sizeable independent means and that he thought he might like to go abroad and invest in and develop a business for himself in some foreign country. Knowing I had lived in South America, he mentioned that seemed to have possibilities. But his question was all-inclusive: Where could he go in the world and have the greatest opportunity for this useful interesting life? I answered by telling him that in my opinion if that question were to be asked of businessmen today in all the other countries of the world, the answers would be identical and the same: Go to the U. S. A.

Everywhere, everyone looks to this freedom-loving country and recognizes our endeavors to assume even more than our share of international responsibilities. But living here and enjoying all that we have carries great responsibility. We must be truly appreciative and thankful for the role we have. But in helping let us realize that although we are big, there is a limit even to what this great country can do.

Andrew J. Milstead With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — Andrew J. Milstead has become associated with Merrill Lynch, Pierce, Fenner & Beane, 23 North Pryor St. Mr. Milstead was formerly an officer of Stockton Broome & Co.

John F. Burns to Open

ALBANY, N. Y.—John F. Burns will shortly engage in a securities business from offices at 74 Brookline Avenue. Mr. Burns was in the investment business for many years in the past.

Erwin Stuebner Transfers to Chicago

CHICAGO, ILL.—Kidder, Peabody & Co., nationwide investment bankers, announce that Erwin A. Steubner, formerly general partner in the firm's Philadelphia office, has become managing partner of the Chicago office, 135 South La Salle Street. He will be assisted by Willard T. Grimm and Joseph W. Hibben, who continue as Manager and Assistant Manager respectively. The firm also announced that it plans to enlarge its present organization and facilities in Chicago, which were established in 1938.


Erwin A. Stuebner

In an investment career dating back to 1927, Mr. Stuebner has been Assistant Treasurer of the Guaranty Trust Co. of New York, Vice-President of The Philadelphia National Co., Assistant Manager of Kidder, Peabody's Philadelphia office and Vice-President of the Fidelity-Philadelphia Trust Co. In 1947 he rejoined the Philadelphia office of Kidder, Peabody as a general partner.

Mr. Stueber is a director of Rohm & Haas Co. of Philadelphia and for many years has been actively interested in civic affairs.

Nicholas Lamont Forms Own Inv. Firm in Boston

BOSTON, MASS.—Lamont & Co., Inc. has been formed with offices at 89 State Street to act as dealers in public utility, real estate, railroad and industrial securities, bank and insurance stocks and investment trust issues. Officers are Nicholas Lamont, President and Treasurer and Lawrence E. Corcoran, Secretary. Mr. Lamont was formerly with May & Cannon, Inc.


Nicholas Lamont

New Stock Issue and Transfer Tax Booklet

Registrar and Transfer Co., 2 Rector Street, New York City, has announced its fiftieth anniversary edition of its handy booklet containing the current Federal and State Stock Original Issue and Transfer Tax Rates revised to date.

The booklet sets forth in digest form, the various states which impose these rates, together with the amount of tax as it applies to no par value stock. A particular feature of the booklet is that it contains the Federal rates from July 1, 1898 to date.

This new edition also describes the advantages to brokers and corporations of dual transfer agent facilities in New York and New Jersey.

The tax booklet has in the pas found wide reception among brokers, corporation executives and attorneys, and may be obtained from the Registrar and Transfer Co. without any cost or obligation.

The Halsey, Stuart Case

(Continued from page 3)

equilibrium of supply and demand. In this way, there is created and maintained an orderly and continuous marketing whereby values offered for sale are kept relatively stable. This is particularly true of securities dealers whose markets are thin, narrow and unsteady in comparison with the markets of widely used commodities and wares.

In our judgment had Halsey suffered a loss from their instant trading operations, no action would have been taken by the Commission. It happened, however, that their trading operations coincided with a general upward movement in the bond market and therefore profits resulted. Admitting this improvement, the SEC attempts to belittle its influence.

"It is, of course, true," says the opinion, "that bond prices were generally rising during this period, but, under the circumstances, it cannot be asserted that Halsey transactions did not contribute to the rise in the prices of NIPS bonds. . . ."

Here we have another example of bureaucratic audacity. Did Congress vest in the SEC authority to guide the business judgment of security dealers and direct when they shall sell or buy? Is an investment banking house to be compelled to liquidate its existing inventory of a certain security before it is permitted to make additional purchases?

If the implications in this revolutionary decision take permanent root then, certainly, we will be fast approaching the end of our private enterprise system.

This attempted circumscribing of an underwriter who buys the same securities as those already in his inventory is a species of bureaucratic reaching for power which may well eventually have a disastrous effect on the flotation of new issues and hence on the flow of capital into trade and industry.

Needless to say, such an eventuality is devoutly hoped for by those in official positions who favor Socialism and the Omnipotent State rather than a continuance of the democratic form of government under which America has become the world's mightiest nation and its principal benefactor.

Col. Sol P. Fink In Public Relations Post

Colonel Sol P. Fink, director and Chairman of the Executive Committee of Merritt-Chapman & Scott, has also been named head of a division of sales and public relations, Thomas A. Scott, Chairman, announces. The establishment of a Sales Department is a new departure for this heavy and industrial construction company, according to Mr. Scott, who stated that Col. Fink has been specifically charged with the further development of industrial and building construction.


Col. S. P. Fink

As an investment broker, Col. Fink has been active in Merritt-Chapman & Scott's affairs for the past several years and is now retiring from his association with Hirsch & Co., members of the New York Stock Exchange, to devote full time to the company's business.

Col. Fink is also a director of Omnibus Corporation, and is commanding officer of the 1586th Signal Corps Replacement Training Center. He served on the Mexican Border from 1912 to 1915 and in both World Wars and has been awarded the Legion of Merit.

Appraising the Business Outlook

(Continued from page 9)

lion compared to $211.9 billion last year. In order that you may have some prospective as to the current level, I want to call attention to the fact that in 1941 personal income was $95 billion and in 1939 it was $72 billion. Thus, the 1949 rate is about three times the prewar 1939 rate and over twice the 1941 rate.

Consumer spending last year amounted to $178.8 billion. In the first six months of 1949, supposed to be the recession period, consumer spending continued at an annual rate of $178.1 billion. We estimate that for the year 1949 consumer spending will aggregate $178.5 billion or approximately the rate that prevailed last year. Again, in order that we may have some prospective as to the magnitude of these figures, it is interesting to note that consumer spending in 1929 was $79 billion in 1939 it was $67.5 billion and in 1947 $166.9 billion. Thus, our 1949 rate of $178 billion is over twice the 1929 rate and almost 2¾ times our 1939 rate, and 7% above the 1947 rate.

As to employment, I would point out that the number of people currently employed in September was 59.411 million out of a civilian labor force of about 63 million. We expect employment to remain at about the 60 million level between now and the year-end although there will be minor seasonal fluctuations. In 1948 the average number of persons employed was 61.4 million; in 1929 there were 47.6 million employed and in 1939—45.8 million. Thus current employment is up 25% over 1929 and 30% above 1939.

Actually employment now is off only about 3% from the very prosperous year of 1948. Unemployment, last reported at 3.351 million in September, is not expected to exceed 4 million at any time this year.

From employment we go to the subject of wages. I would like to call attention to the fact that weekly wages of all manufacturers were last reported at $54.60. This is compared with the high of last year of $55.01. In 1939 weekly wages of all manufacturers were $23.86 and back in 1929 weekly wages were $25.03. Thus, we have currently a weekly wage that is about 129% higher than that which prevailed in 1939 and 118% above 1929, and one that is less than 1% below the 1943 high. A general fourth round of wage increases is not expected this year, however, the settlement of wage disputes will no doubt result in fringe benefits, such as social insurance and pensions as a pattern for the future that will mean increased costs to employers in most of the large industrial corporations, while smaller companies may be able to settle for a small wage increase only.

As to the cost of living, last reported on the Consumers Price Index (1935-39=100) at 168.8, we expect a slight deline to about 165 by the year-end. The average in 1948 was 171.2, thus, our view is for only a small decline in the cost of living this year as compared with last year. In order that you may have a statistical picture as to the increase in the cost of living, as determined by the Bureau of Labor Statistics, Consumer Price Index, I would like to mention that in 1939 the Index stood at 99.4, in 1941 at 105.2 and in 1944 at 125.5, as compared to the last reported figure of 168.8.

Cost of Living and Price Trends

The cost of living discussion leads to the matter of price trends. I am going to give you a few figures from the Department of Commerce Indexes of Whole Prices, of which 1926=100. The Index of Wholesale Prices of Farm Products was last reported at 162.4. We believe this Index will decline by the year-end to about 155. The Index of Wholesale Prices of Manufactured Products was last reported at 149.5. We believe this Index will decline to about 142 by the year-end. The Index of Wholesale Prices of Semi-Manufactured Products was last reported at 147.9. We believe this Index will decline to about 141 by the year-end. The Index of Wholesale Prices of Raw Materials, last reported at 161.3, we believe will decline at the year-end to about 158. In giving you the last reported and year-end figures, you will observe that it is our opinion that declines in prices of farm products, manufactured products, semi-manufactured products and raw materials will be small between now and the year-end. As to the over-all of wholesale commodity prices, taking the Bureau of Labor Statistics Index of 900 Series with 1926=100 last reported at 154.1, we expect a decline to about 151 by the year-end. In 1948 this Index averaged 165, the high being 169.8 and the low 161.0.

Of great importance to the hardware manufacturer are the prices of non-ferrous metals. So far in the present year, we have seen lead and zinc sell at record high prices and have witnessed copper selling at the second highest price in history. These were the March peaks. From March to May we experienced the most precipitous price decline in these metals that ever occurred in an equal period of time. Copper receded 7.5¢ or 33% from its high price of 23.5¢. Lead reacted 9.5¢ or 44% from its high of 21.5¢ and zinc fell 49% from 17.5¢ to 9¢. At the time these price declines exceeded in severity those of all other commodities.

Fearing further price declines in a period of adverse market sentiment, fabricators bought sparingly and invaded inventories as the monthly figures for metal sales in comparison with production clearly show.

Since June a moderate recovery in base metal prices set in, copper rising about 10% from its low, lead 30% and zinc 11%. Military stock piling was credited by some for helping to arrest the price decline, but the probabilities are that inventory reduction had been overdone, especially in light of present-day costs.

Mining engineers tell us that replacement costs of mining machinery and equipment have nearly doubled. Labor costs are up 106% on a straight-time basis since 1939 and with fringe benefits they have advanced 126%. Wages are roughly about 50-60% of mining costs. With increased taxes (local and national) frozen into the cost, there are few producers in this country today that can mine copper profitably at prices under 15 cents to 17 cents per pound and from 11 cents to 13 cents for lead and zinc. The price decline has already eliminated an estimated 400,000 tons of copper *production* from marginal mines in the United States and throughout the world.

Increases in mining costs have not been confined to this country. The rest of the world has probably suffered more inflation than we have. In any event, costs of mining are up at least 60% on a world-wide basis and may have risen even higher in Mexico and Chile. The possibility of cheap foreign copper, lead or zinc undermining domestic producers therefore does not appear to be as tenable a position as heretofore.

A further element of strength in the present situation is stock piling of strategic materials. While no official figures are published for any of the non-ferrous metals, it is estimated that by the end of the year the Munitions Board will have about 200,000 tons of copper in reserve. We suspect that 1,000,000 tons each of copper, lead and zinc would be considered an adequate reserve. Purchases of copper are apparently being made at the rate of 10,000 to 15,000 tons monthly.

The situation in lead was rather tight until very recently. The reserve held by the Munitions Board is believed to be quite small. With larger supplies now available from foreign sources, it is believed that purchases between now and the year-end may reach 175,000 tons, after which the Munitions Board may revert to purchases of around 7,500 tons of lead monthly.

The situation in zinc is far different. Last year the government bought some 300,000 tons of zinc slab and a large quantity of concentrate. Having this now, it is believed that zinc will be stocked during the remainder of the year at a much lower rate than either copper or lead. Monthly rate of purchases for zinc will probably be confined to 4,000 or 5 000 tons, although in this case, as in the others, special circumstances will probably dictate government policy.

Prices for copper, lead and zinc appear to be stabilized for the present, the decline in prices apparently eliminating enough marginal production to keep available supply for all three metals in fair alignment with production demands. On the other hand, but moderate improvement in recent demand might conceivably cause some firming of prices. Foreign currency devaluation is likely to have little immediate effect on prices since the non-ferrous metal-producing countries in the sterling area have already raised their prices to approximate the same level in terms of dollars that existed prior to the downward adjustment in exchange rates.

Farm Income

I now turn to the question of farm income. It is interesting to note that in the first seven months of 1949 the farmer's income was off only 9% as compared to the same period in 1948. We estimate that farm income in 1949 will aggregate about $28 billion as compared to $31.3 billion last year. This is a decline of about 10% from the peak farm income of all time which was registered last year. However, in order to get the current rate into proper prospective, I would like to call attention to the fact that in 1939 farm income was $8½ billion and in 1941 it was $11.7 billion. Thus, our currently estimated 1949 farm income of $28 billion is over three times the farm income of 1939 and about 2½ times the 1941 rate. Again I emphasize that we have declined from the peak high of 1948 to a plateau that is so much higher than we have had in most of the years prior to 1948 that we should not feel that we are in a severe recession, much less a depression.

As to the subject of retail trade, I would advise that in the first eight months of this year retail trade was off less than 1% as compared to last year; in fact, the decline was 9/10ths of 1%. Retail trade for the entire year 1949 is expected to be about $125 billion, as compared with an all-time peak of $129.9 billion which prevailed last year. The year 1949 will be higher than any year prior to 1948. In 1941 retail trade was $55.5 billion and in 1945 it was $76.6 billion. Thus, our estimated 1949 retail trade is over 2¼ times the 1941 retail trade and 63% higher than retail trade in 1945.

A few words about foreign trade. Imports during the first seven months of 1949 were $3.846 billion as compared to $4.058 billion in the same period last year. Exports during the first seven months were $7.507 billion as compared with $7.575 billion in the same period last year. It is expected that the rate of imports will increase during the remainder of the year stimulated by foreign currency devaluation. Exports are expected to decline very slightly. In 1948 imports were $7.070 Bil. and exports were $12.614 Bil. Our 1949 estimate is that imports will be up slightly to about $7.150 billion and exports will be down slightly from the previous year to about $12 billion.

Construction

I am sure that all of you men are interested in construction. The dollar volume of U. S. construction was up 1.7% for the first eight months of this year as compared to the first eight months of last year. Total U. S. construction should rise somewhat during the balance of the year and, in our opinion, set a new dollar record of approximately $19 billion for the entire year as compared to $18.8 in 1948. An important factor in the increased volume will be an approximate 25% increase in public building, that is, schools, hospitals and institutions, while residential and business construction is expected to be somewhat lower. Owing to the importance of this subject to you, I am going to give you a breakdown of some figures that may be of interest. Total new construction the first nine months of this year is reported at $14.1 billion as compared with $13.8 billion last year. Here are the types of this new construction for the first eight months. Taking private construction first: in this group we have residential non-farm—the first eight months of 1949, $4.230 billion as compared to $4.684 billion for the first eight months of last year; none-residential non-farm — first eight months of 1949, $2.129 billion in comparison with $2.290 billion during the same period last year; farm construction — first eight months 1949, $295 million against $363 million the first eight months of 1948; public utility construction—first eight months 1949 was $2.264 billion in comparison with $2.059 billion for the same period last year. These figures for the first eight months show slight declines in residential, non-residential and farm construction and a 10% increase in public utility construction. The total private construction for the first eight months of 1949 was $8.918 billion in comparison with $9.396 billion for the first 8 months of 1948. For the year 1949 we expect a continuation of the slightly declining trend in residential, non-residential and farm construction and a substantial increase in public utility construction as compared to 1948. Our total for private construction for 1949 is estimated at $13.825 billion as compared to $14.563 billion for the entire year 1948. Continuing on the subject of new construction I am going to breakdown public construction: the first eight months of 1949 as compared to the same period in 1948—residential, $111 million as compared to $57 million; military and naval, $67 million against $95 million; non-residential public construction, $1.058 billion compared to $607 million; highways, $1.068 billion compared to $985 million last year; all other public construction, $1.033 billion as compared to $827 million for the same period last year. Thus, we have a combined public construction total for the first eight months of this year of $3.337 billion compared to $2.571 billion for the same period last year. For the year as a whole, we believe all types of public construction will show a substantial increase over last year, perhaps 25% up, the total being about $5.175 billion in comparison with $4.212 billion last year. The total figures of private and public construction that I have given add up to our 1949 estimate of all new construction to be at a new high of approximately $19 billion as compared to last year's total of $18.775 billion.

Inventories

As no doubt you men are interested in inventories, new orders and shipments, I would like to briefly comment on them. Total inventories now about $49.6 billion have shown a decline of about $4.1 billion since the first of the year—this is made up in round figures by a decline of $2.5 billion in manufacturers' inventories, $600 million in wholesale inventories and $1 billion in retail inventories. We expect practically no further change in total inventories between now and the year-end. The Manufacturers New Orders Index 1939=100 was last reported at 192 and we expect it to advance to about 201 at the year-end. As to the manufacturers' shipments, we would expect the rate of shipments to correspond to a large degree with the trend of new orders.

Government Budget and Debt

No discussion of business or our economy could be complete without a brief comment on the government budget and debt. U. S. expenditures for the fiscal year ending June 30, 1950, are estimated at about $46 billion and revenues at about $41 billion; thus, we believe total expenditures will exceed revenues by upward to $5 billion. The government debt is currently (Sept. 20, 1949) $256.291 billion, and this, of course, would increase through government deficit financing during the fiscal year. I would like to give you a brief breakdown as to who owns this government debt. Last reported figures show that the commercial banks hold $63.2 billion of the government debt whereas their 1940 holdings were $16.1 billion. The Federal Reserve banks in 1949 held $19.3 billion, which compares to $2.466 in 1940. Insurance companies held $20.9 billion of government debt in 1949 in comparison with $6.5 billion in 1940. The U. S. Government agencies and Trust Funds held $38.274 billion of the government debt in 1949 in comparison with $7.080 billion in 1940. *Individuals* and unincorporated businesses held $68.8 billion in 1949 compared to $10.3 billion in 1940; mutual savings banks held $11.6 billion in 1949 compared to $3.1 billion in 1940; State and local governments held $8.2 billion in 1949 compared to $0.4 billion in 1940; and other corporations and associations held $22.5 billion in 1949 compared to $2.5 billion in 1940. The current government debt of $256 billion shows an increase of over $200 billion from our 1940 debt.

Money in circulation at the present time aggregates $27.4 billion, and we believe there will be little change in this between now and the year-end. An interesting comparison of money in circulation of $27.4 billion now is to be found when we look at 1929, that so-called prosperous year, when the money in circulation was $4.5 billion; 10 years later, in 1939, money in circulation was $7.6 billion.

