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ITO Charter Fosters Economic Nationalism

By PHILIP CORTNEY*
President, Coty, Inc.

Asserting Charter of the International Trade Organization, as drafted in Havana, encourages nationalistic economic planning, Mr. Cortney contends it would perpetuate import quotas and permit discrimination. Says nation should be free to adopt domestic policies only so long as it does not hurt other countries.

Some able commentators on the Roman Empire trace to stupidity one of the main causes of its downfall. I venture to predict that future historians, casting their eyes on our era, will call it an "era of expedients." Should we lose our liberties, as we are in great danger of doing, they will attribute it to a mixture of demagoguery in politics, ignorance and stupidity. It may also well be that our politicians are over-burdened with work and have responsibilities for which they are not pre-

Philip Cortney

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*An address by Mr. Cortney at the Boston Conference of Distribution, Boston, Mass., Oct. 11, 1949.

Sentiment and Fact In Business Picture

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

Warning sentiment should be distinguished from basic economic factors in analyzing business picture, bank economist hints current business optimism may have gone too far. Says major threat on horizon is possibility capital expenditures by business concerns will be drastically reduced, but expresses view our economic machine will, in long run, continue to grow. Advocates campaign to "enshrine and worship competition."

At the outset, I want to make it clear that I believe a business economist should be considered as a diagnostician rather than a soothsayer. I have no faith in magic formulas to tell the future. What is more, I have no faith that there will ever be a science of forecasting to provide all the answers that people would like. But let us assume for a moment that a perfect system of forecasting was suddenly born and generally accepted. What would happen? It seems to me that the forecast for next year would then be taken as the gospel truth. Everyone would react immediately to this perfect information. The result would be that next year's forecast would come true almost at once—and sadly enough the forecasting system would have to be discarded because next year's forecast was no longer good for next year.

Wesley Lindow

In studying business develop-

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*An address by Mr. Lindow before the Annual Meeting of the Association of National Advertisers, New York City, Oct. 10, 1949.

Business Leadership Can Save Free Enterprise

By K. T. KELLER*
President, Chrysler Corporation

Though admitting nation is on dangerous path of controlled economy, automobile executive asserts key essentials of freedom still remain in hands of businessmen and all that is needed to curb trend is proper leadership. Deplores segregating population according to economic interest, and disparages formation of a "business bloc." Says private enterprise must work harder and give greater value, but there is no magic in management that can eliminate risk.

Some among us believe that business in America is entering the critical stages of a siege. They believe that under the continued impact of unfriendly forces, the ability of business to function well has been restricted to a point beyond which it will be permanently impaired. There are even more pessimistic voices. They contend that we have passed, without chance of return, out of a free enterprise economy; that we are functioning now in a state-controlled economy. I, for one, am not willing to accept defeat. In this issue the ultimate welfare of all the people is too deeply involved.

K. T. Keller

It does seem at times that the imposed limitations and economic controls are coming too fast for

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*An address by Mr. Keller before the Illinois State Chamber of Commerce, Chicago, Ill., Oct. 7, 1949.

As We See It

Some Fundamentals Now All Too Frequently Overlooked

In these days of currency devaluations, five-year plans, subsidies, and numberless other devices designed, so the "modern" planners assert, to increase the welfare of the rank and file of the people of many nations of the world, there is great and urgent need of reconsidering and restudying some of the basic principles governing economic welfare. The youth of many lands are being brought up with the notion, or at all events in serious danger of acquiring the notion, that artificial programs can in some way be employed as workable substitutes for the forces which control man's economic welfare.

What at bottom is it that permits men to have the good things of life? Let us, for the moment, leave out of consideration matters of public policy or trick programs, and turn attention to those factors which in any set of circumstances must really determine the level of economic welfare of any nation, or for that matter, of all nations.

An Expert Witness

In search for fundamentals, one could do much worse than to begin with the generalizations of that old master

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Television—A Challenge to Investment Thinking

By PAUL A. JUST*
Executive Vice-President, Television Shares Management Company

Mr. Just presents a history of television and its rapid growth. Cites recent rapid rise in television stations and increase along with improvement in television receivers. Says this boom has produced noteworthy ramifications throughout the economy, particularly in advertising and entertainment. Sees in television force in stimulating consumer demands.

For several reasons Boston is certainly a fitting place to discuss a growth industry, such as television and electronics. Boston capital, of course, has played a prominent role in financing new industries, important growth situations, throughout America's financial history, and here in television, is one of the unparalleled growth potentials of all time. Too, Boston is the home of the open-end investment trust and in television and electronics we are using this investment medium for the first time at the start of a growth industry.

Paul A. Just

This is also a most appropriate time to talk about television, because this week the Federal Communications Commission has started in Washington a most significant hearing. The FCC has just started its hearings on the allocation of new channels and a new frequency range for television, together with the question of color. The new channels will open the door for even more striking expansion in telecasting than we already have seen, while color will obviously be an important forward step in television, possibly more important to television than the color pictures were to the motion picture industry.

Before trying to present a picture of television and its growth to date, let me note that it is difficult to get a balance sheet view of the television industry. A whole new industry has grown up, become of age, since the war, and that's a very short period as far as economic history is concerned. As recently as a year ago some of the statements about the imminent growth and development of television sounded pretty fantastic, like the science fiction writers were dreaming up something for the Sunday supplement pages. Today, some of these apparent "visions" and "views of the future" are not only a reality but have been surpassed. Television has been a rapid movement from the research laboratory into a full-blown, practical mechanism on a commercial basis.

Then, too, there are so many facets of television, so many ramifications that keeping track of all the developments and directions of growth has been difficult for researchers and statisticians. In talking about television a year ago we were careful to use the most conservative estimates. Today we find the most optimistic predictions have been exceeded. There have been sceptics, and there are sceptics today. Most of them have been confounded by the rush of developments and I don't believe even the most die-hard sceptics on television have ventured an opinion comparable to the one attributed to the great Thomas Edison that "I don't think talking pictures will ever be successful in the United States."

In discussing television and electronics with you I am going to avoid predictions, and try to give you a picture of where television is today and point out some of the directions in which it is moving.

Part of television's rapid progress has been possible through borrowing from experience and building on knowledge in related fields. Wartime research in electronics, of which radar is a prime example, helped television to make a quick emergence from the laboratory to the commercial state. We didn't hear anything about commercial television during the war, but behind locked doors a great deal of research was going on and a part of this research later acted as a catalyst to speed television's development.

The radio broadcasting, motion picture and advertising industries had accumulated a wealth of experience on which television could draw. Creative talent was there, commercial relationships were established and there was a body of knowledge about the entertainment business. Some of this knowledge has had to be revised and is being revised today as the full potential and scope of television are explored. The broadcasting end of television is straining for new formats of presentation which will make television more and more exciting as an entertainment medium. The radio field, also, has given invaluable financial life blood to this new business. The newspapers, it is worth noting, also have given financial backing to television, newspaper publishers being among the important station owners today. The newspapers, significantly, have not attempted to fight television as they did radio.

The government, too, has given a measure of strength to television's growth. The Federal Communications Commission has been a steadying hand not letting the television set burst forth on the public prematurely and providing an orderly arrangement for distributing station channels.