From money we turn to the gold stock in this country. The U. S. gold stock has had a continuous increase over the past several years. It was last reported at a new high of $24.691 billion. We believe that this gold stock will continue to increase during the remainder of the year but at a much slower rate than during last year. In 1929 the U. S. gold stock was $3.997 billion and in 1939 it was $17.644 billion as compared to our 1949 figure of $24.691 billion. We have frequently been asked if we expect a change in the U. S. price of gold. This has come up, especially since the devaluation of foreign currencies, At this time we can emphatically state that we do not believe there will be any change in the $35 per ounce U. S. price of gold for the foreseeable future, which means through next year, at least. This does not mean that there will *not* be a change in the official or black market price of gold in foreign countries.

Savings of Individuals

Further on the wealth of the country, I would like to say a few words on the savings of individuals. Speaking now in terms of personal savings, that is, currency in the banks, demand deposits, time deposits, savings and loan shares, and U. S. securites held by individuals; the total last reported at the end of 1948 was $174.8 billion. We would estimate that savings will show an increase of about $4 billion for the year 1949. These are the personal savings of individuals (exclusive of unincorporated businesses) and in order to give you a better idea of what they consist of, I am going to give you the breakdown as reported at the end of 1948 compared to 1939: Currency (these are the savings by individuals) in 1948, $20 billion; 1939, $4.2 billion; demand deposits, 1948, $30.8 billion; 1939, $8.4 billion; time deposits, 1948, $52.6 billion; 1939, $24.3 billion; savings and loan shares, 1948, $10.5 billion; 1939, $3.9 billion; U. S. Government securities, 1948, $60.9 billion; 1939, $8.8 billion. Thus, we have at the end of 1948 total savings of individuals of $174.8 billion compared to total savings at the end of 1939 of $49.6 billion. In other words, current savings of individuals are 3½ times the amount of such savings in 1939. In the period ahead it is a very reasonable expectation that a large proportion of these savings of individuals will find their way into the gross income account of those manufacturers of products and services needed by the family, the housewife, the farmer, the wage earner and the businessman.

A word as to our recent banking figures. Total earnings assets of banks, that is, their loans and investments last reported as of Sept. 21, amounted to $66.5 billion. We expect a slight rise in these earnings assets of banks between now and the year-end. For comparison, I might mention that the earnings assets of banks at the 1948 year-end were $62.751 billion or about $3.7 billion *less* than they are currently. In 1941 the earnings assets of banks were $30.085 billion, so we have currently earnings assets of banks (loans and investments) more than twice as great as prevailed in 1941. Bank debits are recognized as a good indicator of sales and financial activity as they represent checks charged against bank balances. The first eight months of 1949 bank debits amounted to $810.135 billion in comparison with $812.573 billion for the first eight months of 1948. The total bank debits for 1948 were $1.249 trillion, an all-time high, and we estimate that 1949 will be approximately the same as 1948. In 1945 bank debits were $974.102 billion and in 1942 they were $641.778 billion.

Money Rates and Bond Yields

As to money rates and bond yields, which may be of interest to you financial executives, it is our opinion that short-term money rates which recently had a decline will remain practically unchanged during the remainder of the year. Long-term money rates are expected to decline slightly. We expect municipal bond yields to remain firm and high-grade corporate bond yields are not expected to change much during the remainder of the year. In our opinion, this is an excellent time for corporate borrowing through the sale of bonds. On the other hand, with common stock yields in terms of Moody's 200 Stocks, last reported at 6½% and with many good common stocks selling at less than 10 times earnings, we believe this a bad and costly time for well established business corporations to seek new capital through the sale of common stock.

In speaking of stocks and bonds, I would just like to briefly state that it is our opinion that net earnings of all U. S. corporations in 1949 will show a decline of from 15% to 20% from the peak level of $21.174 billion earned in 1948. Variations as to industries and corporations will be wide. However, even a 20% decline in earnings from the peak of 1948 would bring net earnings down only to about $17 billion or twice those of 1945. In speaking of earnings, I would like to comment about dividends. Dividends of all U. S. corporations last year only aggregated 37.4% of net earnings. This, of course, was largely due to the fact that many corporations last year were plowing most of their earnings back into the plant and expansion programs. These expenditures are not expected to be so heavy this year and it is our belief that in spite of total U. S. corporations net earnings being off up to 20% this year, dividends to American investors will aggregate about the same amount as was paid out to shareholders last year, namely, $7.932 billion.

By the foregoing I have endeavored statistically to prove to you that business has been at a relatively high level during the first eight months of this year. I have also given you our forecast as to what level business and the economy may continue at for the balance of the year. I have endeavored to point out the high level of total 1949 business. You no doubt will now probably say O.K.—but what about 1950? I will briefly state that it is our considered opinion that the year 1950 will be a good one for American business, not as high as 1948 but approximately as good as 1949. We therefore feel that businessmen can look forward to 1950 with confidence, especially those interested in the construction industry, which is expected to continue at a rate nearly as high as the all-time peak rate of 1949.

European Recovery and the American Economy

(Continued from first page)

unit production costs. The reverse happened in most of Europe when production costs became loaded down with inflation and Socialism. As a result the world markets increasingly turned to us.

To meet this situation, Britain and many other countries announced a 30% across-the-board price slash, for that is what the devaluation means.

No Substitute for Lower Costs

But devaluation cannot be a substitute for lowering European costs. That is still the first requirement. If a devaluating nation today allows rising wages and prices to develop an inflationary spiral that further increases production costs, it will have lost all benefits of the devaluation.

Two years ago, in 1947, I was in Europe, making a report on Germany at the request of General Lucius D. Clay. Since that time I have been following closely the developments not only in Germany but also throughout Western Europe and England. How these developments affect the American economy is of primary importance to all of us.

We are now in something of a recession which, however, is still a very mild affair compared with what we experienced after the First World War. In this recession, prices have fallen only about 10%. The decline in production has been piecemeal and only about 17% in total.

Recently, there has been a better tone to business and inventory replenishment is raising the level of production. But, so far, because the drop in prices has been so slight, many people still feel uneasy. We cannot say that the recession has struck bottom until the American businessman and consumer have become convinced that the price decline has reached its low point and that the next major move of prices is upwards or at least horizontal.

There is still a pronounced atmosphere of uncertainty. Part of it stems from the artificiality of Government price supports, subject as they are to domestic politics. By no means, an important part of the uneasiness is the result of the impact of the many uncertainties of Europe.

Will the Atlantic Pact keep the peace? How much will the rearmament of Europe really cost us? What will our own defense bills amount to? As a result of devaluation will inflation recur in Britain and other countries? What effect will devaluation have on us? What will the now widely prevalent bilateral agreements of foreign countries do to markets, sources of supply, living standards, and prices the world over? With our agricultural surpluses mounting to unprecedented levels, will Europe be able to earn sufficient dollars to take enough of these surpluses off our hands as before the war? And if she cannot, how much longer can we afford to give them away?

Fundamentals of European Situation

Obviously, I cannot discuss all of these questions in this brief talk. I can deal here only with the bare fundamentals of the European situation. Perhaps I can state them as follows:

Western Europe is important to us from a survival standpoint. We are in a cold war with the expanding, police-state empire of Communist Russia. We conceive of Western Europe as a potential rampart between us and that empire. If Western Europe's living standards decline severely, the rampart may cave in.

Then we alone, without allies abroad may ultimately face a hostile Eastern Hemisphere controlled by Communist imperialism. It makes no sense to spend our billions to arm the rampart of Western Europe while allowing her living standards to sink to levels that invite Communist penetration from within and without.

But Western Europe is becoming extremely expensive to us. We have supported her living standards for more than a year at an annual rate of considerably over $5 billion through the Marshall Plan alone. A year ago, it was assumed that we could confidently look forward to decreasing subsidies each year until 1953 when Europe would be able to stand on her own feet so that we could pull out. But today there is far less conviction that this will happen. It is beginning to dawn on us that, unless we introduce drastically new policies, our subsidization of Europe may run on and on, year after year, at excessive and perhaps even increasing expense to the American taxpayer.

In fact, the dollar shortage, which measures the insolvency of Europe, has threatened to become chronic and permanent. We must do some heavy thinking and evolve entirely new concepts and ideas to handle the situation. So far, our program has largely consisted of giving away our products, free of charge, as if Uncle Sam were some external Santa Claus and the American taxpayer a man with a bottomless purse. The opposition in Congress to this program was the first clear warning that the idea needs sharp revision.

Giving away our goods is no real solution to Europe's problem of insolvency. It impoverishes us without putting her on her feet. In fact, it merely postpones the making of adjustments that are inescapable if Europe is again to become self-supporting.

Dollar Shortage Symptom of Insolvency

We only begin to solve a problem when we isolate and attack the causes instead of doctoring the symptoms. The huge dollar shortage of Europe is a symptom. Before the war, she was wholly self-supporting. What, therefore, are the causes that have changed this prewar situation so drastically?

Europe has become insolvent and a pensioner of North America because of the profound changes produced by the war.

Let me list these changes which are the root causes of Europe's dollar shortage.

In the first place, Europe's economic system has changed drastically. Before the war, all Europe except Russia was capitalistic in its economics. In spite of cartels, it was by and large an area of intense competition and therefore low production costs. As a result, Europe had little trouble selling its output abroad. This insured her a plentiful supply of foreign exchange to pay for her food and raw materials.

Today, however, very few European countries can be correctly described as genuinely capitalistic. Most of them are socialistic in varying degree. They are hamstrung with every sort of restriction to free competitive enterprise. They are taxed almost to death and regulated and domineered by swollen bureaucracies. In almost every case they are devoted, not to full production but to full employment at much higher wages and shorter hours than before the war. And their social services extend from the cradle to the grave. Since Europe cannot afford all these things,

(Continued on page 30)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Advance in face of bad news increases bull ranks. Market which doesn't go down on bad news, can slip off on good news.

Apparently neither the abundance of strike news or the foreign complications has had much of an effect on the stock market. Such a complete disregard of bad news gives the impression that the natural trend of the market is up; a condition which is now apparently being shared by more and more people.

* * *

It is a market truism that a market that won't go down on bad news will go up on good news. There is, however, a reverse application of this market cliche. A market that won't go down on bad news, can turn around and go down on good news.

* * *

There's a philosophy behind this reasoning, even though it is a minority interpretation. Potential sellers—and the market always has them—wait for good news to sell. Once given this, they feel they'll have a bidders' market on which to dispose of their stocks.

* * *

The public seldom operates or reasons on that basis. It will buy on good news, and either get frightened or sell out on bad news.

* * *

Two weeks ago I felt stocks would go down. They did, but not as much as I expected. But because the news picture was covered with clouds I felt it was time to put bids in under the market to take advantage of any sell-off. In line with this reasoning I gave you a list of stocks to buy—incidentally the first such list in recent weeks—and sat back to await what I thought was almost a certainty.

Well, the setback came. A few stocks lost some points. The averages even got within touching distance of the 175 level, the figure I thought at which the reaction would carry them. But slowly, a firm resistance appeared and prices gradually began climbing back.

* * *

If I miss a market I won't chase stocks. I'll simply sit back and wait. It is possible that I have missed part of the move. But I'll still wait. Meanwhile you have a list of stocks to buy, when, as and if, they get down to what I consider to be buying levels.

* * *

Here is the list, buying points and stops: American Smelters, originally given as 35-36, stop 34. This was a ten-point error. Figures should have been 45-46, stop 44. The others were: Bethlehem Steel, 24-25, stop 23; Celanese 24-25, stop 23; Denver Rio Grande 22-23, stop 21. Latter came into the list just under 23.

Rest of the list included Illinois Central 25-26, stop at 24, and Republic Steel 17 to 18 with a stop at 16.

* * *

You'll probably have to gnaw your fingers waiting for some of these. I prefer short finger nails to short balances.

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.]

Business Man's Bookshelf

Costs and Returns on Farm Mortgage Lending by Life Insurance Companies, 1945-1947—R. J. Saulnier — National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper —$1.

Inviting the Undertaker—C. D. Batchelor—21 cartoons reprinted from the editorial pages of the New York "Daily News"—National Foremen's Institute, Inc., New London, Conn.—paper—15¢; 10¢ in quantity.

Penry With Waddell, Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF.—Willard W. Penry has become affiliated with Waddell & Reed, Inc., 8943 Wilshire Boulevard. Mr. Penry was formerly La Jolla manager for Wesley Hall & Co. and prior thereto was with Pacific Company of California.

King Merritt Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Roy A. Lynne, George A. McQuillister and Edward L. Silveria are with King Merritt & Co., Inc., 220 Montgomery Street.

With Dean Witter

(Special to The Financial Chronicle)

FRESNO, CALIF.—Maris R. Atkinson is with Dean Witter & Co., Patterson Bldg.

European Recovery and the American Economy

(Continued from page 29)

much of the expense is being shouldered by the American taxpayer.

The result of Europe's socialism and repressed inflations is excessively high production costs. This makes it increasingly difficult for her to sell her goods in the dollar countries, and elsewhere as well, except under umbrellas, such as the bilateral agreements.

A second change brought by the war is the cutting of Europe in half by the Iron Curtain. There is very little today of that large, free, exchange of goods that took place before the war between Eastern and Western Europe. The country that suffers most from this cleavage of Europe is Western Germany. Prewar Germany got most of its food from its Eastern provinces now on the Russian side of the Curtain and was therefore only about 15% food deficient. But present-day Western Germany with its population swollen by 10,000,000 refugees from her Eastern provinces, is about 50% food deficient. She must therefore import a far greater amount of food per capita from the Western Hemisphere than the old Germany of 1938.

A third change brought by the war has been the loss, or threatened loss, by Europe of her empire in Asia. Before the war this empire in Asia supplied her with most of the dollars needed to buy in the American market. Britain has lost India and her hold on Malaya is very tenuous. The Dutch are now almost reconciled to the independence of the East Indies. The French have little chance to hold Indo-China. Yet from these Asiatic countries, before the war, poured an unending flood of raw materials and other products.

A fourth change brought by the war has been the conversion of Europe from a creditor to a debtor area. Before the war, Europe, and England in particular, held huge investments in both North and South America. The dividend and interest payments on these investments could be immediately used for the purchase of food and raw materials from the Western Hemisphere. At the same time, Europe had vast investments in Asia. India, for instance, before the war, was a heavy debtor of Great Britain and paid in such products as jute, readily saleable in the United States, for making burlap bags. Egypt was likewise a heavy debtor and paid largely in terms of cotton used by the mills of England.

But the war devoured these investments of Europe—in North America, South America and Asia. They were thrown on the market for cash to purchase raw materials and equipment and supplies for the war machines. When the investments were gone, very heavy debts were run up by Europe, not so much with us (we give our goods away) but with the Oriental countries who are not given to that genial idosyncracy of ours. Today, India, instead of being England's heavy debtor as in prewar days, is Britain's creditor to the tune of over $5 billion in sterling.

A fifth change brought by the war is the greatly increased self-sufficiency of the Western Hemisphere, particularly the United States.

In the eyes of Europeans, the enormous self-sufficiency of North America is the greatest obstacle to the earning of sufficient dollars. The English, particularly, are right in reminding us that this is not the 19th century when a well-balanced trade between industrialized Britain and still predominantly agricultural America was natural and easy. Britain lacked food and raw materials. We still lacked manufactured goods.

But today, North America is by far the world's greatest producer of food and raw material surpluses and at the same time is the most highly developed industrialized area. We are able to pour out surpluses of manufactured goods far beyond the capacity of any other area. It has therefore become steadily more difficult for the world to earn dollars by selling us manufactured goods.

The war has also made us increasingly self-sufficient in raw materials. We replaced a large part of our natural rubber imports with synthetic rubber. This single item is costing the sterling area $200 million a year as compared with prewar. We replaced silk with nylon and other synthetic fibres. That makes it harder for Japan to earn dollars to pay for American cotton and other imports. We partially replaced burlap made of jute from India with other forms of packaging. During the war, we grew our own tung oil in our own Southern states.

In other words, it has become steadily more difficult for the world to sell us, not merely manufactured goods, but even the raw materials from which to make them.

I have briefly outlined the basic causes that make it much more difficult for Europe to earn dollars than before the war.

What Can Be Done?

What then can be done to make it possible for her to earn more in the face of the realities that I have outlined?

It is apparent that the Iron Curtain cannot be moved backward into Russia without a war. Europe cannot be given back her lost Asiatic empire, nor can she now be remade into a creditor area. But there is one important obstacle that Europe can overcome if she has the will and determination to do it.

Europe can do something about her high production costs that make her prices too high for competitive marketing in many lines in this and other countries. The London "Economist," perhaps the world's outstanding economic periodical, in a recent article, suggested among other things that the British Government take steps to create the greatest possible measure of competitive conditions, to cut government costs and reduce taxation, to lift price controls and other restrictive measures, to abandon a cheap money policy and let interest rates find their level and even to tolerate moderate unemployment, if necessary, to get full value for wages paid.

If these policies were followed Britain would be in a far better position to solve her crisis.

We should expect Europe to put her house in order. Yet this does not relieve us from responsibilities of our own. Europe cannot sell us her goods and services unless we are also prepared to accept them.

What can we do now to provide Europe with new opportunities to *earn* dollars? I have no pat solution for the problem. It does not call for panaceas, quack medicines, or snap decisions. It calls for thought, debate, and above all ideas. What possibilities do we have for increasing the opportunities of foreign nations to earn dollars from us?

Overhaul Our Tariff System

The least we can do is to thoroughly overhaul our tariff system. Congress has set up a mechanism for reducing our tariffs and has given the President power to make large and important reductions. Has everything been done here that should be done? I doubt it very much.

It is said that our tariff level as a whole is practically back to 1914 but this is speaking in generalities. We have been talking too much about the tariff "as a whole" and failed to get down to the brass tacks of particular products, item by item. I suggest that a commission of government officials and American businessmen be empowered to examine our rates in close detail with the deliberate purpose of providing foreign countries with greater opportunities to earn dollars where our industries can stand it.

For example, a plan might be developed to permit a generalized quota of imports duty free up to say, 5% of the physical quantities of the production of any American industry now having a protective or prohibitive tariff. In my opinion such a plan would not endanger either the price structure or wage rates of any American industry.

There are other ways for foreign nations to earn more dollars. Many ideas have been advocated. Some of them may have merit while others may be of doubtful value.

Question of U. S. Foreign Investments

It has been suggested that we can make large investments abroad, thereby supplying the dollars that in a safer, saner world could be expected of a creditor nation. But, granting that such investments—public, private, or government-guaranteed—are forthcoming in Europe, Africa, or the Near East, they can only be repaid if we ultimately import more goods and services than we export.

Should we stockpile considerably more foreign raw materials at perhaps guaranteed dollar prices and gradually distribute them to our industries?

Should we give far more Americans a chance to see Europe? The tourist industry is one of Europe's greatest dollar producers.

Finally, a very important source of dollars to some European countries in the past was the dollar remittances that foreign immigrants to the United States sent home to their folks. We have in this country a definite and chronic shortage of certain kinds of labor, such as household and farm workers. This kind of labor increases the wealth of our country and the standard of living of our citizens. Europe swarms with people eager and willing to come to America and do work of this sort. Should we allow a considerable number of selected immigrants to enter, restricted for a time to certain occupations, paid good American wages, part of which would be in dollar remittances to their families? These people could receive temporary passports permitting them to stay for a few years, or, in case they showed themselves desirable material for citizenship, they could become permanent citizens.

You will all see certain difficulties with each of the ideas I have mentioned. I see them very clearly myself. But I also see the imperative necessity of drawing on our American resourcefulness in solving a problem that will become each year more pressing. The problem can be summarized in one sentence: Play Santa Claus forever *or* become economically isolated from the world *or* give foreign nations the maximum opportunity to *earn* dollars.

I think a good start has been made. The economic talks in Washington were conducted in a spirit of harmony and earnestness. The joint communique issued by the representatives of the United States, Canada and Great Britain gave every indication of an appreciation of the vastness of the problems involved and a sincere willingness to approach these problems realistically.

If these problems are not approached realistically and if definite steps are not taken to face realities, particularly those I have mentioned in this brief outline, Europe and the United States are in for trouble that can well lead to disaster.

A start has been made.

The speed with which the pound sterling was devalued following the Washington talks is evidence of a determination to take the bull by the horns. This move alone broke a tension that had been growing daily. It lifted the veil of uncertainty. And if followed by other and more fundamental measures, it can well be the turning point to mark a new era in European recovery.

We Must Advertise to Reach New Classes of Investors

(Continued from page 7)

place ignorance is by citing two other examples in other fields. Two and a half years after the United Nations was born at San Francisco—two and a half years after that organization's name had appeared almost daily in the front page of newspapers—30% of the residents of Cincinnati were unable to tell interviewers what the United Nations was. They simply had no conception of it.

Or consider another case. Four months after prices were put under government control during the war, OPA made a survey in Indianapolis to find out how well informed the public was about its operations. During those four months, newspaper stories had discussed ceiling prices daily. Furthermore, the phrase ceiling price was sprinkled all through the advertising. Finally, you couldn't go into any retail store without seeing the sign "our ceiling price. . . ." And yet, four months after all this began, despite the most intensive attempt to educate the public through every known medium, 50% of the people in Indianapolis could not tell you what was meant by the phrase "ceiling price."

So you see what we're up against when we attempt to register even a few simple facts about the securities business on public consciousness. I cite these facts not to show the hopelessness of the situation, but rather to show the necessity for advertising — consistent, insistent, simple advertising.

Why Advertise?

Why advertise? There just isn't any other way to do the job. If we had to rely on personal salesmanship or even on the mailings of literature to do the mass educational job which must be done on millions of prospects, it would be like trying to dig the Panama Canal with a kid's toy shovel.

There is one extremely hopeful factor in the situation, one that can give us the courage to believe that our advertising will be effective. And it's simply this: People want to know. They want to know about our business — about securities. That fact it attested by the enthusiasm with which our announcements of special schools for women on the subject of investment have been greeted in the dozens of cities where such classes have been held.

Again, it is also demonstrated by the almost unbelievable results which we have had to the full page advertisement, "What Everybody Ought to Know. . . . About This Stock and Bond Business," first published in the New York "Times" last October. At that time, the Newell-Emmett Advertising Agency made a survey to find out how well the ad was read and remembered. To their astonishment as well as our own, they found that it had about the highest degree of readership and recollection value that they had ever encountered in checking any advertisement that purported to be more than just a poster. In the last few lines of that advertisement we offered a copy of the ad itself in reprint form or a copy of our booklet "How To Invest." The offer was literally buried in 6,000 words of text. It wasn't played up at all. And yet in the first week or so after that ad appeared, we received over 5,000 requests — many of them on company letterheads or on fine personal stationery, coming obviously from people of means and consequence.

But more noteworthy than mere numbers was the kind of response we had. At least 10% of the letters contained some comment other than "Please send me. . . ." They said things like:

"Why didn't somebody tell me about this before?"

"I have read this aloud to my whole family."

"I took economics in college but I never really understood stocks and bonds before."

"I've put this ad away for the children. I don't expect to see it happen again in their lifetime or mine."

We have now used this advertisement in a dozen cities, and the response has been substantially the same in each.

The editors of "Everybody's Digest," realizing the public interest in the subject, asked for the right to reprint the advertisement as an article. Since then, General Motors has asked for 100,000 reprints of the article to distribute among its employees, and it has been used in a dozen different house organs of major companies.

At this point it is appropriate to raise the question, "What Is Advertising?" The best way I know to answer that question is in terms of a story.

There was a blind beggar in Central Park one day with his tin cup, wearing the conventional sign, "I Am Blind." A man standing by noticed how few contributions the blind man received. So he went up to the beggar and said, "Look here, you're not doing too well. I am an advertising man and I think I can help you if you'll simply let me change your sign a little bit."

The beggar didn't have much to lose and so the advertising man wrote a few words on his sign and left. Later that afternoon, out of some curiosity, he returned. The beggar was obviously doing much better. As he approached, the blind man recognized his footsteps and turned to him and said, "My friend, what have you done to help me? I've never had a day like this. What did you put on my sign?"

The advertising man said, "I wrote just three words on it—'It's springtime and—I am blind.'"

That's advertising.

Selling the Sizzle Rather Than the Steak

It's a business of selling the sizzle rather than the steak. It's a business of appealing to emotion rather than to reason. Obviously there was no relationship between the beggar's blindness and the fact that it was spring, but the advertising man knew that by hooking them up he could create a powerful appeal to the better instincts of the passersby. Advertising is not a study in logic. It is often compounded of factors that are utterly extraneous to the subject with which it deals.

What makes a good ad? Nobody knows, and yet, everybody knows. If you don't believe that, just show any advertisement to 20 different people, and the chances are you'll have 20 instantaneous and emphatic reactions.

What makes a good ad? Well, what makes a good play or a good photograph or a good movie? Even recognized critics will differ in their opinions. But by and large the critic's judgment is good—on the averages and over the long run. And an advertising man's judgment has to be good — certainly better than average. There's only one way in which an advertising man can improve his judgment and that's by trial and error, by experience, by consistently checking the results on a given advertisement and attempting to analyze the many factors which account for the good showing of one and the bad showing of another advertisement. But in the last analysis, no advertising man can ever prove he's right by any empirical standards. He can simply say, "In my judgment . . . this is good or this is bad." For the quotient of art in advertising —in both the copy and the art work—is a factor that eludes exact measurement. It's the advertising man's job to take an inexact science and an inexact art and somehow fashion out of them a workable craft.

What Securities Advertising Should Be

Now let's look specifically at the question of securities advertising—what it is and what it should be. Let me say first of all that I think the biggest deterrent to effective advertising in this field is a misplaced sense of dignity. Many brokers, even those who use advertising, don't believe in it. They write it off as "not dignified." In part this is a carry-over from the British tradition, for brokers in England consider themselves professional men like doctors, and hence above advertising. Whatever the cause, the fact of the affliction is all too evident in the plague of card ads that are scattered over our newspaper financial pages — ads that simply provide the name of the broker and perhaps his telephone number and address.

There is another factor in the picture which also accounts for advertising's lack of effectiveness in the securities field. Brokers have been victimized by the tradition of publicizing individual stocks. That goes back to the pre-SEC days when a new issue was launched and every broker's objective was to sell as many shares of that particular stock as he could before the market was preempted by others. This tradition persists today in the form of the so-called "trading ad"—"We offer subject to prior sale so many shares of X Company at X price" or just "X Company—bought—sold—quoted." When a broker uses advertising such as this, he expects 51 cents back tomorrow on every half dollar he spends today. But that isn't advertising in the real sense of the word.

For my money, it is not advertising's job to sell securities. Selling securities is the job of the Sales Division, aided by the Sales Promotion Department.

Two-Fold Job of Advertising

In this business, advertising has a basic two-fold job to do. The first job is to make people want to buy securities. And the second job is to make them want to buy or sell those securities through Merrill Lynch, Pierce, Fenner & Beane. As an example of how the first obligation can be discharged —making people want to buy securities—I can cite our full-page advertisement or copy such as our recent ad "Why Buy Stocks?" Our series of letter advertisements telling the story of how we handled a particular problem for a particular client or prospect and offering to send exact copies of the correspondence, is an excellent illustration of how we try to do the second job. These advertisements are designed to build confidence in Merrill Lynch and to sell our service.

In summary, let me simply say that I cannot prove in advance what any single ad or any whole campaign will accomplish. I don't know. To be more blunt about it, I supose I should say that I can't prove what any ad or any campaign we ever publish can accomplish. And probably nobody can in any field of business. For instance, why do you smoke Luckies, or why do you drive a Chevrolet, or why do you own a G. E. refrigerator? It's partly because you've seen these products advertised; it's because a friend has had good experience with them; it's because you just happened to see such a product in a store window—all of these and many other factors. It would be impossible for you to sort out all of the factors that influence any decision to buy any product. That's why I'm not concerned with figures that purport to show how many accounts we get from advertising. Let me put it this way: I can't believe, except in rare situations, that advertising wholly and solely by itself ever created a single new customer for this firm. Conversely, I doubt if we have many customers on our books who were not at some point along the line, maybe years ago, influenced to come to us by virtue of some advertisement that they read.

Advertising—A Weapon of Sales Strategy

Admittedly in advertising you have to have faith that advertising pays. In our business, that faith can rest on one factor—the knowledge that advertising is regarded as a vital weapon in the sales strategy of almost every successful big company whose securities we sell. Products like Pear's Soap and Sapolio, that once were household names, fell by the wayside when they stopped advertising. Products that are advertised aggressively, ingeniously, and successfully, have rising sales curves.

And in this business, faith in advertising can also rest on one other factor—the stark knowledge that there just isn't any other way to reach the people we've got to reach, to do the job we've got to do.

With Courts & Co.

(Special to THE FINANCIAL CHRONICLE)

ROME, GA.—James L. Henderson has joined the staff of Courts & Co., 4 East Second Avenue.

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)	Oct. 9	8.2	84.6	84.2	97.5
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 9	151,000	1,559,600	1,552,200	1,757,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Sept. 24	4,875,400	4,845,300	4,717,350	5,343,100
Crude runs to stills—daily average (bbls.)	Sept. 24	¶5,377,000	5,306,000	5,215,000	5,285,000
Gasoline output (bbls.)	Sept. 24	18,152,000	17,845,000	18,180,000	16,705,000
Kerosene output (bbls.)	Sept. 24	1,910,000	1,759,000	1,585,000	2,209,000
Gas, oil, and distillate fuel oil output (bbls.)	Sept. 24	6,555,000	6,667,000	6,491,000	6,656,000
Residual fuel oil output (bbls.)	Sept. 24	7,419,000	7,485,000	7,597,000	7,876,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 24	103,262,000	103,331,000	106,280,000	90,410,000
Kerosene (bbls.) at	Sept. 24	26,615,000	26,436,000	25,804,000	25,719,000
Gas, oil, and distillate fuel oil (bbls.) at	Sept. 24	81,414,000	80,114,000	74,718,000	71,428,000
Residual fuel oil (bbls.) at	Sept. 24	68,143,000	68,527,000	68,394,000	57,745,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 24	§661,472	§743,022	746,912	908,592
Revenue freight received from connections (number of cars)	Sept. 24	§562,510	§570,575	581,829	718,309
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 29	$163,897,000	$188,659,000	$155,191,000	$128,139,000
Private construction	Sept. 29	94,216,000	95,673,000	59,014,000	59,530,000
Public construction	Sept. 29	69,681,000	92,986,000	96,177,000	68,609,000
State and municipal	Sept. 29	63,388,000	64,267,000	55,425,000	48,020,000
Federal	Sept. 29	6,293,000	28,719,000	40,752,000	20,589,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 24	1,950,000	*8,435,000	7,910,000	12,218,000
Pennsylvania anthracite (tons)	Sept. 24	37,000	944,000	921,000	1,202,000
Beehive coke (tons)	Sept. 24	9,300	*10,700	9,900	148,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Sept. 24	292	315	252	319
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 1	5,521,238	5,555,641	5,543,913	5,448,554
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 29	181	169	174	112
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 27	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Sept. 27	$45.88	$45.88	$45.91	$45.07
Scrap steel (per gross ton)	Sept. 27	$27.92	$27.42	$23.33	$43.16
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 28	17.325c	17.325c	17.325c	23.200c
Export refinery at	Sept. 28	17.550c	17.550c	17.550c	23.425c
Straits tin (New York) at	Sept. 28	96.000c	103.000c	103.000c	103.000c
Lead (New York) at	Sept. 28	14.750c	15.125c	15.125c	19.500c
Lead (St. Louis) at	Sept. 28	14.550c	14.925c	14.925c	19.300c
Zinc (East St. Louis) at	Sept. 28	10.000c	10.000c	10.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 4	103.97	103.85	103.93	100.70
Average corporate	Oct. 4	114.85	115.04	114.85	111.25
Aaa	Oct. 4	120.84	120.84	121.04	116.22
Aa	Oct. 4	119.00	119.20	119.20	114.27
A	Oct. 4	114.27	114.27	114.08	110.70
Baa	Oct. 4	106.39	106.39	106.21	104.66
Railroad Group	Oct. 4	109.42	109.60	109.42	107.09
Public Utilities Group	Oct. 4	116.41	116.22	116.02	112.00
Industrials Group	Oct. 4	119.41	119.41	119.41	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 4	2.21	2.22	2.22	2.45
Average corporate	Oct. 4	2.91	2.90	2.91	3.10
Aaa	Oct. 4	2.61	2.61	2.60	2.84
Aa	Oct. 4	2.70	2.69	2.69	2.94
A	Oct. 4	2.94	2.94	2.95	3.13
Baa	Oct. 4	3.37	3.37	3.38	3.47
Railroad Group	Oct. 4	3.20	3.19	3.20	3.33
Public Utilities Group	Oct. 4	2.83	2.84	2.85	3.06
Industrials Group	Oct. 4	2.68	2.68	2.68	2.89
MOODY'S COMMODITY INDEX	Oct. 4	341.4	345.0	344.0	403.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 24	192,289	197,591	173,980	165,103
Production (tons)	Sept. 24	202,374	205,128	184,605	188,146
Percentage of activity	Sept. 24	91	92	86	94
Unfilled orders (tons) at	Sept. 24	356,741	369,573	294,327	358,586
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Sept. 30	128.0	129.3	129.1	143.9
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Sept. 17	20,147	12,586	16,043	19,791
Number of shares	Sept. 17	595,563	351,896	470,419	566,045
Dollar value	Sept. 17	$23,482,936	$14,312,271	$18,312,782	$21,923,552
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 17	23,865	15,141	18,167	18,762
Customers' short sales	Sept. 17	218	119	147	178
Customers' other sales	Sept. 17	23,647	15,022	18,020	18,584
Number of shares—Customers' total sales	Sept. 17	661,842	389,619	490,179	525,682
Customers' short sales	Sept. 17	7,754	4,760	5,355	7,552
Customers' other sales	Sept. 17	654,088	384,859	484,824	518,130
Dollar value	Sept. 17	$22,057,937	$12,660,631	$16,102,928	$18,454,276
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 17	247,300	162,960	188,550	161,300
Short sales	Sept. 17				
Other sales	Sept. 17	247,300	162,960	188,550	161,300
Round-lot purchases by dealers—					
Number of shares	Sept. 17	219,630	117,330	175,520	218,900
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Sept. 27	152.4	154.1	152.4	167.8
Farm products	Sept. 27	158.9	162.4	161.6	187.7
Foods	Sept. 27	162.1	166.3	161.9	185.3
All commodities other than farm and foods	Sept. 27	145.5	145.9	144.9	153.3
Textile products	Sept. 27	140.0	141.1	140.1	147.7
Fuel and lighting materials	Sept. 27	131.4	131.0	130.0	136.9
Metals and metal products	Sept. 27	168.9	169.3	167.9	172.0
Building materials	Sept. 27	190.2	190.2	188.8	203.7
All other	Sept. 27	123.9	124.7	124.2	135.3
Special indexes—					
Grains	Sept. 27	158.4	155.1	152.9	170.4
Livestock	Sept. 27	199.1	208.1	203.5	263.0
Meats	Sept. 27	220.8	230.1	225.7	279.6
Hides and skins	Sept. 27	198.9	198.9	198.6	209.2