What It Is Today

To get a picture of television today let's first look at stations and markets. Today we have 82 stations in operation on a commercial basis. These stations provide television broadcasting for 48 market areas, representing about 46% of the population. There are today 32 construction permits issued for new stations and 348 applications for new stations on file with the FCC. To get a perspective on what 82 stations means in growth you have to realize only that television started on a commercial basis since the end of the war. There have been some stations on the air experimentally since as far back as 1939, but as recently as the start of 1947 there were only eight stations on a commercial basis. These stations covered six market areas. At the start of 1948 there were 19 stations in 11 markets. At the end of this year, the Department of Commerce estimates, there will be 92 stations, in 55 market areas serving a population of some 62,850,000. It is difficult to find adequate adjectives to describe this kind of growth in such a short period!

One of the wonders of television is the degree of interconnection between these 82 stations. Through network channels of television, the presidential inauguration this year was seen by more people than any other inauguration in our history. Students in some of our Chicago high schools saw the President inaugurated and one principal declared "this has sold me on television for schools."

At June 30 we had 17 cities inter-connected by facilities of the A.T.&T. System. A year earlier only six were inter-connected. This mid-year we had available for customer use 5,310 channel miles of co-axial cable against 1,070 a year earlier. In addition, there were 1,280 channel miles of relay facilities against only 440 a year earlier.

What does all this mushrooming growth in stations mean to the economy? This spring the FCC estimated that the total actual and contemplated investment at that time in station facilities was $96 million. The capital investment in stations is accumulating at a rapid rate. The minimum capital investment for a new station in a metropolitan area is estimated at $400,000. This spreads out to a considerable volume of equipment and material. The minimum operating cost for the first year is estimated at another $400,000, which also spreads out to an important volume of purchases and payrolls, exclusive of the uncounted millions spent by the broadcasting companies and by American Telephone and Telegraph Company.

The rise in number of stations and markets sets in action various patterns within the industry. Each new market area opened up obviously opens up a new market for sets. The addition of new stations to an existing market also spurs the demand for sets. The competitive factor of several programs being available instead of just one stimulates public interest in television. As the audience increases the programs have more value for advertising purposes, there are more listeners per station. The stations are able to charge more for their time. This pattern is already developing, with station rates showing a marked rise this spring.

At the present time there is a definite limit on how far this station and market expansion can go. The FCC has frozen the issuing of new station permits, pending decision as to channels and frequencies in the hearings started this week. At present we are using on television 12 channels on the very high frequency, or VHF band. This plan or system permits a maximum of 400 stations in 140 areas. The basic FCC plan for expanding the potential number of stations to allow TV to reach virtually every part of the country, is to add the ultra high frequency band. Forty-two additional channels will be added under the FCC's proposal. This means 2,245 potential stations in 1,432 areas. In other words, the FCC plan now under consideration, or some variation of it, will usher in a second expansion phase in which stations can be built in smaller cities, widening out in every part of the country the television service.

Growth in Television Sets

All this tremendous growth in stations doesn't mean much if we don't have sets to receive the programs on the air. The growth of stations and sets goes somewhat hand-in-hand, each pulling the other along.

The growth in sets has been every bit as impressive as that in stations. No industry has compiled a growth record like it. Let's look at the record, as compiled by the Radio Manufacturers' Association starting back in 1946. In that *year*, the industry produced 6,476 sets. In the month of March, 1947, the industry turned out 6,639 sets. The boom in television was really under way! The year

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*An address by Mr. Just before the Boston Investment Club, Boston, Mass., Sept. 28, 1948.

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What to Expect From Currency Devaluation

By A. M. STRONG*

Vice-President, American National Bank & Trust Co., Chicago, Ill.

Chicago banker, after describing conditions leading to currency devaluations, sees move a device to stimulate exports to U. S. Furnishes data on extent of devaluations and looks for increased imports unless prices in U. S. advance and some decline in exports. Sees world trade still hampered by maze of restrictions and controls.

Devaluation of monies is not a new invention. It has been tried before by many countries during postwar periods and depressions. Outstanding are the devaluation of the French franc 160 years ago in 1790 by the issuance of assignats, the "greenback episode" in our own country in the 1860's, and the voluntary and involuntary depreciation of European currencies after the first World War.

A. M. Strong

Originally paper money was a promise by a government to pay the holder of the bill in gold, and prior to the first World War, notes could be exchanged for gold. Today, few countries have sufficient gold reserves to cover their notes and the privilege of exchanging paper money into gold has been universally withdrawn. Even in the United States, the holder of dollar bills cannot exchange them into gold coins, notwithstanding the $24½ billion in gold buried at Fort Knox and elsewhere.

International monetary values are now artificially maintained. The rates of monies are established by government decree and controlled by an elaborate system of laws and regulations. These laws, which are prevalent in almost every country of the world, regulate the acquisition and sale of gold, the transfer of money, payment for imports and exports, trading in securities, etc.

After the first World War even before European currencies were stabilized there was only one rate for each currency and the various monies could be freely bought and sold in the exchange markets. Since the second World War, most currencies have several rates: the official rate fixed by governments for the settlement of commercial transactions, other "official" rates fixed by governments for tourists, benevolent remittances and unofficial rates quoted on free, black or grey markets. Some of these unofficial rates are entirely legal, others are more or less officially tolerated and some are illegal. The unofficial rates are classified as compensation rates, security rates, switch rates, transferable rates, olive oil rates, luxury rates, etc. The multiple rates for foreign monies created uncertainty and confusion in international trade. Enterprising merchants bought their goods cheaper by using some special kind of exchange transferable sterling, luxury francs, wine pesetas, etc.

Conditions Leading to Devaluation

I will review the events that led to the monetary devaluations of last month. Between 1939 and 1945, most countries concentrated their industrial activities in producing implements of war. They manufactured ships, planes, tanks, cannons, uniforms and a variety of other goods that were eventually destroyed or became obsolete. They depleted their national resources. Most of the production facilities of Europe were destroyed during the war. The remaining industries which had been converted into wartime use could not manufacture the goods needed in peacetime.

Europe needed assistance and our government made large financial contributions to the rehabilitation of affected countries. Never in the history of mankind has a nation rendered assistance to other nations on such a scale and in such a generous way. I need not review all our contributions. It is sufficient to mention the UNRRA, the International Monetary Fund, the International Bank for Reconstruction and Development, our loans and gifts to Great Britain, Turkey, Greece, China and other countries, and lastly, the Marshall Plan—a program involving $17 billion in aid to 16 European nations. The program contemplates that with our aid these nations will gradually increase their production, balance their imports with exports, and by 1952, become self-sufficient. So far, there is no marked improvement in the balance of trade between the Marshall Plan nations and the United States.

In 1949, the 16 European nations receiving our aid will import from us approximately $4.6 billion but will sell to us only $0.9 billion, and their deficit will amount to about $3.7 billion. Between 1929 and 1938, these countries supplied us with about 25% of all our imports, but between 1947 and 1949, they supplied us with only 12%.

Sales to us by the leading European countries for the first half of 1949 compare as follows with their prewar sales:

	%
Germany	25.2
Sweden	24
France	34.5
Netherlands	45
United Kingdom	48.8
Italy	58.6

With the end of the European Aid Program in sight, England

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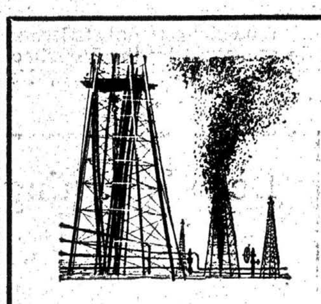
*Address by Mr. Strong before the Association of Interstate Commerce Commission Practitioners, Chicago, Oct. 7, 1949.