*Revised figure. ¶Includes 401,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. §Reflects effect of five-day week effective Sept. 1, 1949.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of July (000's omitted):			
All building construction	$583,118	*$748,046	$658,205
New residential	331,582	*389,448	339,070
New nonresidential	168,829	*259,474	223,311
Additions, alterations, etc.	82,707	*99,124	95,824
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of August	286.3	296.2	304.9
COPPER INSTITUTE—For month of August:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	62,569	*62,449	89,165
Refined (tons of 2,000 lbs.)	85,577	85,638	102,798
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	90,739	45,316	107,496
Refined copper stocks at end of period (tons of 2,000 lbs.)	217,167	212,817	79,597
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of August	664,133	455,106	728,863
In consuming establishments as of Aug. 31	679,983	884,175	1,245,561
In public storage as of Aug. 31	3,954,662	4,143,183	1,727,335
Linters—Consumed month of August	136,366	103,143	105,210
In consuming establishments as of Aug. 31	228,290	237,131	146,245
In public storage as of Aug. 31	47,645	76,661	69,448
Cotton spindles active as of Aug. 31	19,747,000	19,012,000	21,556,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters to Sept. 16)	2,683,033	------	2,864,277
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Aug. 31	23,407,000	23,500,000	23,805,000
Spinning spindles active on Aug. 31	19,747,000	19,012,000	21,352,000
Active spindle hours (000's omitted) August	8,267,000	5,637,000	9,384,000
Active spindle hours per spindle in place, Aug.	377	255	421
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-39 AVERAGE=100—Month of August:			
Sales (average monthly), unadjusted	181	152	*191
Sales (average daily), unadjusted	171	155	*188
Sales (average daily), seasonally adjusted	234	222	*257
Stocks, unadjusted as of July 31	204	189	*243
Stocks seasonally adjusted as of July 31	204	213	*243
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of July:			
All manufacturing (production workers)	11,206,000	11,335,000	------
Durable goods	5,891,000	6,021,000	------
Nondurable goods	5,315,000	5,314,000	------
Employment indexes—			
All manufacturing	136.8	138.4	153.5
Payroll indexes—			
All manufacturing	312.9	315.8	346.5
Estimated number of employees in manufacturing industries—			
All manufacturing	13,755,000	13,885,000	15,155,000
Durable goods	7,255,000	7,396,000	8,232,000
Nondurable goods	6,500,000	6,489,000	6,923,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of August:			
Earnings—			
All manufacturing	$54.60	*$54.67	$54.12
Durable goods	57.63	*57.35	58.34
Nondurable goods	51.35	*51.68	49.80
Hours—			
All manufacturing	39.0	38.8	40.1
Durable goods	39.1	*38.8	40.7
Nondurable goods	38.9	*38.8	39.5
Hourly earnings—			
All manufacturing	$1.400	*$1.409	$1.349
Durable goods	1.474	*1.474	1.432
Nondurable goods	1.320	*1.332	1.262
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of July:			
Death benefits	$115,810,000	$124,888,000	$116,083,000
Matured endowments	34,227,000	42,636,000	32,185,000
Disability payments	7,475,000	8,347,000	7,711,000
Annuity payments	19,970,000	20,868,000	20,337,000
Surrender values	46,979,000	51,571,000	36,569,000
Policy dividends	42,990,000	56,118,000	40,555,000
Total	$267,451,000	$304,428,000	$253,440,000
NEW YORK STOCK EXCHANGE — As of Aug. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$699,149	$689,611	$572,784
Credit extended to customers	74,697	76,619	54,395
Cash on hand and in banks in U. S.	288,130	281,841	343,111
Total of customers' free credit balances	547,657	530,254	551,393
Market value of listed shares	68,667,723	67,279,033	70,862,046
Market value of listed bonds	133,642,800	132,812,944	131,610,120
Stock price index, 12-31-24=100	71.3%	70.1%	77.7%
Member borrowings on U. S. Govt. issues	$144,381	$170,383	$83,814
Member borrowings on other collateral	393,318	371,332	239,675
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of June (000's omitted):			
Savings and Loan associations	$305,568	$318,643	$319,534
Insurance companies	79,352	88,399	84,479
Banks and Trust companies	193,910	202,634	222,673
Mutual Savings banks	62,343	61,913	73,550
Individuals	160,655	170,973	184,270
Miscellaneous lending institutions	151,692	158,358	139,817
Total	$953,520	$1,000,920	$1,024,323
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of June:			
Net railway operating income	$61,263,278	$57,595,284	$124,972,864
Other income	23,408,718	15,220,599	24,565,138
Total income	84,671,996	72,815,883	149,538,002
Miscellaneous deductions from income	2,582,771	3,186,305	14,934,404
Income available for fixed charges	82,089,225	69,629,578	134,603,598
Income after fixed charges	45,505,179	35,189,721	97,605,499
Other deductions	3,029,253	2,980,682	3,180,253
Net income	42,475,926	32,209,039	94,425,246
Depreciation (way & structures & equip.)	34,029,070	33,818,847	31,050,032
Amortization of defense projects	1,372,995	1,373,441	1,371,679
Federal income taxes	23,749,206	20,565,848	52,253,433
Dividend appropriations:			
On common stock	12,844,577	28,478,263	11,029,522
On preferred stock	1,055,752	9,516,454	2,261,056
Ratio of income to fixed charges	2.24	2.02	3.64

*Revised figure.

The State of Trade and Industry

(Continued from page 5)

During the past several weeks the automobile industry had been buying steel frantically. Pressure for delivery became intense, "The Iron Age" notes. In addition, auto makers, with an assured market for their cars, didn't cut back inventories severely, as did some other industries which faced an uncertain market for their products. Most of the auto makers thus have a minimum of about 45 days' supply of steel on hand and at least two of the Big Three have 60 days' supply of steel. The steel pinch will be felt first by the parts makers who supply these firms.

The appliance industry has also bought a lot of steel in recent weeks. But, unlike the auto makers, this industry went through a period of severe inventory correction early in the year when the market for its products became glutted. The recent revival of demand for appliances, plus the threat of a steel strike, caused them to start buying. However, much of their steel has been going into production as soon as it was received, this trade paper asserts.

Virtual collapse of steel mill interests in scrap failed to produce any sharp price changes this week, except at Chicago where the price of No. 1 scrap fell $3 a ton. This lowered "The Iron Age" steel scrap composite price to $26.92 per gross ton. Large tonnages of steelmaking scrap are on the ground—in yards of dealers and brokers and at Great Lakes docks. The only heavy open market buying of the past few weeks was by mills that are not now struck, concludes "The Iron Age."

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 8.2% of capacity for the week beginning Oct. 3, 1949, as against 84.6% in the preceding week, or a decrease of 90.3%, or 76.4 points.

The sharp drop in the scheduled rate of steel operations was due to the immediate effects of a nation-wide steel strike called last Friday at midnight by the CIO United Steelworkers.

This week's operating rate is equivalent to 151,000 tons of steel ingots and castings for the entire industry, compared to 1,559,600 tons a week ago, 1,552,200 tons, or 84.2% a month ago, and 1,757,400 tons, or 97.5% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

The date announced by the Institute is the lowest since Feb. 11, 1946, when the steel mills were also closed by a strike of the steelworkers. The steel rate at that time was 5.5% of capacity with output placed at 96,000 tons. Only a minute number of steel producers were operating as the walkout suspended more than 90% of the country's total steel production.

CARLOADINGS DECLINE BY 11% IN LATEST WEEK

Loadings of revenue freight for the week ended Sept. 24, 1949, totaled 661,472 cars, according to the Association of American Railroads. This was a decrease of 81,550 cars, or 11% below the preceding week. It represented a decrease of 247,120 cars, or 27.2% below the corresponding week in 1948, and a decrease of 276,482 cars, or 29.5% under the similar period in 1947.

ELECTRIC OUTPUT RECEDES FURTHER THE PAST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Oct. 1, was estimated at 5,521,238,000 kwh. according to the Edison Electric Institute. This represented a decrease of 34,403,000 kwh. below the preceding week, 72,684,000 kwh. or 1.3% higher than the figure reported for the week ended Oct. 2, 1948 and 586,387,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTOMOTIVE OUTPUT REFLECTS A LOWER TREND AS DEALER STOCKS MOUNT

According to "Ward's Automotive Reports" for the past week, motor vehicle production of the United States and Canada declined to an estimated 151,037 units from 158,007 units (revised) in the previous period, caused by a slight cutback in General Motors' overtime work and the suspension of assemblies by Kaiser-Frazer, Willys-Overland and Hudson.

The total output for the current week was made up of 124,457 cars and 19,360 trucks built in the U. S. and 4,787 cars and 2,433 trucks in Canada.

Output a year ago was 121,475 units and, in the like period of 1941, 76,820 units.

BUSINESS FAILURES ADVANCE IN LATEST WEEK

Commercial and industrial failures rebounded to 181 in the week ended Sept. 29 from the preceding week's 169, Dun & Bradstreet, Inc., reports. Considerably more casualties occurred than in the comparable weeks of 1948 and 1947 with 112 and 77 failures, respectively. However, they remained far below the 264 in the corresponding week of 1939.

Casualties involving liabilities of $5,000 or more increased to 140 from 128 and exceeded the 96 of a year ago. Those with liabilities under $5,000, remained at 41 for the third consecutive week, comparing with 16 in the same week of 1948.

Retail, wholesale and construction casualties were higher, while manufacturing and commercial service failures fell the past week. Retail and construction failures numbered almost twice those of a year ago.

Casualties were higher in the New England, East North Central and West South Central states, while Middle Atlantic failures fell to 44 from 53 and Pacific States remained at 39. There were more failures than last year in all geographic areas except the Mountain states.

WHOLESALE COMMODITY PRICE INDEX DISPLAYED A STEADY TONE THE PAST WEEK

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., remained comparatively steady last week following the downward movement of the week preceding. The index closed at 245.14 on Sept. 27, compared with 243.38 a week earlier and with 273.88 on the same date a year ago.

Grain markets continued to be unsettled last week, largely as a result of liquidation induced by devaluation of foreign currencies.

Wheat futures declined early in the period but cash wheat held quite steady, aided by government purchases of the cash article which has been stepped up in the past few weeks.

The trend in corn prices was lower, influenced by expanding market receipts and increased offerings of new corn, coupled with fears of competition of Canadian importations of those grains. Weather conditions last week were favorable for the seeding of Winter wheat in most sections of the belt.

There was a slight increase in bookings of hard wheat bakery flours the past week although total volume was only fair as buyers held commitments to small lots for immediate or nearby shipment. Spot coffee prices remained firm but futures were easier with final quotations well below a week ago. The trend in cocoa prices, both actuals and futures, was downward throughout the week. Liquidation and selling depressed lard prices despite heavy purchases by the government. The decline was induced by weakness in cottonseed oil and a sharp break in hogs and fresh pork.

All classes of livestock continued to move lower under pressure of increasing market receipts.

Domestic cotton markets a week ago were fairly steady at current low levels. Activity in spot markets continued to increase with total sales in the 10 markets aggregating 381,400 bales during the latest week, as compared with 344,400 a week earlier and with 215,800 in the corresponding week a year ago.

Farmers continued to sell freely, but considerable holding was reported in some sections as prices moved closer to government support levels.

Mill demand was fairly good and offerings were easily absorbed, aided by the current low level of mill stocks.

Consumption of the staple continued at an active rate aided by the recent strong demand for textiles. The average consumption per working day during August was 28,900 bales, a rise of 25% over the July daily rate, but 13% less than the 33,100 bales for August, last year. Entries of cotton into the 1949 government loan stock remained at a low level.

Entries for the season through Sept. 12, as reported by the CCC, totaled only 20,959 bales, as compared with 215,200 bales reported during the same period a year ago.

Volume of business in cotton textiles remained at a relatively high level although demand for cotton gray goods appeared to taper off somewhat as the week closed.

WHOLESALE FOOD PRICE INDEX IN LATEST WEEK CLOSE TO YEAR'S LOW LEVEL

Continuing the decline of a week ago, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to $5.67 on Sept. 27, only slightly above the year's low of $5.66 recorded on three other occasions this year. The current figure of $5.67 compares with $5.72 the previous week and with $5.85 two weeks ago, or a decline of 3.1% in the two-week period. At this time a year ago the index stood at $6.70.

The index represents the sum total of the price per pound of 31 foods in general use.

RETAIL AND WHOLESALE TRADE VOLUME ADVERSELY AFFECTED BY UNFAVORABLE WEATHER AND STRIKES

The dollar volume of retail trade in the period ended on Wednesday of last week was virtually unchanged from that of the previous week and continued to be moderately below the high level of a year ago, Dun & Bradstreet, Inc., reports in its latest summary of trade. The abatement of the rise of recent weeks was generally attributed to unfavorable weather and to unsettled labor conditions in some sections.

The tempo of consumer buying of apparel slackened somewhat last week with the aggregate unit volume continuing to hold slightly below that of the comparable 1948 week.

The demand for women's dresses and sportswear remained high with lessened interest in coats and suits. Retailers continued to sell more housedresses than they did a year ago. The sales volume of children's wear dipped slightly. Promotions of men's suits drew favorable response in some areas.

Retail food merchants sold about as much as in the preceding week and total dollar volume did not vary considerably from that of a year earlier. Consumer resistance to expensive meat cuts was discernible in some localities, but poultry and dairy foods gained in popularity. Housewives bought more canned goods than they did a year ago. Bakery products were in increased demand.

Consumer buying of furniture and household goods continued at a moderately high level the past week. The sales volume of incidental furniture, housewares and floor coverings remained large. Interest in television sets continued to rise. Fuel and heating equipment were sought by many consumers.

Total retail volume in the period ended on Wednesday was estimated to be from 3 to 7% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England and Pacific Coast —3 to —7; East —2 to —6; South and Southwest —4 to —8; Midwest —5 to —9; and Northwest —1 to —5.

Nationwide wholesale buying increased slightly during the week. Aggregate dollar sales remained moderately below the figures for the comparable week a year ago. Inventories for most durable goods were affixed to immediate consumer demand with spot ordering much in evidence. The unclear labor situation and the uncertain results of the foreign currency devaluation were held somewhat responsible for present declines in buyer commitments in some lines

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 24, 1949, decreased by 8% from the like period of last year and compared with a decrease of 7% in the preceding week. For the four weeks ended Sept. 24, 1949, sales registered a decrease of 6% from the corresponding period a year ago and for the year to date a decline of 5%.

Retail trade in New York last week reflected greater seasonal improvement and sales volume made a better showing with the comparable period a year ago than in the preceding week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Sept. 24, 1949, decreased by 11% from the same period last year. In the preceding week a decrease of 5% was registered below the similar week of 1948. For the four weeks ended Sept. 24, 1949, a decrease of 6% was reported under that of last year. For the year to date volume decreased by 7%.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions, by referring to "Indications of Current Business Activity," a regular feature in every Thursday's issue of the "Chronicle."

Palestine Cotton Mills Stock Placed on Market By First Guardian Sec.

One of the first public offerings in the American market of securities of an Israeli corporation since the United States formally recognized the new State of Israel last January was made Oct. 4 by The First Guardian Securities Corp. The offering consists of American certificates for 300,000 shares of common stock of Palestine Cotton Mills, Ltd. (Tel-Aviv, Israel). The stock is being offered at $4.25 a share.

Proceeds from the financing will be used to purchase 3,000 additional spindles and auxiliary equipment; for the acquisition of 140 automatic weaving looms; and to pay off secured indebtedness of approximately $92,500. Any remaining balance will be used to purchase raw cotton in the United States or added to working capital.

The company, incorporated in 1941 and the second largest of its kind in Israel, is engaged primarily in the business of spinning raw cotton into spun yarns. The yarns are marketed within Israel. In the past, Palestine Cotton Mills, Ltd. converted part of its own yarn production by weaving into cloth and will resume that phase of the business upon installation of the automatic looms. In anticipation of the purchase of the new looms the company earlier this year leased 40 looms owned by it to another company.

Spindles now owned by the company total 11,300 which are expected to produce henceforth at the rate of about 2½ million pounds of yarn annually. The additional spindles to be purchased, it is estimated, will increase the company's productive capacity to approximately 3 million pounds of yarn per annum.

The company commenced operations in 1942. Its plant is located on the outskirts of Tel-Aviv in the suburb of Ramat Gan.

Upon completion of the financing there will be outstanding indebtedness of $148,263, payable in three annual instalments beginning July 1, 1951; 2,380 shares of 5% preference stock with a par value of £10 per share; and 600,000 shares of common stock with a par value of £1 a share.

J. W. Tindall & Co. Formed in Atlanta

ATLANTA, GA.—J. W. Tindall & Co. has been formed with offices in the Citizens & Southern Bank Building to engage in the securities business. Partners are Julian W. Tindall, James B. Dean, Jerome H. Austin and Eugene F. Willis. All were formerly with Brooke, Tindall & Co., of which Mr. Tindall was a partner. J. D. Chesnut, Marie O. White and Carroll E. Banks are also with the firm.

As We See It

(Continued from first page)

It is, of course, a fact of common observation that organized labor has been demanding—and getting—more and more wages for less and less work for a long while past. The process was definitely under way even during the war, although glossed over by the politicians and obscured by various special factors present at the time.

Higher and Higher

Since the end of hostilities, there has been one continuous demand for higher and higher wages. When shorter hours have not been demanded explicitly—and even when they have, in many instances—there have been liberalized vacation privileges and other provisions of labor contracts which shortened the number of hours of work for a given amount of pay. Recent increases in unemployment and the threat of further spread of joblessness may have resulted in some improvement in the willingness of men to give a full day's work for a full day's pay, but any improvement which may have occurred leaves the situation far behind what it was even in 1939 after a half decade or more of pampering by the Roosevelt New Deal policies. There has been much talk of "rounds" of wage increases and the like, and it is true, of course, that these matters appear to develop in waves as it were, but throughout all the months since the war, certainly until the end or near the end of 1948, wages were on the rise and special "benefits" more and more granted.

Late last year business conditions began to give concern to many in public and private life. To many the economic merrymaking seemed to be coming rapidly to an end. Much more sober thought about where we were really headed was in order. For a time another "round," this time the "fourth round" of wage increases and other concessions, appeared to be very nearly out of the question. And, so the course of events might well have shaped themselves despite some recent improvement in the business situation and possibly (though by no means surely) in the business outlook, had it not been for the fact that the unions had friends in high places who believe (at least for political purposes) in intervention in their behalf—that is, in the use of the legal (pursuant to New Deal legislation) and the extra legal powers of government to control and direct the policies of business enterprises.

The "Fourth Round"

But the unions had such friends, and they have succeeded in obtaining important "fourth round" concessions in some instances and have closed down other industries, in one case being able to say with a show of truth that employers have said "no" to the President of the United States. If their further allegation that the employers have also said "no" to the American people is not wholly true that is no fault of the Fair Deal managers who have contrived to give the American people the impression, or, at the very least have permitted the unions to give the impression, that the Washington Administration is quite in sympathy with proposals which the steel companies have been obliged to refuse.

But this is not the whole story by any means. How does it happen that one union—we had almost said, one man—is able to shut down the entire steel industry of the nation by a nod of his head? How is it that the coal mines of the country can be closed, opened, put on short rations, or in virtually any other way controlled or restricted by one cantankerous figure which even the President of the United States—and we might almost as well say, the courts of the United States—are helpless to control or influence? The automobile manufacturing industry, or any unit in it, operates or is closed down at the order of one man, or one very small group of men. Much the same thing might be said of dozens of other industries. Here is a situation which is a consequence of New Deal and Fair Deal managers which for years have been fostering this monopoly in American industry at the same time that they thunder in the index against what they elect to term "restraint of trade," so far as management is concerned. It is obviously all a part and parcel of the modern trend toward statism.

Another Costly Example

Turn now from labor and labor unions to the situation in agriculture—another source of millions of votes. The Commodity Credit Corporation has recently announced that it has another loss to report — this time running to $600,000,000 — as a result of its operations in behalf of the farmers of this country. Of course, this is but a part of the overall agricultural program of the Fair Deal, but it is a costly one. Add it all up, and we have an effort to exert this or that type of State control, directly or indirectly, over farming in this country that is costing the nation literally billions of dollars every year. Apart from robbing urban Peter to pay farming Paul, it has steadily stimulated or encouraged many men to devote much energy and capital to the production of goods no one in the world wants badly enough to pay for. Indeed, it is certain for all practical purposes, that it has succeeded in having goods produced in this country which no one would have in such quantities at any price, and which no one abroad would have even at the price of shipment to them.