Selling Organization and Administration

By KELSO SUTTON*
Consultant in Salesmanship

Pointing out large part of selling is "being in the right place at the right time," Mr. Sutton advises salesmen to plan in advance whom to see and where to go. Urges salesmen keep customer and prospect cards up to date and consult them frequently. Describes system of scheduling work and advises "making yourself known by spreading yourself." Outlines methods of obtaining and preparing for interviews. Stresses principle, "buyer rules interview."

I am going to talk today, first, about the planning of a salesman's work, then the administration of his own work, and lastly the organization of the selling job.

A large part of selling is in being at the right place at the right time. Now, that is a very simple statement to make, but it is a very true statement. If you happen to be in a person's office just at the time when he wants to buy some securities, then you are very fortunate and you will probably pick up an order very easily.

Kelso Sutton

If you can somehow foretell where you should be at a certain time to hit that kind of a circumstance; if, somehow, you know where you could go on a certain day and, just by being Johnny-on-the-spot, probably pick up an order, you have thus made selling a little bit easier for yourself.

We are going to talk a little bit about how to get to the right place at the right time today. I think that perhaps the best way for any investment salesman to plan his work is to start in with how much business he would like to do a year and set up an objective for himself.

I don't know how much business you gentlemen write in a year, or how much you would like to write, but if you will permit me to take a certain estimated annual quota, I would like to take a business volume of $2,400,000 that would be written during the course of a year.

The first thing to do is to divide that by 12. Let me take my figure here, $2,400,000, and divide that by 12, for the number of months in a year, and we find that you have to sell $200,000 worth of securities a month. Divide that by four and it will show you that every week you have to do about $50,000; and when you divide that by five days per week it shows that every day you have to go out and secure about $10,000 worth of business.

This is being realistic. If you can break down the quota that you set for yourself, the annual quota, break that down to a daily basis; it will give you an idea of how much business you have to go after every day you start out to sell.

Now, if you don't do that, you are working blind. You don't really know what you are out for every day; you are just hoping to Heaven that somewhere you are going to run into a good order; but I am not talking about blind administration of your work—I am talking about the planned administration of the work—and a good way to go about that is to have a definite objective, not only on an annual basis, but for every day. Then you can measure your daily and your weekly and your annual dollar production against your quota to see how you're doing.

That will also give you an incentive, through the year, to work for, and that is the first thing that I recommend you do. My figures, of course, are just selected at random. Make your figures sensible, something you would really like to hit and that you have an opportunity of hitting.

Determine Where to Get Business

Then, the next thing for you to do is to determine, from a long-term point of view, where you are going to get that business, first by breaking it down into the dollar volume to be realized from your present accounts. Let's say that in that business you are going to get $1,500,000 from your present accounts. That is going to leave you $900,000 in new business that you've got to go out and try to get during the year.

This is an approach which will give you, again, a slant on where you can expect to get this amount of business from your territory. Now, you have a million and a half dollars to get from your accounts. You have to break that amount down in a very realistic way among the accounts that you have.

You have the customer's cards—we'll talk about them in a minute—on every account that you are servicing at the present time. You can forecast ahead for a year about how much business you can expect to get from a certain account, so you will forecast on every card that you have, for every account, how much business you expect to get from them during the course of the coming year.

You then subtract that business from your estimated total and you have this $900,000 of new business left to be secured. You have your prospect cards. You put a quota down on every one of your prospect cards of how much business you think you will get from them. What you do—you reduce your annual quota, divide it into new business and old business, down into actual accounts, as far as you can, then whatever you have left over on this is the "new business" figure, and that is open for you to go out and sell to people that you have not even solicited as yet.

Unless you do some kind of over-all planning like this I do not really see how you can expect to arrive at very much efficiency in realizing what you want to make during the course of a year, because if you just go around hit-or-miss you are more liable to miss that hit.

In order to keep up to date on the realization of your quota and in order for you to do some kind of intelligent planning in your territories you must have some system set up that you can work with.

Prospect Cards

Actually, what does a salesman work with? Sometimes it is hard to answer that question. A man working with material things has certain tools to use, and certain raw materials. But, actually, what does a salesman work with, especially an investment salesman? What have you got on your desk?

Well, I'm going to make a recommendation that there are two things that you should set up to work with. One is a system of prospect cards and the other, a system of customer cards. I also recommend that this system be as simple as possible.

You may say, "Well, I'm not a clerk, I can't work that kind of a system." No, you're not a clerk, but at the same time you can't carry all that information in your head because if you are trying to remember a lot of detailed facts about your accounts and your business volume, then your mental capacities are so taken up with that that they are not free to concentrate on your sales job and the actual selling, so even if there is a certain amount of work involved in keeping prospect cards and customer cards, if you can reduce it to some kind of a fairly automatic physical operation it will relieve your mind of a lot of thinking and concern.

Let me discuss the customer cards first and what you might put down on your customer cards. In the first place, you will have a cumulative record of sales on an annual basis for every customer, comparable with the previous year; you should have last year's figures for every month, also, so that you will know whether you are selling this account more this

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*Stenographic report of lecture given by Mr. Sutton, fourth in a series on Investment Salesmanship sponsored by the Investment Association of New York, New York City, Oct. 6, 1949.

British Devaluation and Its Effects

By AUGUST MAFFRY*
Vice-President, Irving Trust Company, New York City

Asserting British devaluation was forced by events, New York banker and monetary expert sees in it rise in prices and costs in United Kingdom and other countries that have devalued. Looks for no flood of foreign imports into U. S. and no serious decline in U. S. exports. Concludes by no stretch of imagination will devaluation solve dollar problem in U. K., but predicts greater competition to U. S. exporters of British goods in soft currency areas.

You recall that the devaluation of the pound sterling was announced on the night of Sept. 18, and became known to most of us on the morning of Sept. 19. I spent the whole of the preceding week in Washington at the meetings of the International Monetary Fund and the International Bank for Reconstruction and Development, which were holding the annual meetings of their Board of Governors at that time.

August Maffry

Gathered there in Washington that week were practically all the finance ministers of the world, and practically all the heads of central banks. The issue of devaluation was very much talked about, and I kept my ear very close to the ground.

I came away Friday afternoon before the devaluation of sterling was announced on Sunday evening thoroughly convinced a decision had been postponed for the time being.

Now, to get to my subject, I should like to depart from that point and state my belief that the British Government would have postponed the decision if it had been able to do so. I think it would have avoided the decision if it had been possible for it to do so. Its hands were forced, resulting in the devaluation of sterling, and the hands of many other countries were forced likewise, and now some 25 currencies are devalued.

The British were forced because they were facing a steady drain of reserves, loss of gold and dollars from the reserves of the United Kingdom as the banker for the whole of the sterling area.

To give you some conception of the magnitude of this drain, I might remind you that during the second quarter of 1949 the British Treasury lost 65 million pounds sterling in gold and dollars. During the third quarter of 1949, up to the time of devaluation, they lost an additional 75 million pounds sterling. For these purposes, multiply by four and you get the equivalent in dollars.