The answer of the Fair Deal is a proposal which would relieve it of the condemnation of the consumer by having the taxpayers shoulder the cost burden, and please the producer by paying him to produce. In effect, it would guarantee the producer prices he wants and the consumer abundance at prices he demands. Doubtless the Fair Deal managers hope that no one will be too curious about who pays the inevitable bills. Here is a bit of statism which is not only economically hopeless and even silly, but tremendously expensive.

ALL WE CAN SAY IS THAT WE HOPE THAT IF THE FAIR DEAL CANDIDATES DO NOT PERMIT THE CHARGES OF "STATISM" TO INFLUENCE THEM, THE PUBLIC WILL.

Contrasts of Near-term and Long-term Business Outlook

(Continued from first page)

for the answer by putting the question this way: Is the recent upturn one that represents a major move—will it be sustained?

There are a number of difficulties and doubts. Can prices be maintained in the face of large farm surpluses and devalued foreign currencies? What about strikes and other labor difficulties? Will the President and his advisers do another swing left before long? I do not know, but it is my opinion that there is a reasonable probability that the upturn will carry through the year, and possibly to about February, 1950.

Beyond that point, the visibility becomes poorer. But I will say at once that it is my further opinion that there is at least a good possibility that if the current recovery lasts till February, it will go for at least another year, and perhaps until about 1952.

So much for my soothsaying pose. After all, it is not, and should not be, so much what an economist's general opinion concerning the business outlook is, as the reasons he has for the faith that is in him. Briefly, my reasons are as follows:

I. The Near-Term

First, as to the period between now and next February:

(1) I think that there is good reason to believe that the recession that began about a year ago was truly cyclical, and that it has hit bottom recently. If it has not hit bottom (and one can not be sure of that), it is at least rebounding, after a considerable amount of correction, and under the existing conditions seems likely to carry upward for several months before the recession might be resumed. The reasons for this short-term optimism are the following points:

(2) Certain important barometers of business have turned upward as already mentioned. August was statistically an up-month, even after due allowance for seasonal variation.

(3) Particularly notable, however, is the fairly well-sustained level of building activity. Such activity is at a sufficiently high level to help sustain business and warrant some recovery.

(4) This condition of building brings us at once to the factor of government spending; for no small part of the high building activity represents public works of various kinds. Government spending has been stepped up and is being used more effectively than has sometimes been the case. (I will return to this point.)

(5) Then, too, the return of seasonal variation to the statistical scene is to be noted. The usual Fall upturn and holiday expansion in trade seem to be with us this year, and this is a factor tending to the conclusion that the rest of 1949 is "in the bag."

(6) I will add merely that the stock market seems to be going in a way favorable to this conclusion.

Thus it is my thought that you gentlemen will do well to count on a high level of general business and further improvement, for the next three or four months.

II. The Long-Term

Beyond some such point as next February, I am not so sure, and I will, therefore, at once emphasize the factors in the situation which seem to be the basis for any opinion that one may develop.

First, I am going to put the hypothesis that we have been undergoing a real business recession which has been either interrupted or stopped at some sort of bottom. An upswing may therefore be reasonably expected to carry on for the usual period of a cycle, say for a year or two, possibly to about 1952. This, I regard as a most important point. My whole reasoning hinges on the idea that an upturn in business at this time is more important than it would be at other times when it could not be called cyclical.

We start from the top of the preceding boom which was that of immediate postwar prosperity. There were many maladjustments to be corrected and the recession that began in 1948 was corrective. I call your attention to the fact that it is the first recession since 1937 in which there occurred at the same time large and sustained declines not only in the stock market but also in commodity markets and in industrial production. The reasons for this were: farm prices were too high as a working basis for business. Production was too high to be disposed of through sales at the then existing prices. (This was clearly the case in the textile industry.) The cost per man hour of labor to produce the average commodity was too high. All these things have been somewhat corrected during the past year. Farm prices are down and so are textile prices. Production has been reduced to a level which at the modified prices is in line with retail sales. The productivity of labor has improved so that to some extent labor costs have been reduced.

To be concrete, let me picture the locomotive industry as one that reflects the business cycle very clearly. By the middle of 1948, the unfilled orders for locomotives had risen to a very high peak far out of line with the rate at which locomotives were being actually shipped and installed. This is usual in boom periods. Since that time, the unfilled orders for locomotives have shown a large recession. Soon after this recession began, moreover, the number installed by the railways rose to a sharp peak, the installations becoming relatively high compared with the unfilled orders. Now the number installed has also fallen off sharply, and have got back into line with the declining unfilled orders. Both are now falling off but slowly. This condition indicates that at least the first big recession has been completed. It closely resembles the position in early 1938.

What has gone on since about the middle of 1948, is, I think, a series of corrective adjustments in various industries. First came the recession in luxuries such as night clubs, alligator handbags, etc. Then came radios and the like. This was soon followed by the recession in automobile tires and textiles, notably the latter. Still more recently, refrigerators and electrical appliances have had a house-cleaning. The latest members of the recessionary group have been rayon, non-ferrous metals, and heavy petroleum and its products, notably fuel oil. In each of these cases, there has been overproduction, excessive stocks, price reductions, and a gradual restoration of some measure of stability. Now the outlook for cotton textiles has greatly improved. The prices of non-ferrous metals have rebounded with increased demand.

It may be that one of the strongest indications is factory employment. I know of no single business measurement which gives a truer picture of the business cycle and which is less erratic and fluctuating in its movement than such employment. Therefore, the upturn in August is to be watched with great interest. If it is to be sustained for another month it will strongly confirm the hypothesis which I am here presenting. (Of course, due allowance must be made for seasonal variation in judging the figures.)

What I have said thus far applies to the ordinary 40-month cycle for business in general. In addition, note that I find a tendency toward a **two-year cycle in textiles**, notably cotton manufacturing. In my judgment, there is very good reason to believe that the bottom of such a two-year textile cycle has just been reached. Cotton mill consumption in July hit the lowest point in years, and then rebounded sharply in August. This move, as usual followed a sharp decline in the margins made by cotton manufacturers in converting a pound of cotton into a pound of yarn or cloth. These margins fell with extraordinary sharpness from February 1948 to June this year, and have now been rising for two months. The situation is closely parallel to that found in the latter part of 1938 which you will recall was the beginning of a rise in the business cycle.

I would say that there are so many parallels between 1938 and the present time as to make it clear that so far as empirical evidence goes, a cyclical recovery might occur at this time. Despite all the difficulties, uncertainties, and maladjustments, the thing is **possible.**

Phases of Minor Recession

As an economist, I analyze the situation as follows: We have had a minor recession in the shape of what is sometimes called the primary postwar recession. This has gone through two phases: First, prices were reduced and volume thereby maintained. This condition began in the latter part of 1948. Then more recently the second phase has developed in which production and the quantity of goods sold has declined while prices have been better maintained. The reason has been narrower profit margins. While wages have been maintained, hours of work have been shortened. The less efficient marginal concerns have closed down. We see this not only in the increasing number of relatively small business failures, but also in layoffs, reduced hours, less overtime work, etc.

As a result, sufficient curtailment and inventory reduction have occurred to allow the more efficient and better-financed concern to hold its own or expand its operations at a level which, in most cases, allows a reasonable profit.

I want to say that it is my thought that the outlook for the next couple of years is not good for ill-financed or ill-managed concerns, or those of a speculative character. I believe, however, that any well-established, well-organized, and soundly-financed enterprise, conducted on what may be called an investment basis, has little to fear.

Conditions Working for Recovery

Such being the statistical evidence as related to the business cycle, it is well to ask next, what are the conditions which at this time are working for recovery, and to what extent are they offset by unfavorable condition — for unfavorable conditions like the poor, we always have with us. First, let us sum up the constructive conditions that favor an upswing. These I would list as follows:

(1) Commodity prices have shown signs of stabilization, and have recently been declining less rapidly. The eye of the trained statistician can see in the commodity price curve indications of what is sometimes called "bottoming out." Moreover, certain sensitive commodities, which represent the forces of demand and supply working in free markets, are not only relatively low, but have turned upward. This is notably the case with one of the most sensitive of all, namely the price of steel scrap. The same condition has developed in such non-ferrous metals as copper and zinc. Print cloth and wool tops may be mentioned; also hides. An average of such sensitive commodities which I compute has fallen about as low with relation to the average of all commodities as it did in the bottom year 1938.

This is to say nothing of the artificial price supporting forces such as government farm-price pegging, stock piling of war materials, and the operations of ECA. (However little we may like these things, and however bad they may be for the future of our economic life in America, the businessman still has to reckon with them during the next few years.)

(2) Various tried and more or less trusty "barometers" have turned upward, such as orders for machine tools and for paperboard. The sales indexes of department stores have shown some improvement. Business loans have turned up a bit. I would call attention particularly to the fact that the ratio of bank debits to commercial loans has shown an irregular but persistent recovery for several months. This means that the volume of checks drawn, representing business activity, has gained on business indebtedness, representing in large part inventories. This is the first sustained increase in the ratio since 1945, and again it resembles the move that began in the Spring of 1938.

Need I add that there has been a fairly well-sustained rise in the stock market accompanied of late by improvement in bonds, which lends support to this thought?

(3) Building activity is an important factor which on the whole is tending to maintain the volume of business. Building permits increased in August. So did the volume of engineering construction contracts. Total new construction put in place was not only larger than in the preceding month, but was almost as large as at the high rate in August, 1948. Public construction was 18% above the preceding year, and road repairs and construction well afford a vast market for labor and building materials in many States. Unfortunately this is not the result of free economic forces, but does anyone doubt that we can count on the continuance of the government spending that will cause this heavy building activity?

(4) Automobile sales are high. Unquestionably, there will be some seasonal let-down in automobile sales and production during the Winter. There is little reason, however, to look for a sustained cyclical decline. I find no indication that people are yet demanding low-priced basic cars without chromium and gadgets. The plain fact is that the relatively large incomes received by laborers and farmers are now a so-much-larger proportion of the total income that the number of people who are able and desire to buy cars today, is larger than ever before.

(5) I will give a distinct place to the improvement in the cotton textile situation. This great industry has gone through its period of postwar readjustment and promises to expand, to the particular benefit of New England and the South.

(6) The negative point is to be made that there has been little speculation in securities. In the past, such speculation has been particularly effective in precipitating business recessions. (Perhaps speculation in housing and other real estate ventures will become the villian in the plot later on.)

(7) Business corporations in general are in good financial position. Evidently they are well heeled in the way of working capital.

(8) Large and probably effective credit shots are being administered. Deficit spending is being stepped up and **is not being counteracted by increased taxation.** This is significant. Perhaps even more significant is the relatively recent move to make money rates easier. The "easy money policy" is still with us. A number of measures have combined to increase the excess reserves of the banks upon which in the last analysis loans must depend. Reserve requirements have been reduced. Open-market operations have been adjusted to produce easier conditions. There has been manifest in general a tendency on the part of our bank credit managers to do their managing in a way calculated to restore some measure of business confidence. Less tendency exists to adjust the credit policy merely to support the government bond market.

(9) As intimated in the foregoing point, the credit shots are being administered with at least one eye on the attitude of the patient. This I would emphasize as a distinct point—a condition making for what is usually called "business confidence." One thing that the managers of our currency (and our economy) are dimly perceiving is that it may be **easier** to manage an economy in which the businessman and the investor are scared out of their wits, but it does not get results in the way of tax money, and may lose votes. We find some improvement in the technique of credit management at Washington. Moreover, we find extreme tax measures abandoned, radical schemes for social reform moderated (or at least allowed to wait), the Brannan farm program shelved, etc. Clearly at a good many points Congress has shown a surprising degree of political independence. Personally, it is my observation that the performance of our British cousins with their Laborism, Socialism, and dollar shortage has had the effect of disillusioning the average American citizen with reference to the to the beauties of the welfare state. I suspect that even a good many laborers have wondered how much of their taxes goes to relieve the austerity practiced by British laborers.

One thing of which I am reasonably sure is that the persistent and sustained rise in the average price of public utility stocks which has gone on this year is pretty definite evidence of increased confidence in American private enterprise.

In this connection, one element which should be mentioned, although with less fervor than the preceding, is the expansion of consumer credit and instalment sales. After an apparent reaction in the shape of consumer resistance, it appears that in recent months the volume of instalment business is rising to new high levels. Certainly there are many among us who are not worrying too much about the future.

(10) The two foregoing points, government spending and business confidence, lead directly to the next point which is one of the two or three most important. It is that inflation marches on. I mean not only in England, France, or Brazil, but in the U. S. A. I mean also that the much-talked-of devaluation of the pound and other foreign currencies is not deflationary, but is nearly part of the general progress toward bigger and better inflation. This is seen in the return of deficit financing and the increased volume of expenditures for non-productive purposes such as supporting farm prices, expanding so-called social security, maintaining national defense, and the ECA program. These things may be necessary, but they mean increasing billions of paper dollars without any economic basis for their redemption or retirement.

(11) There has been sufficient correction of some of the more acute maladjustments to allow a cyclical upswing, aided as it is by government spending and inflation. Inventories have been much reduced. Certain industries have gone through a sort of wringer as already indicated. Even the attitude of labor has been somewhat modified.

(12) Now the declines are slowing up, and certain advances have occurred, as in 1938.

(13) These fit in with the hypothesis of periodic business cycles, indicating that recovery is near.

Conditions Working Against Recovery

Such is the case for business recovery. It may be said in rebuttal to the foregoing 13 points—

(1) Commodity prices according to some averages have not risen. Some raw material prices are relatively high. Huge supplies of certain farm products such as corn and flaxseed are pressing down on markets. And with foreign demand interfered with by devaluation, the outlook for prices on a demand and supply basis is not too bright.

(2) Not all business barometers point up. Railway freight traffic has been backward, and is relatively low compared with production.

(3) Labor troubles exist, e. g., the coal and steel strike.

(4) Steel production before the strike was at a high level compared with the industrial production average as is often the case in periods of maladjustment.

(5) The housing shortage is rapidly being reduced.

(6) The industrial postwar plant construction program is well along, and heavy industries in general are cutting back their programs.

(7) The automobile demand has shown some signs of at least seasonal reaction.

(8) Exports are down and are likely to be reduced in some cases by the devaluation of the foreign currencies.

(9) Taxes remain both heavy and discriminatory, notably in the case of corporation profits.

(10) Some signs of overexpanded credit appear first of course in the shape of public debt, but second, also in the shape of home mortgage loans regarded as a percentage of the disposable personal income of the people.

(11) Bank credit fundamentals have begun to tighten up a little bit inasmuch as the earning assets of the banks (their total loans and investments) are growing in comparison with their total deposits.

Such is the Benjamin Franklin balance sheet. The points in number are 13 to 11, 13 for expansion to 11 for recession. (Or if you rather avoid an unlucky number, we can reduce it to 12 to 11 and still have a working majority for the optimistic side.) Probably any open-minded appraisal of this Benjamin Franklin balance sheet will draw favorable conclusions. Be that as it may, it seems to me to support my hypothesis that our position is somewhat like that found near the bottom of the recessions which came in 1938 and 1946. Therefore, unless some unforeseen development occurs in international affairs or in domestic labor relations, one should keep an open mind to the possibility that recovery lies ahead. At the least, one should not yet sell America short.

Maladjustments Not Corrected

Certainly not all the maladjustments that have arisen during the New Deal and war periods have yet been corrected. It is quite probable that we will have more trouble later on. It is a part of my hypothesis that if we have recovery, however, it will lead to a second postwar boom, and be followed by the inevitable secondary postwar recession. In this connection, I am reminded of the story of Zeke, the lank Kentucky backwoodsman, entering the general store which served as the emporium of his section. He was observed to be wearing an unhappy expression. Said the storekeeper, "What's the matter with you, Zeke?" "Aw, that danged old mule of mine balked on me again," was Zeke's reply. "Well, did you build a fire under him and make him move as I told you to," asked the man behind the counter. "Yep," said Zeke, "I did so. But the ornery critter moved jist fur enough to pull the danged wagon over the fire and burn it up." My point is that the fire may seem pretty hot as we move to 1952 or thereabouts.

They always call economics the dismal science. This doubtless appears in the fact that I find just 13 points—13—on the bull side of the situation. It is clinched, however, by my next point which is that eventually, sometime between now and 1952, our danged old business wagon will be pulled over the fire. Sometime within the next couple of years we are going to find not only too many cars on the road to be paid for but too many buildings, each one with too many television antennae. The big distortions or maladjustments which have been building up in our economy ever since say 1934 still remain. What are they: They are (1) the price of labor power per effective unit, (2) the price of farm products, and (3) the price of government bonds, or rather the artificially low money rates maintained by the deficit financiers. And why do we have such low money rates or high bond prices? Why, the reason is to maintain the other two maladjustments, namely, the high price of labor and the high price of farm products. These are the three facets of our financial inflation.

And how do they affect you and me on our side of the business fence? Why, they affect us most strikingly through taxation. They are maintained by double taxation and confiscatory taxation of business profits, particularly when business is in the corporate form. They affect us in the confiscatory taxation on large incomes laid on in the name of progressivism. These things can not go on forever. You can not milk a cow all the time and still keep the cow producing milk. The time will come when this shell game of giving people money only to take it away from them in taxes or under the guise of investments in savings bonds, will be exposed.

My guess is that we will have effective inflation and a secondary postwar boom much of the time between now and 1952. As long as the average American citizen accepts paper dollars without question and considers government bonds an investment, the debt managers can continue to squander us into a condition of apparent prosperity. But by not later than 1952 either the average American will come to see the inflation in his paper and to realize that government bonds are nothing but government debt payable in such inflated paper dollars, or the burden of taxation will become so intolerable that the secondary postwar adjustment will become inevitable. I am inclined to think that we will "enjoy" inflation for a while before we are caught by either the devil of the welfare state (with its crushing taxes and business controls) or by the deep blue sea of currency depreciation.

So, for the next year or two, let us eat, drink, and be merry!

Richfield Oil Corp. Sells $25,000,000 Debs.

Richfield Oil Corp. has sold to New York Life Insurance Co., for investment, $25,000,000 principal amount of its 2.85% sinking fund debentures, maturing on Oct. 1, 1974, at a price of 100¼, plus accrued interest. Proceeds of the arrangement, negotiated through Kuhn, Loeb & Co. will be added to general funds of the corporation.

Emerson Radio Stock Offered by Eberstadt

A group of investment bankers, headed by F. Eberstadt & Co., Inc., offered as a secondary distribution on Oct. 3, 1949, an issue of 235,000 shares of the capital stock, par value $5, of Emerson Radio & Phonograph Co. at $15.50 per share. The shares are listed on the New York Stock Exchange. The issue, it was announced Oct. 4, was oversubscribed.

With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Mrs. Virginia L. Greene has become associated with E. F. Hutton & Co., 623 South Spring Street. Mrs. Greene was previously with Crowell, Weedon & Co.

Frank Newman Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—James D. Platt, Jr. has been added to the staff of Frank D. Newman & Co., Ingraham Building.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Actors Hobby Market, Beverly Hills, Calif.
Sept. 30 (letter of notification) 2,025 shares of non-assessable common stock ($10 par). Price, par. No underwriter. To operate a store and mail order business.

American Gas & Electric Co. (10/6)
Sept. 7 filed 498,081 shares ($10 par) common stock. **Offering**—To be offered for subscription by present stockholders of record Oct. 7 on basis of one new share for each nine shares held. Any unpurchased shares will be allotted among other stockholders desiring to acquire more than their original allotment. The offer expires Oct. 24. **Underwriters**—Underwriters will be invited to bid for any shares not taken by stockholders. Probable bidders: Union Securities Corp.; The First Boston Corp.; Dillon, Read & Co. Inc.; Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly). **Proceeds**—For general funds, to be invested in subsid. operating companies, incl. Appalachian Electric Co. **Bids**—Bids for purchase of such of the stock as shall not be issuable pursuant to subscriptions will be received at company's office, 30 Church Street, New York, up to 11:30 a.m. (EST), Oct. 6.

American General Corp., New York
Sept. 8 filed 111,153 shares of $2 dividend series of cumulative convertible preferred stock ($1 par) and 206,422 shares (10c par) common stock. **Offering**—All of the $2 preferred and 170,500 shares of common are owned by Equity Corp. and will be offered in exchange for shares of $3 convertible preferred stock and 20-cent dividend preferred of Equity. **Underwriters**—None named, but a flat fee will be paid NASD members and securities exchanges assisting stockholders in tendering their securities for exchange.

• Anchor Mines, Inc., Los Angeles, Calif.
Sept. 26 (letter of notification) 296,000 shares (25c par) common stock. **Price**—$1 each. **Underwriter**—Hunter & Co., New York. To rehabilitate mill and mill machinery and to pay current indebtedness.

• Animal Medical & Hospital Insurance Co., Bronx, N. Y.
Sept. 30 (letter of notification) 1,000 shares 5% non-cumulative preferred stock (par $100) and 750 common shares (10¢ par). To be offered in units of 16 preferred shares and 12 common shares at $2,401.20 per unit. No underwriting. To provide hospital and veterinary service to owners of dogs and cats.

Arkansas Power & Light Co. (10/11)
Sept. 8 filed $8,700,000 first mortgage bonds, due 1979. **Underwriter**—Competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. and Central Republic Co. (jointly); Union Securities Corp. **Proceeds**—For construction and general corporate purposes. **Bids**—Bids for purchase of bonds will be received up to noon (EST), Oct. 11, at Room 1852, 2 Rector Street, New York.

• Birmingham (Ala.) Fire Insurance Co.
Sept. 28 (letter of notification) 10,000 shares ($10 par) common stock. **Price**—$20. **Underwriter**—Sterne, Agee & Leach, Birmingham, Ala. To enlarge insurance business.

Blackstone Valley Gas & Electric Co. (10/18)
Sept. 16 filed 35,000 shares of preferred stock, cumulative ($100 par). **Underwriter**—To be determined by competitive bidding. Probable bidders: Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; W. C. Langley & Co.; Lehman Brothers; Harriman Ripley & Co. **Offering**—Of the total 1,430 shares will be reserved for common stockholders (other than Eastern Utilities Associates which owns 99% of common and which will waive its rights) to subscribe to at the rate of one for each common share held, and 12,942 shares will be offered to holders of outstanding 6% preferred stock in a share-for-share exchange, plus a cash adjustment and the balance will be publicly offered. **Proceeds**—To retire the remaining 6% preferred stock and for construction purposes. **Bids**—Bids will be received up to 11 a.m. (EST) Oct. 18, at 49 Federal Street, Boston, Mass.

Bradshaw Mining Co., Tonopah, Nev.
Oct. 8, 1948 (letter of notification) 1,500,000 shares (5¢ par) common stock. **Price**—20¢ 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.

• Butler's, Inc., Atlanta, Ga.
Sept. 26 (letter of notification) 10,000 shares ($1 par) common stock. **Price**—$6 per share. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C. Proceeds to underwriter.

• Canadian-American Oil Corp., Spokane, Wash.
Sept. 19 (letter of notification) 1,200,000 shares (25c par) common stock of which 800,000 shares are to be sold to the public at par and 400,000 are to be issued in payment for oil land lease options. No underwriter. To drill for gas and oil in Alberta, Canada. Office, Lobby Paulsen Bldg., Spokane, Wash.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Israel and Co., New York, N. Y. **Proceeds**—To develop mineral resources.

Carolina Telephone & Telegraph Co., Tarboro, North Carolina
Sept. 28 filed 29,750 shares ($100 par) common capital stock. **Offering**—To be sold to stockholders at rate of two new shares for each five held at $100 per share. **Proceeds**—To reduce indebtedness resulting from construction and for general corporate purposes.

• Central Maine Power Co., Augusta, Me.
Oct. 5 filed $5,000,000 first and general mortgage bonds, due 1979. **Underwriter**—To be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); White, Weld & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Otis & Co.; Shields & Co.

Colorado Oil & Gas Co., Alamosa, Colo.
Aug. 30 (letter of notification) 250,000 shares ($1 par) common stock, of which 200,000 will be sold for company and 50,000 shares for N. O. Yeakley, a controlling stockholder, at $1 each. **Underwriter**—W. C. Hitchman Co., New York. To lease properties, drill wells, and for working capital.

• Combined Locks (Wis.) Paper Co.
Sept. 28 filed 50,000 shares of class A common stock ($1 par). **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—Offering by stockholders and not by company.

Consolidated Caribou Silver Mines, Inc.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 50,000 shares will be sold to the underwriter at $1 per share for investment. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Temporarily postponed.

• Consolidated Engineering Corp., Pasadena, California
Sept. 28 (letter of notification) 500 shares ($1 par) common stock, to be sold to J. R. Bradburn, Altadena, Calif., at $5 each. Mr. Bradburn plans to resell 250 shares through Hopkins, Harbach & Co., Los Angeles, at the market price, $13.50 a share. For working capital.

• Continental Royalty Co., Dallas, Texas
Sept. 26 (letter of notification) 50,000 shares ($1 par) common stock. **Offering**—To be offered present stockholders at $1.50 a share. No underwriter. To buy new and additional royalties. Office, 740 Wilson Bldg., Dallas, Texas.

• Davis Motorcar Co., Los Angeles, Calif.
Sept. 30 (letter of notification) $25,000 face amount of securities by Davis Dealers and Distributors Committee. To assist with the incorporation of Davis Motorcar Co. No underwriter. To cover expenses.

Duquesne Light Co., Pittsburgh (10/18)
Sept. 16 filed $15,000,000 of first mortgage bonds, due 1979. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kuhn, Loeb & Co.; Smith, Barney & Co.; A. C. Allyn & Co. (jointly); Halsey, Stuart & Co. Inc.; White, Weld & Co.; Harriman Ripley & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Glore, Forgan & Co. **Proceeds**—To repay bank loans for construction and for additional construction and general corporate purposes. Expected about Oct. 18.

Empire District Electric Co. (10/18)
Sept. 29 filed 100,000 shares of common stock. **Underwriters**—The First Boston Corp. and G. H. Walker & Co. **Proceeds**—To raise additional capital to assist company in completing construction program.

• Farmers Tool & Supply Corp., Denver, Colo.
Sept. 28 (letter of notification) 37,000 shares ($1 par) common stock. **Price**—$4 each. No underwriter. For working capital.

General Reinsurance Corp., New York
Sept. 8 filed 185,210 shares ($10 par) capital stock, owned by American General Corp. **Offering**—These shares, together with 35,922 common shares of American General Corp., will be offered to holders of $3 dividend series, $2.50 dividend series and $2 dividend series convertible preferred stock of American General, on an exchange basis. **Underwriter**—None named, but a flat fee will be paid NASD members and securities exchanges assisting stockholders who tender their shares for exchange.

• Gold-O-Lite Lifetime Super Lubricant Co., Phoenix, Ariz.
Sept. 28 (letter of notification) 25,000 shares of common stock (no par). **Price**—$10 each. No underwriter. For equipment, raw materials, and labor.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Hawaiian Electric Co., Ltd., Honolulu
June 21 filed 150,000 shares of series E cumulative ($20 par) preferred and 50,000 shares of ($20 par) common. **Offering**—Preferred will be offered to preferred holders at 1-for-3 rate and common will be offered to common stockholders at 1-for-9 rate. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. will buy unsubscribed preferred; unsubscribed common will be sold either at public auction or to the underwriters. **Proceeds**—To pay off short-term promissory notes and to carry merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction.

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.

Idaho Maryland Mines Corp., San Francisco, Calif.
Sept. 2 (letter of notification) 10,000 shares of common stock. **Price**—$2 each. To be sold by Errol MacBoyle. **Underwriter**—E. F. Hutton & Co., San Francisco.

Indianapolis Power & Light Co. (10/19)
Sept. 16 filed $40,000,000 of first mortgage bonds, due 1979. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; W. C. Langley & Co.; White, Weld & Co., and Shields & Co. (jointly); Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly). Union Securities Corp. **Proceeds**—To redeem $40,000,000 of outstanding bonds, with other company funds added to pay the premiums. Expected about Oct. 19.

• Industrial Stamping & Machinery Co., Detroit, Michigan
Sept. 27 (letter of notification) 66,000 shares ($1 par) common stock, of which 50,000 shares will be sold by Helen G. Mayne and 16,000 shares by Harold E. Mayne. **Underwriter**—Baker, Simonds & Co., Detroit.

Insurance Co., of Florida, Miami, Fla.
Sept. 7 (letter of notification) 12,000 shares ($10 par) common stock. **Price**—$25 each. **Underwriter**—Atwill & Co., Miami Beach. To complete formation of a stock insurance company. Office, 139 N. E. 1st Street, Miami, Fla.

• Interstate Telephone Co., Spokane, Wash.
Sept. 26 (letter of notification) 1,321 shares of $5.50 cumulative preferred voting stock ($100 par). **Underwriters**—Pacific Northwest Co.; Paine, Rice & Co.; Murphy Favre, Inc., and Richards & Blum., Spokane, Wash. To redeem outstanding $6 preferred stock at $110 a share.

Iowa-Illinois Gas & Electric Co. (10/25)
Sept. 23 filed $10,000,000 of first mortgage bonds, due 1979. **Underwriter**—To be decided under competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Harriman Ripley & Co.; Union Securities Corp., and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Smith, Barney & Co. **Proceeds**—For electric and gas distribution facilities construction. Bids expected Oct. 25.

• Javmar Construction & Supply Co., Inc., N. Y.
Sept. 30 (letter of notification) 250 shares first preferred 6% cumulative stock (par $100) and 15,000 common

NEW ISSUE CALENDAR

October 6, 1949

American Gas & Electric Co. 11:30 a.m. (EST) ---- Common

October 10, 1949

Orbisonia Water Co. ---- Bonds
Utah Power & Light Co., noon (EST) ---- Bonds

October 11, 1949

Arkansas Power & Light Co. noon (EST) ---- Bonds
Erie RR. noon (EST) ---- Equip. Trust Ctfs.
Keller Motors Corp. ---- Common

October 13, 1949

Kansas City Southern Ry. noon ---- Equip. Trust Ctfs.

October 14, 1949

Northern Pacific Ry. ---- Equip Trust Ctfs.

October 17, 1949

Maine Public Service Co. ---- Preferred

October 18, 1949

Blackstone Valley Gas & Electric Co. 11 a.m. (EST) ---- Preferred
Duquesne Light Co. ---- Bonds
Empire District Electric Co. ---- Common
New York Chicago & St. Louis RR. noon ---- Equip. Trust Ctfs.

October 19, 1949

Chesapeake & Ohio Ry. ---- Equip. Trust Ctfs.
Denver & Rio Grande West. RR. ---- Equip. Trust Ctfs.
Indianapolis Power & Light Co. ---- Bonds
Public Service Electric & Gas Co. ---- Preferred

October 24, 1949

Resort Airlines, Inc. ---- Common

October 25, 1949

Iowa-Illinois Gas & Electric Co. ---- Bonds

November 1, 1949

Interstate Power Co. ---- Common

shares (par $1). To be sold in units of 2½ preferred shares and 150 common shares at $400 per unit. No underwriter. Purchase of equipment, etc. Office, 505 Fifth Avenue, New York City.

Keller Motors Corp., Huntsville, Ala. (10/10-11)
May 10 filed 5,000,000 shares (3¢ par) common. **Underwriter**—Greenfield, Lax & Co., Inc., New York. **Price**—$1 per share. **Proceeds** — To purchase additional plant facilities, tools, dies, jigs, etc.; the balance for working capital. Statement effective Oct. 3.

● **Kentucky Utilities Co., Lexington, Ky.**
Oct. 4 filed 165,500 shares ($10 par) common stock and 25,000 shares of 4¾% cumulative preferred stock ($100 par). Common stock will be offered for subscription by stockholders and employees at $10 a share and will not be underwritten. **Underwriter** — For preferred: To be determined under competitive bidding. Probable bidders: Kidder, Peabody & Co.; Union Securities Corp.; Salomon Bros. & Hutzler; White, Weld & Co. **Proceeds**—For construction.

Kittanning (Pa.) Telephone Co.
Sept. 14 (letter of notification) 3,000 shares of capital stock (par $25). Price, $45 per share. Stock will be offered Oct. 1 to stockholders of record Sept. 17 in ratio of one-for-eight. Rights expire Nov. 1, after which shares not subscribed for will be offered to employees and unsubscribed shares will be offered Nov. 8 to public in area in which company serves. Finance expansion program. No underwriting.

● **L. B. H. Manufacturing Co., Inc., Philadelphia**
Sept. 27 (letter of notification) 650 shares of capital stock. **Price**—$50 per share. To finance manufacture of games and toys. **Underwriting**—None.

Lawyers Title Insurance Corp., Richmond, Va.
Sept. 9 filed 55,000 shares ($10 par) common stock. **Offering**—To be offered at $10 each to holders of 110,000 outstanding common stock shares. **Underwriter**—None. **Proceeds**—To increase capital.

● **Layne Foundations, Inc., West Warwick, R. I.**
Sept. 27 (letter of notification) $100,000 10-year 5% registered (subordinated) debentures. No underwriter. To expand plant facilities and inventory. Office, Sheldon St., West Warwick, R. I.

● **Lewis (Alfred M.), Inc., Riverside, Calif.**
Sept. 29 (letter of notification) 1,000 shares of class B common stock. To be sold to customers at $100 each. No underwriter. For capital account.

Lucky Stores, Inc., Oakland, Calif.
June 27 filed 400,000 shares ($1.25 par) common stock. **Underwriter**—Names by amendment. **Proceeds**—Shares being offered on behalf of Blair Holdings Corp.

● **McAleer Manufacturing Co., Rochester, Mich.**
Sept. 29 (letter of notification) 1,000 shares ($1 par) common stock. To be sold at the market ($4 each) by Carlton M. Higbie, President of the company. No underwriter.

Maine Public Service Co. (10/17)
Sept. 27 filed 30,000 shares (par $20) preferred stock and 25,000 shares common stock (par $10). **Underwriters**—Merril Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. **Offering**—Common stock will be offered for subscription by stockholders of record (about) Oct. 17 on a one-for-six ratio with provision for oversubscription. Unsubscribed shares and preferred will be taken by underwriters. **Proceeds**—For construction.

Mercantile Acceptance Corp. of California
Sept. 8 (letter of notification) $100,000 4% 10-year debentures. **Underwriter**—Guardian Securities Corp., San Francisco. For general corporate purposes.

Minute Maid Corp., New York
Sept. 21 filed 120,000 shares of cumulative prior preference stock and 360,000 shares (10c par) common stock, to be reserved for conversion. **Offering** — Of the total prior preference shares, 116,440 will be reserved for subscription by holders of $2 preferred stock and common stock at the rate of one share for each preferred share held and one share for each five common shares held. At the same time, holders of $2 preferred stock are offered the chance to exchange these shares for six shares of common stock. **Underwriters**—Paine, Webber, Jackson & Curtis; The First Boston Corp., and White, Weld & Co. **Proceeds**—To increase working capital and reimburse the treasury for construction expenditures.

● **Morris Paper Mills, Chicago**
Sept. 23 (letter of notification) 3,000 shares ($10 par) stock. Price, market (about $19.75). **Underwriter**—Hallgarten & Co., Chicago. **Proceeds**—To selling stockholder.

● **Mutual Fund of Boston, Inc., Boston**
Sept. 28 filed 100,000 shares of capital stock. **Underwriters**—Louis H. Whitehead Co., New York and Russell Berg & Co., Boston. Price at market.

Nazareth (Pa.) Cement Co.
Sept. 7 (letter of notification) 3,059 shares of common stock. Price at market (about $12) to be sold by the Alden M. Young Co., Pine Orchard, Conn., through Day, Stoddard & Williams, New Haven, Conn.; Byllesby & Co., Philadelphia; Warren W. York & Co., Allentown, and H. B. Robeson, Nazareth.

New Jersey Power & Light Co.
June 9 filed 20,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidding. Probable bidders: Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; Lehman Brothers. **Proceeds**—Will be applied to the payment of the cost of, or in reimbursement of payments made for, construction of additions and betterments subsequent to April 30, 1949. Sale deferred until later this year.

New York & Cuba Mail Steamship, New York
June 17 filed 190,125 shares of 5.6% cumulative preferred ($25 par) stock, which Atlantic Gulf and West Indies Steamship Lines is offering in exchange for its own preferred (5% non-cumulative $100 par) at the rate of one Atlantic share for three shares of Cuba Mail preferred plus $25 in cash. No underwriting.

New York Telecoin Corp., N. Y. City
Aug. 26 (letter of notification) 1,100,000 shares of class B stock. **Price**—At par (5¢) to Telecoin Corp. stockholders of record Sept. 6, 1949, on a pro rata share-for-share basis. Rights expire Oct. 6. **Underwriter**—None. **Proceeds**—To be added to working capital. **Office**—12 East 44th Street, New York, N. Y.

Northern Ohio Telphone Co., Bellevue, Ohio
Sept. 23 filed 13,575 shares 4½% cumulative preferred stock ($100 par). **Underwriters**—Lawrence Cook & Co. and Cunningham & Co., Cleveland. Price, par. **Proceeds**—To reimburse company for funds spent to buy 22,574 shares of common capital stock of Star Telephone Co., Ashland, Ohio.