At the time of devaluation, the British Treasury had left practically 350 million pounds sterling, no more, in its treasury, and I would say again it represents the reserves not only of the United Kingdom but of the whole of the sterling area.

If these losses had been continued for a period as short as 18 months, the British Treasury would have been literally bankrupt—that is in terms of dollars—and the whole of the sterling area would have been literally bankrupt in terms of dollars.

And so the drain of gold and dollars from the British Treasury had to be stopped. And the means of stopping it was devaluation. And so the British came to a very reluctant decision, to reduce the value of the pound in terms of dollars.

This drain on the reserves of the United Kingdom and of the sterling area was the result, as you all know, of a general loss of confidence in the pound sterling.

Devaluation Inevitable

Most of the world and, indeed, many Britishers as well had come to the conclusion that the devaluation of the pound was inevitable and imminent. As soon as the world came to that conclusion, the eventual devaluation of the pound became quite inevitable, and it was only a question of when and how much. And those questions have now been answered for us.

The British Government was also under another type of pressure, which I think should be at least mentioned here, although I do not propose to develop the point. The United States Government, the principal source of financial aid for the United Kingdom, and through the United Kingdom for the whole of the sterling area, was convinced that sterling should be devalued. And our Secretary of the Treasury, as you know, made his position clear on several occasions, not mentioning sterling or the United Kingdom specifically, but stating his conviction that foreign currencies were overvalued, that they would have to be devalued in the interests of maintaining and increasing world trade.

He stated this position one time last fall before a Congressional Committee, and he repeated it several times in the early part of 1949.

The International Monetary Fund, which is the international authority in these matters, was also convinced that the devaluation of many foreign currencies was overdue and would have to come about, and the sooner the better.

This was made clear in the Annual Report of the Monetary Fund issued in September, as it happened, after the decision to devalue had been taken by the British Government.

The President of the International Bank also stated his position in the early part of September in a forthright speech, in which he said that devaluation was a necessary measure towards economic recovery and monetary reconstruction.

In the face of these two pressures, the strictly financial pressure on the pound sterling and this political pressure from the principal bankers for the United Kingdom and the sterling area, the British really had no choice. So if any of you harbor the illusion that this was a deeply-laid plot on the part of the British or other countries, you might as well give it up. It is simply untrue. The devaluation was forced by events.

Consequences of Devaluation

Regarding the consequences of devaluation, so far as we can now see them, I shall speak first about the consequences for the countries which have devalued their currencies, and then about the consequences for the United States and the United States foreign trade, which is what you are primarily interested in. However,

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*Stenographic report of an address by Mr. Maffry before the Export Advertising Association, New York City, Oct. 6, 1949.

The State of Trade and Industry

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

As work stoppages became more widespread the past week, a moderate falling off in total industrial production followed. It was readily apparent that some layoffs occurred in industries directly affected by the strikes, and should the coal and steel strikes continue the full impact of the steel strike will be felt in two to three weeks, says "Steel," national metalworking magazine, in an editorial this week. If the walkout lasts that long it will hit the economy with the force of a Caribbean hurricane, the article continues.

Metalworking shops will be forced to suspend wholesale for lack of steel. Some already are curtailing and their ranks will be augmented daily as steel stocks shrink. Consumers' inventories, estimated to average 30 days' supply at strike's start, are inadequate to support economical fabricating that long. They will quickly become unbalanced at today's relatively active consumption, forcing widespread shut-downs even though stock bins may not be completely stripped. Predictions are heard the strike may last 30 days or more. The 1946 walkout lasted about a month and consumers were desperate for metal when it ended. The situation could prove as serious this time unless the industry is quickly taken off the ropes, the magazine notes.

Latest available figures on total claims for unemployment insurance for the week ended Sept. 17 (prior to the steel strike), rose 5% and continued to be substantially above the low level of a year ago.

The fabricating branch of the steel industry has not been struck to any major degree since the steel union is disposed to avoid walkouts at these plants. It prefers to let plants close for lack of steel, thus paving the way for workers to obtain unemployment insurance. Employing this strategy, a noticeable rise in unemployment insurance claims should occur in the weeks ahead, since strikers in most States are not eligible for such benefits.

Virtual paralysis gripped the steel industry the past week as scheduled steel operations dropped sharply to within 8.2% of capacity, or a decline of 90.3%, following the nation-wide steel strike called at midnight on Sept. 30.

With the elapse of one week since the strike was called against the steel industry, it has failed to weaken the determination of United States Steel and other large steel firms to hold out against the union's demands. However, two smaller companies, the Central Iron & Steel Co. of Harrisburg, Pa., which produces its own steel, and H. H. Robertson Co., a district fabricator, have acceded to the union's demands. The Massey-Harris Co. of Buffalo, N. Y., and the Kelsey-Hayes Wheel Co. of Detroit, Mich., the union disclosed on Monday of this week, also agreed to its terms. The Central Iron & Steel Co., it is reported, is boosting the price of steel plate, its main product, to $75 a ton, an increase of $5, effective immediately.

Latest developments in the steel controversy were to the effect that United States conciliation director, Cyrus Ching, late on Monday of this week was arranging informal meetings with leading steel companies and the striking CIO United Steelworkers. This step represented the initial overture since the steel walkout 10 days ago.

In keeping with its demands made on steel firms, the CIO Steelworkers last week set a strike for Oct. 27 which would affect 20,000 employees at nine plants of Aluminum Co. of America. Negotiations are still in progress on the union's demands. It asks company-paid welfare benefits totaling 10 cents per hour. Alcoa now has in effect employer-financed social insurance and pension programs costing it about seven cents hourly.

The effects of the coal strike on national coal production reveal in the week ended Oct. 1, last, that bituminous coal declined to only 1,825,000 tons compared with 12,055,000 tons on Oct. 2, 1948. Anthracite output in the like period also dropped to a negligible 68,000 tons from 1,235,000 tons the year before.

* * *

The wholesale volume of men's and women's apparel increased slightly last week as forward buying became somewhat more noticeable.

Wholesale food buying continued to rise with unit volume moderately higher than for the corresponding week a year ago. Dollar sales were fractionally below last year's level, reflecting a moderate decline in food prices generally.

Trading in cotton textiles increased sharply in the second-hand market in the week. Many buyers regarded this as an outgrowth of the limited offerings of primary goods. New order volume for industrial fabrics remained near the moderately high level of the previous week.

STEEL OPERATIONS SCHEDULED TO INCREASE 13.9% THIS WEEK

As the steel strike entered its second week the real need for a speedy settlement was the dominant note in all circles, according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade. Steel stocks, which obviously were smaller than had at first been thought, were shrinking fast. Losses in money and materials were mounting at a staggering rate and labor, management and government were all trying to squirm from under the accusing public eye and absolve themselves from blame for the strike which should never have occurred, the magazine states.

In its first week the strike cost the steelworkers more than $30 million in lost wages. It cost steel firms more than 1.4 million tons of steel in lost production.

This week both steel and labor are planning their next step in the battle of pensions. The government will probably succeed in bringing them together this week or next.

A careful check by "Iron Age" editors reveals the following: (1) Steel stocks in the hands of manufacturers are generally smaller than had at first been estimated. (2) Steel consumers are making a

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The Cheaper Money Trend and Life Insurance

By CLAUDE L. BENNER*
President, Continental American Life Insurance Co., Wilmington, Del.