● **Olamont Mining Co., Butte, Mont.**
Sept. 19 (letter of notification) 85,000 shares ($1 par) common stock. Price, par. No underwriter. To develop and operate 34 mining claims in Beaverhead County, Mont. Office, First National Bank Bldg., Butte, Mont.

● **Olympic National Life Insurance Co., Seattle, Washington**
Sept. 26 (letter of notification) 3,457.5 shares ($10 par) common stock. **Price**—$20 a unit. No underwriter. Capital and surplus for insurance business.

Orbisonia Water Co., Harrisburg, Pa. (10/10)
Sept. 14 (letter of notification) $21,000 4¾% closed first mortgage serial bonds. Price, par. **Underwriter**—Warren W. York & Co., Inc., Harrisburg. To pay off outstanding $9,500 of mortgage bonds and improve properties.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

Public Service Co. of Indiana, Inc.
Sept. 12 filed 81,744 shares of common stock (no par). **Offering**—To be offered to stockholders of Southeastern Indiana Power Co. in exchange for 5½% cumulative preferred stock (par $100) and common stock (par $10) on basis of 4½ shares common Public Service for one preferred share Southeastern and 1½ shares Public Service for one common share Southeastern. **Underwriter**—None.

● **Public Service Electric & Gas Co., Newark, N. J. (10/19)**
Sept. 29 filed 250,000 shares ($100 par) cumulative preferred stock. **Underwriters** — Morgan Stanley & Co., Drexel & Co., and Glore, Forgan & Co., New York. **Proceeds**—To be added to general funds to finance construction.

● **Regional Finance Co., Inc., Bethesda, Md.**
Sept. 23 (letter of notification) 2,450 shares of non-voting preferred stock and 500 shares (no par) common stock, with one share of common to go along with the sale of 10 shares of preferred. No underwriter. To operate a small loan company.

● **Reliable Finance Co., Inc., Norwood, Ohio**
Sep. 27 (letter of notification) $100,000 series B 6% cumulative preferred stock. **Price** — $100 a share. No underwriter. For additional capital. Office, 4628 Montgomery Road, Norwood, Ohio.

Resort Airlines, Inc. (10/24)
July 27 (letter of notification) 54,000 shares ($1 par) common stock, of which 50,000 shares offered by company and 4,000 shares by George B. Wilkinson, Charlotte, N. C. **Underwriter**—Marx & Co., New York. **Price**—$5 per share. To be used for equipment and additional working capital in connection with the company's air cruise service. Expected week of Oct. 24.

● **Scott (O. M.) & Sons Co., Marysville, Ohio**
Sept. 26 (letter of notification) 532 shares ($100 par) class A common stock, 422 shares of class B ($100 par) common stock and 1,500 shares of 5% cumulative preferred stock ($100 par). **Price**—$125 for each the common and $100.25 each for the preferred shares. The preferred stock will be sold on a firm commitment basis to the Ohio Co., Columbus. To purchase new equipment and provide additional working capital.

● **Security Investment So. of Riverside (Calif.)**
Sept. 29 (letter of notification) $256,000 of certificates of indebtedness. No underwriter. For working capital and investment purposes.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriting**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

● **Union Electric Co. of Missouri**
Sept. 30 filed 150,000 shares of cumulative preferred stock (no par). **Underwriter**—To be determined under competitive bidding. Probable bidders: Dillon, Read & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp.; Lehman Brothers. **Proceeds**—For construction.

United Minerals Reserve Corp., Chicago
July 27 (letter of notification) 270,000 shares of common stock. **Price**—$1 each. **Underwriter**—Edward W. Ackley & Co., Boston. For development of mining properties.

Upper Peninsula Power Co.
Sept. 28 filed 154,000 shares of common stock (par $9). **Underwriters**—SEC has granted exemption from competitive bidding. An investment banking group managed by Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Paine, Webber, Jackson & Curtis, may be underwriters. **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively.

Utah Power & Light Co. (10/10)
July 28 filed $3,000,000 first mortgage bonds, due 1979. **Underwriters**—Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp. and Smith, Barney & Co. (jointly); Carl M. Loeb, Rhodes & Co., and E. H. Rollins & Sons (jointly). **Proceeds**—For construction purposes. **Bids**—Bids for purchase of bonds will be received up to noon (EST), Oct. 10, at Room 2033, 2 Rector Street, New York.

Western Arkansas Telephone Co., Russellville, Ark.
Aug. 16 (letter of notification) 1,000 shares of 6% cumulative non-participating preferred stock (par $100 per share). **Underwriter**—Lewis W. Cherry Co., Little Rock, Ark. **Proceeds**—To pay indebtedness for equipment and supplies.

● **Western Chemical & Refining Co., Salt Lake City, Utah**
Sept. 26 (letter of notification) 200,000 shares of class A ($1 par) common stock and 200,000 shares of class B (10c par) common stock. Offered in units of one share of class A and one share of class B for $1 a unit. No underwriter. For general funds to conduct research in treatment of Utah coal. Office, 521 Felt Bldg., Salt Lake City, Utah.

Western Oil Fields, Inc., Denver, Colo.
May 19 (letter of notification) 800,000 shares of common capital. Price, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver, Colo. For working capital and drilling of wells.

● **Wewoka Petroleum Corp., Spokane, Wash.**
Sept. 19 (letter of notification) 600,000 shares capital stock (25c par). **Price**—50 cents. **Underwriter** — Birnbaum & Co., New York. To retire outstanding oil payments and notes, drill additional wells, and provide working capital.

● **Wiskit, Inc., Seattle, Wash.**
Sept. 27 (letter of notification) 150 shares ($100 par) common stock. Price, par. No underwriter. To manufacture Wiskit rackets and establish the game of Wiskit. Office, Lloyd Bldg., Seattle, Wash.

York (Pa.) County Gas Co.
Sept. 23 (letter of notification) 6,000 shares of common stock (par $20). To be offered for subscription by stockholders of record Oct. 14 in ratio of 1/5th of a new share for each share held, at $50 per share. Rights expire Nov. 1. For improvements, extensions, etc. Not underwritten.

(Continued on page 38)

(Continued from page 37)

Prospective Offerings

● **American Natural Gas Co.**
Investment banking firms have been forming into groups to compete for the underwriting of an offering by company of 276,805 shares of common stock. It is expected that this additional stock will be offered first for subscription by shareholders in the ratio of one for 10 held. American Natural Gas was formerly known as American Light & Traction Co. Probable bidders include: Blyth & Co., Inc.; Lehman Brothers.

Central Hudson Gas & Electric Corp.
Aug. 11 requested SEC authorization to issue and sell $6,000,000 of convertible debentures. Probable bidders: Union Securities Corp, Salomon Bros. & Hutzler and Spencer Trask & Co. (jointly); The First Boston Corp.; Drexel & Co. and Stroud & Co. (jointly); White Weld & Co. and Stone & Webster Securities Corp. (jointly); W. C. Langley & Co.; Harriman, Ripley & Co.; Shields & Co.; Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Otis & Co. Offering expected in November.

● **Central & South West Corp.**
Sept. 30 asked SEC permission to issue and sell 725,567 common shares, to be offered for prior subscription by stockholders on a one for 10 basis. Offering price to be determined by competitive bidding, the successful bidder to acquire shares not purchased by stockholders. Probable underwriter: Lehman Brothers.

● **Chesapeake & Ohio Ry. (10/19)**
Company will receive bids up to Oct. 19 for the purchase from it of $3,600,000 equipment trust certificates, to be dated Nov. 1, 1949, and due semi-annually May 1, 1950-Nov. 1, 1964. Probable bidders: Halsey, Stuart & Co. Inc.; Harris Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

Chicago Rock Island & Pacific Ry.
Sept. 17 company may possibly refund its $25,772,850 first mortgage 4% bonds and $34,488,542 of income 4½s through sale of a new issue. Asked about the financing an official of the road said, "There has been some discussion but no plans." Probable bidders: Halsey, Stuart & Co. Inc.

● **Cleveland Electric Illuminating Co.**
Sept. 28 company has arranged a bank credit of $15,000,000 to finance construction costs. Long-term financing of either bonds or preferred will be undertaken later, depending upon market conditions. Probable bidders on bonds: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; White, Weld & Co.

● **Cuba, Republic of**
Sept. 30 reported a $100,000,000 bond issue by Cuba; negotiations for which were broken off in August is once more in the advanced stage and will reach the market in November. Cuban bankers, it is said, will take from $30 to $40 million of the total, with American investment bankers, headed by The First Boston Corp., handling the balance.

● **Denver & Rio Grande Western RR. (10/19)**
Company has issued invitations for bids to be received Oct. 19 for $2,250,000 in equipment trust certificates to be dated Dec. 1, 1949, and to mature semi-annually June 1, 1950-Dec. 1, 1964. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.).

Detroit Edison Co.
Sept. 27 company announced that it is preparing for further financing of its construction program. Subject to authorization by the Michigan P. S. Commission, the financing will include an offering of additional stock (about 700,000 shares) to stockholders at par on the basis of one share for each 10 shares held. It is also planned to issue approximately $40,000,000 non-convertible debentures.

Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and Spencer Trask & Co. (jointly); The First Boston Corp.; Dillon, Read & Co. Inc.

Erie Railroad (10/11)
The company will receive bids up to noon (EST) Oct. 11 at its office, Cleveland, for the purchase from it of $4,300,000 equipment trust certificates, maturing in one-to ten years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

Gulf States Utilities Co.
Sept. 27 reported company plans sale in October of $10,000,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; The First Boston Corp.

● **Idaho Power Co.**
Sept. 29 company has asked the FPC for authority to issue up to $12,000,000 in first mortgage bonds. The company said the bonds would be issued either (1) under the third supplemental indenture to its Oct. 1, 1937, mortgage and deed of trust as additional bonds of its 2¾% series due Feb. 1, 1977, or (2) as a new 2¾% series of 30-year bonds due Nov. 1, 1979, to be provided for by a fifth supplemental indenture to be dated about Nov. 1, 1949. The issue would be disposed of by private offering and direct sale. Proceeds would be used in a construction and improvement program.

● **Illinois Bell Telephone Co.**
Sept. 28, G. K. McCorkle, President, said company must obtain financing in the near future of approximately $100,000,000 to replace short-term loans used to finance its current construction program. If bonds, probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

● **Illinois Power Co.**
Oct. 3 company plans to file with the SEC a registration statement covering 239,601 shares of common stock for offering to common stockholders at the rate of one new share for each eight owned. Company intends to negotiate with a group headed by The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane to underwrite the offering.

Interstate Power Co. (11/1)
Sept. 27 company filed with SEC an application to sell 300,000 additional common shares (par $3.50). It is expected that the proposed offering will go into registration by Oct. 10 and that competitive bids for it will be taken about Nov. 1. Proceeds from the sale will be used to finance the utility's construction program.

● **Kansas City Southern Ry. (10/13)**
Bids for purchase of $1,200,000 equipment trust certificates series J, dated Nov. 1, 1949 and due semi-annually to Nov. 1, 1964, will be received up to noon, Oct. 13 at company's office, Kansas City. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

Maine Public Service Co.
Oct. 13 stockholders will vote on a proposal to issue 30,000 shares of preferred stock (par $20), which it is planned to sell this year for approximately $600,000, in addition to 25,000 shares of common stock (par $10) which will be sold for approximately $300,000. The common stock will be offered to present stockholders of record about Oct. 17 on a one-for-six basis. Probable underwriters: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co..

● **Missouri Power & Light Co.**
Aug. 9 reported the company will probably sell about $2,000,000 bonds and $2,000,000 preferred stock later this year. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Glore, Forgan & Co.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. (bonds only); Equitable Securities Corp. (bonds only); W. C. Langley & Co.; Harriman Ripley & Co.; Salomon Bros. & Hutzler (preferred only).

New England Electric System
Sept. 26 company advised the SEC that it plans the sale this year of 669 508 additional shares of common stock and the sale in 1951 of $7,365,000 convertible preferred stock and $5,000,000 in debentures. Stock will be offered to present common stockholders on a one-for-ten ratio. Proceeds would be for construction. Probable bidders for common include Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc.

New York, Chicago & St. Louis RR. (10/18)
Company will receive bids up to noon, Oct. 16, for the purchase from it of $3,450,000 equipment trust certificates dated Oct. 15, 1949, due semi-annually April 15 1950-Oct. 15, 1964. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., and Lehman Brothers (jointly).

● **Northern Pacific Ry. (10/14)**
Company will receive bids Oct. 14 for the sale by it of $3,975,000 equipment trust certificates, dated Nov. 1 1949, and due annually Nov. 1, 1950-1964. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co and Lehman Brothers (jointly).

● **Ohio Edison Co.**
Sept. 30 directors are expected to decide within the next few months on the nature of the next financing to be done in connection with the company's 1950 construction program. The management is desirous of selling additional common or preferred stock, if market conditions at the time are favorable.

Pennsylvania Electric Co.
Sept. 15 company has asked SEC authority to issue and sell competitively $11,000,000 first mortgage bonds and 70,000 shares preferred stock. Probable bidders for preferred: Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Smith, Barney & Co.; White, Weld & Co.; W. C. Langley & Co. For bonds: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.; The First Boston Corp.; Equitable Securities Corp.

Western Light & Telephone Co., Inc., Kansas City, Kansas
Sept. 23 Arthur L. Mullergren, President, announced that company contemplates to offer approximately 15 000 shares of common stock, which will first be offered to the present common stockholders, and first mortgage bonds and debentures. Net proceeds will be used to finance construction program through 1950. Traditional underwriters: Harris, Hall & Co. (Inc.) and First Trust Co. of Lincoln, Neb.

News About Banks and Bankers

(Continued from page 16)

Co., Irvington, N. J., it was announced by John R. Franke, bank President according to the "Newark News" of Sept. 27 which added: They will fill vacancies caused by the deaths of Oscar Schraft and Otto Zacher. Mr. Schraft died in July and Mr. Zacher was killed in an automobile accident in Montville, September 10.

* * *

Ralph Richards, a Vice-President and Trust Officer of the **Fidelity Union Trust Company of Newark, N. J.** and a Director of the Thomas Y. Crowell Company, New York book publishers, died on Oct. 2. He was 65 years old.

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Sept. 30,'49	June 30,'49
Total resources	$721,736,297	$709,317,124
Deposits	645,852,065	643,380,386
Cash and due from banks	211,260,756	219,170,792
U. S. Govt. security hold'gs	292,488,427	286,439,928
Loans and bills discounted	137,112,903	132,234,797
Undivid. profits	10,700,988	10,322,310

* * *

R. Stewart Rauch, Jr., Philadelphia lawyer, has been elected to the Board of Managers of the **Girard Trust Co., Philadelphia, Pa.** to replace the late John A. Stevenson, it was reported in the Philadalphia "Evening Bulletin" of Sept. 30.

* * *

CORN EXCHANGE NATIONAL BANK AND TRUST COMPANY, PHILADELPHIA, PA.

	Sept. 30,'49	June 30,'49
Total resources	$284,110,913	$271,654,827
Deposits	259,664,768	247,923,053
Cash and due from banks	60,967,421	67,652,716
U. S. Govt. security hold'gs	118,661,123	111,935,722
Loans and bills discounted	74,682,276	67,197,690
Undivid. profits	2,863,911	2,712,490

* * *

Walter A. Henderson will join the staff of the **Bank of Virginia, Richmond, Va.,** Oct. 1 as local auditor for Newport News and Portsmouth, Rowland A. Radford, Vice-President in charge of operations, has announced.

* * *

The First National Bank, Hottinger, N. D. increased its common capital stock on Sept. 19 from $50,000 to $75,000 by a stock dividend, according to the Sept. 26 bulletin from the office of the Comptroller of the Currency.

* * *

R. Stewart Rauch, Jr., Vice-President of **Philadelphia Saving Fund Society, Philadelphia, Pa.** has been elected to the Board of Managers of Girard Trust Co., succeeding the late John A. Stevenson.

* * *

Winslow E. Pike, General Auditor of the **Federal Reserve Bank of Atlanta** has been elected a Vice-President of the **First National Bank of Atlanta.** Announcement of this was made by the President of the First National, R. Clyde Williams, on Sept. 13. Indicating that Mr. Pike has held his post with the Federal Reserve Bank of Atlanta since 1947, the Atlanta "Constitution" of Sept. 14 stated that he began his business career as a Junior Cost Accountant with the H. & W. B. Drew Co. and joined the Federal Reserve Bank at Jacksonville a few months later. Continuing, the "Constitution" said in part:

"Mr. Pike moved through several positions to Assistant Cashier at the Jacksonville FRB branch, then became Assistant Cashier at the Nashville branch. He came to Atlanta as Acting Auditor in 1943. He was President of the Jacksonville Chapter of the American Institute of Banking in 1941; served two terms as President of the Nashville Conference of the National Association of Bank Auditors and Comptrollers, as a member of the Nashville Chapter, AIB, Board of Governors, and an instructor in its courses on Bank Organization and Operation and Money and Banking."

Mr. Pike is scheduled to take up his new post in the First National on Oct. 1.

* * *

William C. Adamson, Vice-President and Cashier of the **First National Bank of Atlanta, Ga.,** and Secretary of the Atlanta Clearing House Association, died on Sept. 14. He was 52 years of age. Stating that Mr. Adamson entered the employ of the old Atlanta National Bank, predecessor of the First National Bank, Aug. 8, 1914, the Atlanta "Constitution" of Sept. 15 added:

"He was elected Assistant Cashier in January, 1926, Vice-President in 1931 and Vice-President and Cashier in April, 1946.

"He had been Secretary of the Atlanta Clearing House Association since 1932 and was currently representing Georgia banks as a member of the Bank Management Commission of the American Bankers Association."

The Sept. 26 bulletin from the office of the Comptroller of the Currency reported that **The First National Bank in Childress, Texas,** increased on Sept. 21 its common capital stock from $100,000 to $150,000 by a stock dividend.

The Lemesa National Bank, Lamesa, Texas on Sept. 21 increased its common capital stock from $100,000 to $125,000 by a stock dividend and further increased it to $150,000 by the sale of new stock, it is reported in the Sept. 26 bulletin from the office of the Comptroller of the Currency.

* * *

A stock dividend on Sept. 21 increased the common capital stock of the **First National Bank of Rotan, Texas** from $50,000 to $100,000 it was reported in the Sept. 26 bulletin from its office of the Comptroller of the Currency.

* * *

By a stock dividend of $40,000 the common capital stock of the **Nolte National Bank of Sequin, Texas** was increased on Sept. 22 from $60,000 to $100,000, according to the Sept. 26 bulletin from the office of the Comptroller of the Currency.

* * *

An increase of $25,000 on Sept. 19 in the common capital stock of the **First National Bank of Aspermont, Texas** by a stock dividend is reported in the Sept. 26 bulletin from the office of the Comptroller of the Currency. The addition raises the capital from $25,000 to $50,000.