Pointing out interest rates today are arbitrarily controlled by the monetary authorities, Mr. Benner sees Government seeking lower interest rates with view to stimulating business activity and making Treasury borrowing cheaper. Holds there is little chance interest rates in near future will be permitted to rise, and urges insurance companies not to base premiums or reserves on higher rates than 3%, though, on basis of long-term economic outlook, higher interest rates may be in making.

A year ago many students of banking and finance thought that at long last the era of cheap money had come to an end. It was confidently expected that an upward movement in interest rates had begun which might continue for a decade or more. Prices had been increasing rapidly since the close of the war and inflation was rampant. Throughout 1947 and 1948 current investment had been proceeding at a rate in excess of current savings and bank credit was being substituted for savings on a large scale. Institutions were selling their government bonds to reinvest their proceeds in higher interest yielding assets, and the Federal Reserve banks in order to keep government bond prices from going below par had been compelled to support the market to the extent of about $12 billions. The general level of interest rates on all forms of debt from one year certificates to long term bonds and real estate mortgages had been moving upward and the Federal Reserve in spite of its bond support program gave some evidence of being in sympathy with this upward movement.

Claude L. Benner

Today this picture seems completely changed. Nearly all the rise in interest rates that took place during 1947-48 has been wiped out and the upward movement of prices has stopped. The Reserve banks are no longer compelled to support the government bond market but have actually reduced their holdings and are even refinancing maturing obligations at lower interest rates. At the moment the danger of inflation seems a thing of the past. The Federal Reserve Board which a few months ago was asking for additional power to increase bank reserves now has, of its own volition, decreased them. Although the yields on government bonds have not as yet gone as low as they were in 1946, the trend has been downward all year. Recently the rate on one year certificates was dropped to $1\frac{1}{8}\%$ and the Treasury seems now to be toying with the old Morgenthau policy of refunding long term bonds with short term paper so as to carry a larger amount of government debt in the banks.

The following questions naturally arise: What has caused this sudden change in the money market? Is it likely to be permanent? Are we about to enter another era of declining rates? Or is the change merely a brief interlude in the long upward trend that was so confidently expected a year ago?

Interest Rates Today Arbitrarily Controlled

As a background for a discussion of these questions it must be remembered at the outset that the interest rate today is not the result of the forces of supply and demand for savings working out in a free money market. The old classical economist's idea that one could not borrow what someone else had not saved is no longer valid. Today our monetary authorities know how to manipulate our banking system in ways never dreamed of thirty years ago. Central bank action can make loanable funds cheap and materially increase the supply of money without the public hardly becoming aware of it. For instance, how many people today know that our money supply increased by over a billion dollars in July and probably is continuing to increase at a rapid rate today.

It probably is little exaggeration to state that never in our country's history, certainly never in peacetime, has the money market been subject to so many arbitrary controls as it has in the recent past. And however difficult it might have been last year to exercise these controls in such a way as to restrict bank credit and hamper the upward movement of prices, there is no doubt today about our banking authorities' ability to increase the amount of loanable funds, reduce interest rates and increase the money supply. The Federal Reserve and the Treasury have all the powers they need for this purpose right now. Make no mistake about it.

Last year on the surface of things it would appear as though our monetary authorities did not know exactly just what they wanted to do — increase interest rates or lower them. It is possible, of course, that there might not have been complete unanimity of opinion among the various governmental agencies about the proper action to follow. We know from the statements made by the Board of Governors of the Federal Reserve System, that it wanted to restrict the excessive expansion of bank credit ever since the latter part of 1946 and it instituted various steps looking toward that end. But when it became apparent late in 1947 that such steps would lead to a rise in interest rates which would cause government bonds to decline in price, our monetary authorities became frightened at this prospect and, by their policy of supporting government bond prices, more or less nullified the restrictive effects of the actions which they had previously taken.

Since last June 28, however, when the Federal Reserve Open Market Committee after consultation with the Treasury announced that there was going to be a change in the credit policy, there has been no doubt toward what goal they were working. It was cheaper money.

I suppose it is inherent in the title of this paper that the speaker be expected to tell you why he thinks the trend in the price of money is going to be downward—at least not upward—in the days immediately ahead and to set forth the reasons for his belief. As much as I dislike to indulge in forecasting, in general, and as little faith as I have in anyone's ability, including my own, to do the job at all successfully, here is an instance where I have less hesitancy than usual to tell you what I think will be the trend in interest rates in the immediate future.

In the first place, let me reiterate that the present Administration is determined that the money market will be controlled and managed during the days ahead. It will not be a free market. In fact, in any discussion of interest rates today it must always be kept in mind that they are controlled by some government agency. They are not determined by the free play of the forces of supply and demand. This is the fact whether it is the rate on long term bonds or on real estate mortgages. The agency controlling the rate on bonds is the Federal Reserve banks. In the face of rising prices, last year these institutions purchased nearly $12 billions of government bonds in order to keep their prices from going below par in

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*An address by Mr. Benner before the 44th Annual Meeting of the American Life Convention, Chicago, Oct. 6, 1949.

Opportunities for Expanding Business

By A. W. ZELOMEK*

President and Economist, International Statistical Bureau, Inc.

Mr. Zelomek lists as opportunities for further expansion of business (1) continued growth of population; (2) rising standards of living and (3) increases in productivity and national output. Holds distribution must keep pace with economic and expanding human needs, and wholesaling and retail problems must be solved. Holds immediate task is to get prices down by lowering distribution costs.

In business life, there are always problems and difficulties. These are the obstacles which must be overcome before opportunities can be seized. It is a little one-sided to discuss opportunities to the exclusion of difficulties. But I believe that most of you have a clear picture of the problems and difficulties. And in any case, I have no choice today but to look mainly at the bright side of the coin. I will not, however, waste your time and mine by describing opportunities so remote or fictitious as to lie outside our reach. And perhaps the best way to avoid unprofitable flights of fancy is to start with some of the facts before we try to indicate what they imply.

A. W. Zelomek

The Population

To keep the record straight, let me sketch briefly the essential facts about the nation's population.

The rate of population increase in the United States reached a maximum many years ago and began to decline. This does not mean that the population itself is shrinking. It merely means that year-to-year percentage increases have become smaller. During the past few decades medical science has made many new discoveries. The result has been to increase the life expectancy of the average United States consumer. Any by keeping people alive longer, medical science produced a growing stratum of middle-aged and older people.

As you know, the late war greatly stimulated the marriage and birth rates. This big crop of war babies is now in the process of moving up through progressive age brackets. It is my experience that most retailers have counted these new births almost as carefully as the census-taker, calculating what they meant for their infants' and children's wear departments. Several years ago, in fact, I had to counsel some of my clients against over-optimism, since the wartime increase in unit and dollar sales in these departments was far greater than justified by the mere increase in infant population.

On the other hand, the individual store has a big stake in the infants and children of today, who will become the wage earners and family heads of tomorrow. One of the most important objectives of the individual store is to maintain a favorable position in the community it serves. And in doing this, it must consider the customer of tomorrow as well as the family head of today.

Living Standards Rising

On the whole opportunities created merely by population increase are not too abundant. The population is still growing, and it is growing older. But your biggest opportunities lie elsewhere.

The big fact for distribution is the increase in American living standards. As nations go, the United States is not so old. What has been so astonishing is its industrial growth. And what is so astonishing about that is the fact that this growth has not been based primarily on foreign trade or colonial expansion. The United States has been pulling itself up, so to speak, by its living-standard bootstraps. And it is precisely this feat of economic magic that provides the greatest economic opportunities.

The longer-term essential is simply this:

The population has had more goods and a greater variety of goods simply because it has been able to produce more goods.

Now, of course, labor and capital are both paid for their efforts, and the fruits of these efforts are sold over the counter to anyone who wants them and can pay the price.

Thus, a money-wage-price system becomes a vital part in the machinery of production and distribution. But it sometimes obscures the basic facts — **that increases in the nation's standard of living go hand in hand with increases in productivity.**

Over a period of time, such increases are steady but slow. Students of the subject estimate that increases in productivity have averaged about 3% annually.

However, averages are frequently deceptive. Few activities move according to schedule. They are either way behind or way ahead. And for the next few years, at least, I believe distribution opportunities will benefit from the fact that productivity and living standards will be making up for time lost during the war.

Amazing Increases

I never like to quote statistics in a talk of this sort. Now and then, however, a few figures have a dramatic value.

Do you realize, for example, how strong the upward trend of productivity has been? Let me try to illustrate. The economists take gross national product as a measure of all goods and services produced in the United States. Then they adjust it for changes in the price level, which have been quite extreme, and obtain a good measure of physical output.

The volume of production naturally shows fluctuations from year to year, but over a long period of time it has shown an astounding record. **It has doubled once every 20 years.**

I might end this discussion here, on a note of optimism, by merely telling you that as long as such growth continues you have no need to worry about opportunities. But if you will look with me at the contrast between earlier periods and later periods, I think that you will gain for the first time the full meaning of what these opportunities are.

What accounted for the 100% increase in the physical volume of goods and services produced between 1880 and 1900?

From the beginning to the end of that period we find that population increased by about 51%. A little mental arithmetic then shows us that there must have been an improvement in living standards of about 32%.

Even in that early period, the growth in production was already exceeding the growth in population. More people were already getting more in the way of goods and services.

Now let's see what happened between 1920 and 1940.

Again, the production of goods and services doubled from the beginning of the period to the end of the period. This time, however, the increase in population was only about 25%. The same mental arithmetic now shows us that living standards must have improved by about 60%. Again we have the same picture. More people were getting still more in the way of goods and services. But there was a marked difference between the first twenty-year period and the last one. Within that 60-year span, the rate of increase in living standards had doubled.

Future Prospects

None of us would want to try to look forward another 60 years into the future. But we do know that population increases will be even smaller. The real question, then, boils down to this:

Have we, as a nation, lost so much of our energy, inventive talent and organizing ability, that this long-standing rise in the production of goods and services is about to level off or turn down? Or do we still possess the vitality that will maintain this growth indefinitely?

Perhaps there is no logical answer to this question. Perhaps an opinion on this point is more a question of belief or faith than it is of cold-blooded analysis.

Let me point out, however, that this growth has been a long-established trend. It is explained by a very simple fact—**that American industry has continuously been able to improve its methods of production; and that these benefits have been passed on steadily to the population as a whole.**

Now I find, in my own contacts, that businessmen are just as eager now as they were 20 years ago to find better ways of doing things. And I find, in the scientific field, all sorts of technical advances, well established theoretically and for limited uses, that have still to find their way into industry and commerce. For example:

We have the entire field of atomic energy, with applications that cannot even be imagined. We have new materials and fibers whose qualities meet special needs and will create new demands. We have yet a long way to go before we exhaust possibilities in transportation and communication. We have some remarkable new calculating machines, which do automatically in a brief time what it would take the human brain years or even centuries to accomplish. We still have loads of room to expand the use of automatic controls in the production process.

I could go on at length about technical possibilities, and I know that each of you would supply examples of your own. I believe it is enough to say, however, that we are richer in technical possibilities than we have ever before been.

Now, in relation to your own opportunities, this simply means that I can see no reason why past trends of steadily rising production and distribution should now be upset.

If this proves to be right, the slower rate of gain in population increase simply means that more and more of your opportunities

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*An address by Mr. Zelomek at the Boston Conference on Distribution, Boston, Mass., Oct. 10, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

This correspondent was surprised along with the rest when Harry Truman won the last election. Yet I had no apologies to make. I didn't have to eat crow as so many political commentators and prognosticators did. My assumption from the beginning of the campaign was that Dewey would win. In the several weeks of the campaign I undoubtedly reflected this assumption, but I never professed to have any first hand knowledge of it.

Carlisle Bargeron

The fact is that I was stuck off down in Tennessee during the campaign trying to elect a Republican Senator from that State. An issue we had was that this candidate's election was essential because Dewey needed him to make a Republican majority of the Senate. I remember remarking not only once but several times to my candidate as we rode at night over the Tennessee roads that while this seemed to be a good issue, it was bunk because if the Democrats were going to capture the Senate, then the election of Dewey was in doubt. I could not see Dewey winning the election and losing the Senate. Either the sweep is running with you or it is not.

I was told after the campaign and after my return to Washington that Dewey's campaign manager, Herbert Brownell, had confided to some newspapermen that the Republicans expected a loss in the House, not enough to jeopardize their control, but a loss. The fact that Brownell realized this and didn't consider the Presidency in jeopardy is, I think, one of the worst blunders in history.

This brings me to the statement that Truman's victory was a fluke. It would not happen again in a hundred years.

Mr. Truman, however, does not consider it as anything like that. He thinks, regardless of his professed modesty, that this was something he, himself, accomplished. He thinks that it was his barnstorming, his personal appeal to the American people, his talk about Wall Street and the vested interests. He thinks it was the so-called program he laid down, his promises. The man has a justifiable happiness over winning against New York State and the bolting of several Southern States. But the cockiness which he feels over this is unwarranted. To repeat, his victory was a fluke.

To show you how extreme the thinking of the man really is, in this respect, there is his persistence for legislation in Congress which the majority of the Congress is against.

There is no member of Congress, even among those who follow the Administration line with a view to getting Federal judgeships and the other rewards of voting regularly, who looks upon him as a great popular leader, as a strong man like Roosevelt who can turn the power of his office against him. Nobody looks upon Truman this way. Not a single member of Congress is afraid of his power, and no one is the slightest concerned about the mandate which Truman professes to believe his victory means.

The only members, indeed, who are talking about the mandate for Truman are those who are tied in with the forces trying to carry out certain legislation and who, to this end, want to use Truman as the tool he is.

Yet it is rather surprising that the newspapers which are against this so-called mandate, which repeatedly have said there is no such mandate, usually gloat over Truman's inability to put it across, rather than commend a Congress which keeps it from being put across. They seldom, if ever, point out that this so-called mandate is not an expression of the American people, otherwise their attitude would most certainly be reflected in Congress.

No, it is just something that Congress is denying this man, willfully, undoubtedly.

A more ridiculous treatment of a situation, I suppose, never occurred in the press, than that of Truman's attitude in the case of Leland Olds, a Leftist and former writer for the "Daily Worker." Roosevelt appointed this man twice to the Federal Power Commission. Olds' Leftist leanings were loudly shouted in each instance. But they were without avail because in the Roosevelt days what was wrong about a man who had been associated with the "Daily Worker"? Were not the Communists and the New Dealers going the same way?