* * *

The common capital stock of

e First National Bank, New exico was increased on Sept. 19 om $150,000 to $300,000 by a ock dividend according to the pt. 26 bulletin from the office the Comptroller of the Cur-ncy.

* * *

On Sept. 21 **The First National nk of Las Cruces, New Mexico,** a stock dividend increased its mmon capital stock on Sept. 21 om $50,000 to $100,000 accord-g to the Sept. 20 issue of the lletin from the office of the mptroller of the Currency.

* * *

The board of directors of **Citi-ns National Trust & Savings nk of Los Angeles** has elected rl E. Baker as a member of the ard, it was announced on pt. 22.

* * *

Victor H. Rossetti, President of **e Farmers & Merchants National nk of Los Angeles,** on Sept. 20 nounced the election of Ernest Bryant, Jr., cattle rancher, as member of the board of direc-rs, succeeding Frank H. Powell, cently deceased, according to e Los Angeles "Times" of Sep-mber 21.

An Associated Press dispatch from San Francisco on Sept. 22 reports the appointment of Louis B. Lundborg, Vice-President of Stanford University, to become Vice-President of the **Bank of America, San Francisco,** on Oct. 1.

* * *

The promotion of Edward L. Johnson to Assistant Secretary of the **California Trust Co. of Los Angeles,** has been announced by Frank L. King, **President.** Mr. Johnson joined the trust company's staff in February, 1946, after serving several years in the Navy as legal officer with the rank of Lieutenant Commander. He formerly practiced law in Cleveland and later was engaged in the finance loan business in Indianapolis, Ind.

* * *

The Sept. 26 bulletin from the office of the Comptroller of the Currency reported that effective Sept. 15 **The First National Bank of Monmouth, Oregon** with a common capital of $50,000 went into voluntary liquidation, having been absorbed as the United States National Bank of Portland, Portland, Oregon.

England Under Devaluation

(Continued from first page)

conducted, following tradition, a London "Pub" a few nights o. Two of these "poll-ees," one ex-convict and the other an ebriated truck-driver, opened e conversation with your visit-g Yank with a bitter tirade ainst their present government. ey mentioned the devaluation the immediate cause of their ipe. This included criticism of e *size* of the sterling cut, but iefly and significantly reflected eir broad realization that some-ing real has gone wrong with eir government. The details of e balance-of-payments problem e, of course, not at all grasped the man-in-the-Pub (as they ay not be even by the Cam-idge economists), but the fact of *ternal* difficulty concretely evi-nced by the forced devaluation ove has sharply awakened him the fact that something very rious has "Gone wrong in Den-ark." This follows their previ-s major "peeve" against their abor Government when it was emed to ask alms from the nited States in the form of Mar-all Aid.

In a way, such reactions to the mprehended international mon-ary happenings operates some-ing like the psychological ele-ents of gold standard operation.

In addition to the public alarm oused by the external factors of valuation, the ethical elements ave antagonized the populace—rticularly in view of the Chan-llor's past recurrent protesta-ons of the "impossibility" of de-aluation. Thus it is that our en-of-the-Pub want Anthony den back to head up a Coalition overnment. Mr. Eden, having splayed his intestinal fortitude resigning from the Chamber-in Cabinet on a matter of deep inciple, apparently portrays in-grity—more so than does Mr. hurchill.

The writer has discussed with veral Conservative members of arliament facing an election test, eir line of campaign midst and ainst Welfare-Statism. To them their need for un-academic in-ctment of the profligate spoils ystem and the pay-more-than-ou-can-afford procedure, the de-aluation has come as a political od-send.

The Effect on Planning

A vital aftermath of devalua-on to weigh is whether it will ad to higher degrees of planning nd controls, to combat the after-ffects assuming that they are un-tisfactory. (Already a black-market merchandise discount has started up.) This course of controls naturally largely depends on the results of the next election. Should the Conservatives gain power, or if a Coalition be formed, present controls would be somewhat relaxed, particularly at home. Should, however, the present Labor Government be returned with anything more than a bare majority, there will be more planning and controls piled on to combat devaluation's after-effects.

This will be so partly because of various inflationary repercussions. As Mr. Bevin freely and cheerfully admitted in a conversation with your correspondent here today: "We can't possibly foresee the results of devaluation. But if things go wrong, of course we will increase the controls." . . . And in his speech before the Commons Sir Stafford Cripps quite frankly said: "It is of the essence of the continuous effectiveness of this drastic action that we should not flinch from the necessary economic restraints which it imposes on us."

Controls will be called for mainly because of various facets of the inflationary repercussions from devaluation. The dire need for linking greater production to devaluation is not merely a platitude, but must be effected—if necessary by strong-arm methods—before the nation goes bankrupt. Also there will be the necessity of dealing with new wage demands. As pointed out by Professor Hawtrey, it will be maintained that without a rise in wages, those producing dollar exports will be securing the excess profits yielded by a market in which the sterling equivalent of a dollar price has risen by 44%. And hence labor will contend that wages should rise by that amount. The governmental lid that may be needed to prevent that, is foreshadowed by the present French crisis. Alternatively, for placation of the unions a broad institution of price controls may be required.

And who will predict that Sir Stafford's intention to withhold a bread-price subsidy will hold? In the absence of price controls to counteract the effects of rising raw material import prices, subsidies to importers may possible be used.

It must be realized that the Labor ranks are badly split, between the T. U. C. upper-echelon and the rank-and-file who regard the former as in cahoots with the government. It is the rank-and-file that will have to be pleased, and with something as drastic as price control rather than a mere sop like Sir Stafford's 5% rise in the distributed profits tax.

Export-Import Controls

Another quite possible field for greater controls lies in the export field, to divert exports from the "unrequited" and other soft-currency countries to the dollar are—by some kind of subsidies or definite compulsion, possibly by a re-institution of stringent export licensing. Otherwise, voluntary diversion of increased production to effective exports will be very difficult—partly because of the income-tax factor which nullifies the net effect of greater gross profits when they are available. Now in France there is agitation for forcefully diverting labor into export industries. In England only 2 to 2½ million of the labor force is directly engaged in production for export.

In any event, more not less export controls and compulsions are in the offing. Even Mr. Churchill, when asked in last week's debate, "What are the safeguards for a free pound?" replied, "Control of sending large sums abroad. All this was applied in 1931." In the present instance we see that in the face of the most watertight, complex, and efficient exchange controls in history, an inflexible exchange rate has not held.

This of course is not to suggest that Schachtian export-control techniques will be at all successful. Germany could apply its watertight controls in a very narrow sphere, whereas the area of sterling restrictions is spread all over the world.

In the field of imports, restrictive practices are also growing. Even the much-heralded relaxation of import controls announced last week by Minister of Trade Harold Wilson really comprised discriminatory action against the hard-currency countries. The newest Argentine currency devaluations are merely the counterpart and continuation of what Britain has initiated.

Also, if all does not go too well, there will have to be a real reduction in capital investment, by private interests and public bodies alike—which constitutes another requirement for more government controls.

As a keynote to the potentialities for planning and controls it should be noted that, similar to the United States, a great part of the power therefor exists through general enabling acts passed by Parliament, with the administrative provisions broadly delegated. Hence it is not too difficult to sidetrack the legislative body.

* * *

Hence it must be concluded that devaluations may prove to be one more major step in this country's road to ever-greater planning, if not to actual collectivism!

Our Reporter's Report

The current dearth of new business is starting to get under the skins of those bankers and dealers who normally find enough to do to keep them busy by way of assisting industry with its task of securing new working capital or refinancing existing debts.

Momentarily these interests are irked, to put it mildly, by the wave of ultra-selectivity which appears to have gripped the general investment market. That buyers are firmly back in the "driver's seat" was indicated by the experience of those who took on this week's offering of $18,000,000 of Gas Service Co.'s 20-year first mortgage bonds.

Six groups bid in competition for this issue, the first sizable undertaking to come to market in several weeks. And the winning group paid the company a price of 100.099 for a 2⅞% coupon which was only four cents per $1,-000 below the tender of the runners' up.

Inquiry, prior to the bidding, is said to have indicated that potential buyers would be interested in the bonds on a yield basis of 2.85 to 2.89%. On the basis of the price paid to the company the reoffering price was set at 100¾ to yield 2.825%.

Well the prospective buyers were not especially interested at that level so dealers in the winning group now figure they have something on their hands which will at least keep the next few days from proving too dull.

Looking at Private Deals

Institutional buyers with money available for investment are plainly in no great haste to get on with their task at the moment.

They are reported to be doing plenty of "looking but very little buying" at the moment. Moreover, if current discussion is well-based, some of these people are showing a revival of interest in private deals.

As the story goes there are several of the latter approaching the stage where the news should break in a short time. Meanwhile the details are being very closely guarded.

Big "Standby" Ready

Bankers were busy this week putting the finishing touches to their plans for bidding on American Gas & Electric Co.'s proposal to underwrite its offering of 498,-081 shares of additional common stock to its junior holders.

Proposals were slated to be opened just before noon today, the company having announced earlier in the week that the price at which the shares would be offered had been fixed at 44¾.

Stockholders of record at the close on Oct. 7 will be eligible to subscribe at that price in the ratio of one new share for each nine held, plus additional stock subject to allotment.

No Immediate Change

From a look at the new prospects calendar it appears that at least another week must pass before things really begin to pick up in the new issue field.

There are a few small offerings due up in the week ahead including $3,000,000 bonds of Utah Power & Light Co., on Monday; $8,-700,000 of Arkansas Power & Light bonds and equipment certificates issues for several roads on Tuesday, Thursday and Friday.

The following week will bring out three large new issues, topped by $40,000,000 bonds for Indianapolis Power & Light, at competitive bidding, and $25,000,000 of new preferred stock of Public Service Electric & Gas Co. by negotiated deal on Oct. 19.

Gas Service Co. Bonds Placed on Market

Blyth & Co., and Kidder, Peabody & Co. are joint managers of an investment banking group which is offering publicly today (Oct. 5) a new issue of $18,000,000 2⅞% first mortgage bonds of The Gas Service Co., a public utility subsidiary of Cities Service Co., distributing natural gas in Kansas City and surrounding area having an estimated population of 1,500,000. The securities are priced at 100.75 and accrued interest, yielding 2.825% to the maturity date of Sept. 1, 1969.

General redemption prices on the new bonds range from 103.75% if redeemed on or prior to Aug. 31, 1950, to par after Aug. 31, 1968. Sinking fund redemption prices are scaled from 101.10 on Sept. 1, 1950, to par on Sept. 1, 1968.

The company will use the proceeds from the sale to prepay outstanding notes aggregating approximately $15,000,000 and the balance to reimburse its treasury for previous construction expenditures and to provide for further additions and improvements to its properties.

Capitalization of the company to be outstanding at the conclusion of the financing consists of the $18,000,000 of 2⅞% first mortgage bonds and 850,000 shares of common stock.

The company is engaged in the distribution and sale of natural gas in an area embracing portions of the States of Missouri, Kansas, Oklahoma and Nebraska. On June 30, 1949, the company had 361,083 customers, most of whom were residential and commercial.

Gross operating revenues for the 12 months ended June 30, 1949, totaled $28,198.259 and net income amounted to $3,074,946.

With Stephenson, Leydecker

(Special to The Financial Chronicle)

OAKLAND, CALIF.—Arthur V. Holmlund is with Stephenson, Leydecker & Co., 1404 Franklin Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Treasury Secretary Snyder has been trying to ease Britain's relations with the U. S. Congress by preparing the path in advance, as it were, for the British to announce some more trade deals of a bilateral character which discriminate against American merchandise in seeming violation of the non-discrimination clause of the British loan agreement of 1946, Capitol Hill sources report.

Mr. Snyder appeared a few days ago before the House Banking committee in closed session. He is said to have had similar closed meetings with the foreign affairs committees of the two Houses.

Following the meeting with the House Banking committee the chairman of that committee, Rep. Brent Spence of Kentucky, explained that as a "gesture of good will," the Secretary appeared to report the progress of foreign loans. It was claimed to be a good will gesture because after the British loan agreement was worked out the Banking committee lost to the House Foreign Affairs committee the jurisdiction over foreign loans.

Actually, it was explained, what Mr. Snyder did was to ask the members of the committee to be tolerant "for a temporary period" of any further seeming breaches by the British of the non-discrimination section of the loan agreement.

Members of the committee got the impression that Mr. Snyder definitely expected the British in the near future to make some further breaches of the non-discrimination section. However, the Secretary reportedly did not disclose with what countries Britain might announce such bilateral agreements or what U. S. export commodities might be affected most adversely.

Despite these forthcoming breaches of the non-discrimination section, however, the U. S. after a short period will learn that Britain has not abandoned multilateralism, but is returning to that course in a program of which the forthcoming deals are a temporary departure, the Secretary is reported to have indicated.

* * *

Conservatives in Congress will welcome the President's recommendations that tax incentives be provided for private investments in foreign countries—but as an argument for tax incentives upon domestic investments.

Senator Walter F. George of Georgia already has taken the lead in calling for such variety of tax revision as will spur business to invest so as to maintain the American economy on the high level of the postwar era or better. Should the Administration next January come through with proposals for general tax legislation carrying the characteristic pitch against either business or businessmen, it is presumed that the Georgia senator will fight this approach and work to get his alternative of business incentive taxes enacted.

If the President admits that it is desirable to ease somewhat the impact of taxation upon foreign investments, it will be argued that it is equally valid to lessen the burden of taxes upon domestic investment, where such a much greater stake is involved.

It is still unknown here, however, whether the President will propose any tax legislation, or of what character. Conservatives generally feel that the logic of a deficit of $5 billion for this year and probably more for next year, demands a plea for budget-balancing tax increases.

On the other hand, it is noted that in its mid-year Economic Report, the White House showed that it was wary of taxes which might depress the level of business activity.

* * *

Whether Congress does or does not get away in another couple of weeks as some of the leaders have been talking with a "hope springs eternal" attitude, one thing is said to stand out sharply. This is that Harry Truman, even though he has kept an unwilling Congress here long beyond the fatigue point, has nevertheless succeeded in getting substantial elements of his legislative program either enacted or pushed farther on the road toward enactment, directly as a result of his insistence upon prolonging the session.

Some of the most experienced politicians in Congress, politicians incidentally more experienced than Mr. Truman, were a few months ago saying that with respect to a number of things the President wanted, he would get little or nowhere with Congress in '49.

Thus, it was expected widely that wage - hour legislation would smash on the rocks of a row over the scope of its coverage, and be held up, yet both Houses have passed a bill. Opponents of reciprocal trade extension were more confident of tying at least an ideological can on to the Act's extension than they admitted at the time of publication, but they failed. The foreign arms aid so-called "cut" failed after the announcement Russia had produced an atomic explosion, but it was on the way to defeat before that report.

Neither Banking committee was enthusiastic about the investment guaranty under Point IV, but on the intervention of the White House, the Senate committee reported it unanimously, and it may be approved by the House committee. A while back House leaders were saying they would be doggoned if they would let the House this year pass its version of social security expansion, but they backed down.

It looks as though Mr. Truman, in keeping the boys long after school, has developed something new in American political management. The members resent being kept around so long, and are sullen and harried, except those who have lit off on foreign junkets. Yet the Congressmen are apathetic. In a kind of weary and bored way they are letting slip through some of the things Mr. Truman wants.

* * *

Despite his warm endorsement of the Securities and Exchange Commission's bill to subject to SEC regulation, under the SEC act's sections 12, 13, 14, and 16, all corporations with $3,000,000 or more of assets, etc., Senator J. Allen Frear of Delaware promises that the hearings on this proposition next year will be wide open, with time for everybody to propose modifications.

Senator Frear is Chairman of the SEC subcommittee of the Senate Banking committee, before which this legislation will be heard. He has not been advertised by SEC of legislation which that agency is reportedly considering for simplifying prospectuses, and some of its restrictions upon the advertising of securities issues.

* * *

Those public housing "program reservations" flowing in at a rapid rate, are taken here with a dash of salt. So far the Public Housing Administration has allotted tentatively around 200,000 of the 810,000 units of the six-year program to some 90 municipalities.

This would lead to the conclusion that the program is traveling at a great rate and that in nothing flat the bricks and mortar might start falling into place.

Actually, what PHA is doing is saying that the largesse is here to be optioned, and suggesting that everybody come and get it. Cities were asked to state how many of these housing units they could handle in a two-year program, and to ask in effect for an option on that number of units.

Since these public housing units are in fact, although not in form, at least 90% gifts from the Federal government, it was not surprising that there was enthusiasm among the cities when the housing angel blew his trumpet.

It will be a different story on volume when the time comes for proving up with cleared sites, architectural drawings, and the hundred and one technical details that must clear to the satisfaction of the Public Housing angels. Many of the city's programs will be cut back.

That is not to say that the program will be slow after it has been operating for a year or so and the grooves between cities and PHA have been well worn and defined. It is only a question of a year or so before there will be a clamor for boosting the program beyond the original 810,000 units.

This fiscal year, however, "starts" of public housing units are placed still at not more than 50,000 units and many projects will be classified as started at the stage when architectural plans and a construction contract have been approved.

Consequently there will be little if any call upon the investment trade to sell public housing authority bonds on new projects under the new act, before next June 30.

On the other hand, PHA expects before the year is out to push out an issue of public housing authority bonds. The total of the issue is said most tentatively, to be around $100 million. Its purpose will not be to finance new public housing projects. Instead the Government will go to the market to get long-term financing to replace temporary financing on old public housing projects, or those put up under the old 1937 act.

However, the issue in question will bear the same terms as would a new project under the new act, with a top coupon rate not to exceed the then long-term Government rate, or 2½%, but probably yielding much less because of its tax exemption.

(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

"Cut it down just a trifle, Pettingill—instead of taking buyers to the Stork Club, make it Nedick's—in place of a Broadway play, make it the Bronx Zoo—instead of the ballet, make it Coney Island!"

Ross F. Collins to Open in Annapolis

ANNAPOLIS, MD. — Ross F. Collins will open offices at Cedarundel to engage in the securities business. In the past he was President of Collins, McDonald & Co. of Kansas City, Mo., and prior thereto was with Taussig, Day & Co., Inc.

Frank J. Denison With Peters, Writer Firm

DENVER, COLO. — Frank J. Denison has become associated with Peters, Writer & Christensen, Inc., U. S. National Bank Building, members of the Chicago Stock Exchange. Mr. Denison for many years was with Calvin Bullock.

With J. C. Bradford

J. C. Bradford & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announce that Kenneth H. Wood has become associated with the firm as a registered representative.

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(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, COLO. —Claude R. Blue is with Waddell & Reed, Inc., 1012 Baltimore Ave., Kansas City, Mo.