Now, we seem to be settling down as regards the Communists. It is not fashionable any more to be one. So the fact that Olds who wrote for them is now being denied reappointment, brings out the so-called fight in Harry Truman. How does he fight, how does he throw his weight around? Why, he calls upon the State chairmen and National committeemen to put the heat on the Senators.

Some newspapers seem to be indignant about this. Why be indignant? It is really a measure of Truman's party leadership, something to be laughed at, nothing to get indignant about.

The number of State chairmen and National committeemen in this country who have any more than a conversational influence with their Senators can be counted upon the two hands. It's the other way around. The State chairmen and National committeemen usually hold office by virtue of the Senators' patronage. Ordinarily, they have little influence anywhere, and the fact that Mr. Truman called upon them to apply the heat as regards Olds, is not a matter for indignation. It is one of the funniest things I've ever heard.

Crowell, Weedon Has San Diego Office; Adds to Staff

LOS ANGELES, CALIF.—Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange, announce the opening of a San Diego office in the Bank of America Building, under the management of Fred K. Williams. Mr. Williams was previously with G. Brashears & Co.

Walter A. Wolford, also previously of G. Brashears & Co., has become associated with Crowell, Weedon & Co.'s office in Los Angeles, and Jock N. Stewart will represent them in the Laguna Beach area.

What the Russian Explosion Means

By ROGER W. BABSON

Mr. Babson contends Russian atom explosion will mean more employment and speeding up of aviation. Says now there is more hope for world peace.

WASHINGTON, D. C., Oct. 7.—The past two weeks have given me an opportunity to seek the real reason for President Truman's spectacular announcement on Sept. 23, that Russia has the Atomic bomb. Of the many stories which I have heard, the following seems most reasonable.

Roger W. Babson

The Cabinet meeting held that Friday morning was the first subsequent to the announcement of the devaluation of the pound. All members of the Cabinet felt this devaluation was wise; but some believed that increasing business for England and Canada (which is the real purpose of the devaluation) will result in increased U. S. unemployment.

Thereupon, the question was asked "Can't we do something here to offset the effect of this devaluation and yet not hurt England and the Marshall Plan nations?" In answer the President may have reported this Russian explosion. This created great interest. The result was that the Cabinet authorized the President to make the announcement.

Military Preparedness Waning

Although most Congressmen a year ago expected war with Russia at anytime, yet this fear has gradually passed away. As a result it constantly has been more difficult to get appropriations for military purposes. This has been one reason why unemployment has increased.

Therefore, it is only natural that certain Cabinet members jumped at this "explosion" as a means of again awakening the American people to the need of military expenditures. Furthermore, they must have believed that the announcement would be a shot-in-the-arm to business, preventing further increase of unemployment.

What May Happen

President Truman's statement, however, may overexcite people and result in other things directly affecting every reader. For instance—

(1) The Administration will speed up its aviation program.

(2) The draft will be revived and Reserve forces may be recalled to duty soon. Physicians and dentists will especially be drafted.

(3) Congress will insist that the U. S. Navy be brought back to full fighting strength and efficiency, and not be abjectly subordinated to the Army and Air Force.

(4) Congress will insist that the Department of Defense and other important government agencies be reorganized on a non-partisan basis, with some able Republicans taking prominent places.

(5) The Fair Deal will have to be trimmed down radically, to insure national unity in a time of possible approaching peril.

(6) The government will decentralize much of its establishment in Washington; spread it around the country and particularly in areas least susceptible to atomic attack.

(7) Civilian wants, perhaps first for luxury goods, will be subordinated to the demands for greatly stepped-up defense. The President may declare a defense emergency at any time.

(8) The disposition in Congress will be to throw overboard nearly all legislation not essential or contributing to national defense. Appropriation bills will be reconsidered.

(9) Tax rates will be reconsidered on the basis of greatly increased defense needs. Increases of taxes, corporate and individual, are practically certain later.

(10) Some wartime controls may come back in a matter of months. They can include restrictions on strategic materials, inventory controls, allocations and perhaps controls of prices, salaries, wages, etc. Therefore, there may be a disposition on the part of many people to accumulate or hoard necessaries, such as food, shoes, clothing, etc. The automobile and tire industry particularly will be pressed for deliveries.

(11) Governments should provide atomic and other war insurance at an early date or else outlaw atomic warfare.

(12) In general, a period of anxiety is ahead for which I have long attempted to prepare readers. This is why I have established my new College at Eureka, Kansas, the center of the U. S.

More Hope For World Peace

This announcement should greatly help those in the United Nations who believe there are even better ways of avoiding World War III than greater military preparations. Heretofore, when the Russians called for international agreements against bombing, their opponents said: "Of course, you want such protection because you do not have the atomic bomb." Now Russia has the statement of President Truman that she has the bomb!

This means that from now on all nations and parties may truly be interested in getting together on some practical peace plan especially to outlaw atomic bombs. Even Russia—since China has fallen into her lap—may now honestly want to avoid World War III. Hence, I see many bright spots in the bomb episode. I am much more of an optimist today than I was awhile ago; although I shall continue to urge greater decentralization; and to advise young people to settle in small rather than large cities.

With Hope & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—Warren R. Grundmeyer has joined the staff of Hope & Co., San Diego Trust and Savings Building.

Factors Maintaining Our Prosperity

By HON. JOHN W. SNYDER*

Secretary of the Treasury

Secy. Snyder lists as factors of strength in economic situation: (1) sound credit conditions; (2) heavy backlog of individual savings; (3) increased capital investment; and (4) improved techniques in industry. Warns, however, domestic prosperity hinges on world prosperity and that U. S. must aid in developing and expanding world trade. Holds recent currency devaluations will improve dollar position of foreign securities.

There are a number of elements in our postwar economic situation which lend great strength to our present position. Notable among these has been the prudence of American business ever since VJ-Day, in the field of credit extension—in both business credit and consumer credit. It has been evident in the stock market and generally in the commodity market. It was inevitable that businessmen should make strenuous efforts to reduce inventories as soon as the first signs of a buyers' market began to appear. Postwar inventories, in the aggregate, were not at any time excessive in relation to the volume of sales. Nevertheless, they were sharply reduced in many lines earlier this year in the belief that demand was falling back. But the tower of strength in the American economy was the continued flow of consumer income at a high rate. Average income of individuals for the first seven months of this year ran at a higher rate than for the comparable seven-month period last year, and indeed, for the entire calendar year 1948.

John W. Snyder

Retail buying has also been remarkably well sustained. The most recent figures for total retail sales—which include, in addition to department store purchases, such important items as expenditures for food, automobiles and gasoline—show a dollar volume only slightly below the corresponding months of a year ago. In physical volume, the sales are running slightly above last year.

Backlog of Individual Savings

Another most important element of strength in our present situation is the backlog of individual savings which today are at a record level.

Thrift has again become a vital factor in our present day life. This is particularly important when we recall that it was the thrift of individuals or groups of individuals that furnished the capital funds needed for our industrial development. Someone's savings helped to build our railroads, develop our petroleum industry, and create our steel empire. Thrift, in other words, has made a major contribution to the attainment of our present high level of production and employment.

Since the end of 1945, the savings of individuals in the United States have risen by the following percentages: United States Savings Bonds, 13%; life insurance, 30%; shareholdings in savings and loan association, over 60%; deposits in mutual savings banks, 25%; savings accounts in commercial banks, 15%; Postal Savings accounts, about 10%, and checking accounts of individuals, about 10%. Of the various forms of liquid assets, only holdings of currency in the hands of individuals fell off.

In short, the purchasing power is there—in pay envelopes, in government bonds, and in the bank. Our financial structure is sound, and credit conditions are encouraging. It is true that there is a new need for business to get out and sell. Now that conditions of ample supply have returned, the primary need of our domestic business situation is to supply real customer demands.

In the four years since VJ-Day, businessmen in this country have spent the tremendous sum of about $85 billion for new equipment, and in construction and modernization of plants. Over $15 billion of this amount has been spent during 1949.

By far the largest portion of postwar expenditures for capital purposes, however, reflects in one way or another the determination of our businessmen to make use of the recent discoveries and improved techniques to increase the efficiency of their plant operations, improve their products, and thus broaden their markets.

The war compressed many decades of experiment and research into a few brief years. As we all know, there have been tremendous developments in the fields of physics, chemistry, plastics, and synthetics of all types. Industry has ingenious new ways of doing things. By the use of large quantities of oxygen, steelmakers have found they can increase their production from blast furnaces by 20%. New high-speed machine tools are doing three times the work of 1940 tools. A new coal-mining machine will multiply a miner's daily output 10 times. Diesel locomotives do the work of three steam locomotives on many jobs.

All these factors indicate that we have it within our power to maintain prosperity in this country we must also keep in mind that our prosperity at home depends in important measure on the economic progress of our neighbors in this hemisphere and across the seas. We must work out ways and means of sharing the special talents, skills and resources the nations separately possess.

Must Develop World Trade

To develop our world trade to the best interests of our people and of the people of other parts of the free world, it is necessary to promote the greatest possible free movement of goods and services between the trading countries of the world. When each country sells to other countries what it can produce with particular efficiency and cheapness, it earns foreign exchange with which it can acquire from other nations the things that they can produce most efficiently and cheaply. This type of trade is obviously beneficial to both sides. There are many things which it is to our advantage to acquire from other countries rather than to produce ourselves. Within our own frontiers the kinds of industry in which a given city or state specializes are determined by the interplay of prices and the cost of production in that particular area, when compared in terms of dollars with the cost of producing similar goods in other parts of our country.

However, other nations have their own currencies and compute their costs and prices in terms of those local currencies. When we compare the cost of production of a particular article in this country with the same article in other countries, we have to convert the foreign price into dollars at the applicable rate of exchange. The foreign producer who sells in the United States receives the dollar price converted into his local currency at the established exchange rate. By comparing his proceeds from sales to the United States with the proceeds which he might earn

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*An address by Secretary Snyder before the Annual Meeting of the American Life Convention, Chicago, Ill., Oct. 6, 1949.

Pertinent Questions on Pennsylvania Railroad

By J. M. SYMES*
Vice-President, Pennsylvania Railroad

Chief operating official of largest railroad system answers specific questions regarding Pennsylvania Railroad's operations and problems relating to railroad transportation as whole. Points out, though wartime rail profits were good because of deferred maintenance and abnormally large traffic, increased earnings were taxed away, so that current revenues must take care of increased charges due to deferred maintenance. Holds larger capital outlays for railroad modernization are held up because of inadequate net earnings and of discrimination of regulatory bodies in favor of other forms of transportation. Calls for fair treatment of rails, if they are to remain free enterprise transportation.

I assume that most of the audience is made up of financial people—those who lend us money or invest in our securities, or both. Your first interest is perhaps "What about Pennsylvania Railroad earnings?" Gross revenues have been rather high—net earnings entirely too low—and, of course, our stocks and bonds, reflecting these earnings, are also low—liked by some and disliked by others. Your second interest perhaps is "Where is the railroad industry headed?"—short term and long term.

J. M. Symes

I am not a financial officer of the Company. My job is the operation and maintenance of the property. This charges me with the responsibility of producing the results that make the figures that you judge us by. It is the conditions behind the figures you use that I will comment on. You, as financial men, can make your own deductions from them—which I should think would be an important part of your job.

What is the Pennsylvania Railroad, and what does it consist of? Many of you know, but for the benefit of those who do not let me say that it is a very simple although a very large business institution. It is the largest transportation agency in the world—engaged solely in moving people and goods over its 10,000 miles of line and 25,000 miles of track. It serves the territory along the Eastern Seaboard from New York and Norfolk west to the Mississippi River, and from the Ohio River to the Great Lakes. There are 13 States and the District of Columbia included within this area, and 47% of the population of the United States lives there. Of the nation's railroad business, the Pennsylvania handles 9% of the freight and 20% of the passengers. To provide this amount of transportation service requires an ownership of 4,000 locomotives, 209,000 freight cars and 6,300 passenger cars. Our investment in equipment is $900,000,000, and in road $2,000,000,000, a total of $2,900,000,000. We now have 108,000 employees on our pay-roll, but there were as many as 281,000 in 1919 during Federal maladministration of the railroads. Last year we moved 58 billion tons of freight one mile, for which we received a revenue of 1.29 cents per ton-mile, and carried six billion passengers one mile, for which we received 2.65 cents per mile. Our total receipts—that is, the gross revenue—was $1,000,000,000. We paid in wages $525,000,000; in materials and supplies $277,000,000; in taxes $84,000,000; and our fixed charges were $80,000,000—so that, after all deductions, there remained $34,000,000 for net income—a rather meagre amount, but still much better than the net of the previous two years.

We have 13,000,000 shares of common stock outstanding—held by 207,000 different owners—mostly individuals with relatively small amounts. Our continuous dividend record goes back to our beginning 103 years ago, although in many of those years the dividen was far from satisfactory as to amount. In those 103 years there has always been some sort of railroad problem, and there will be one for the next 100 years—varying, of course, in degree and subject but, in my opinion, successfully overcome as in the past.

For efficient operation the Pennsylvania Railroad is divided into 26 operating divisions, with a Superintendent in charge of each division. He is held directly responsible for everything that happens on his division—the operation of trains, maintenance of track and rolling stock, local labor matters, discipline of employes, and public relations. He is a pretty important fellow. The 26 operating divisions are included in three regions, with a Vice-President and a General Manager in charge of each. The traffic, or sales, organization has a similar geographical structure. As to system direction and coordination—we have a Vice-President in charge of Finance; one in charge of Traffic; one in charge of Real Estate and Taxation; one in charge of Law; one in charge of Purchases, Stores and Insurance; and one in charge of Operation.

I have gone to some length in portraying what we are, what we do, and how we are organized to do it. Before coming to your questions, I am going to ask myself a few questions—anticipating those I think many of you would ask.

FIRST: Why Are Earnings Low?

Since World War II—until recently—railroad traffic has been at a high volume. Why then have net earnings been so low?

Answer: We came out of World War II with some rather serious wounds, and without nurses, doctors or hospitals to turn to— and, perhaps more important, with inadequate and too long delayed assistance from the quarters that we must, as a regulated industry, turn to for help. Our plant and equipment was run down as a result of the most intensified short-time usage to which it has ever been subjected. We did not have materials or man-power available during the war to maintain the property as it wore away under an unprecedented load. The money we did spend was largely to increase our capacity to take care of the war load; providing many facilities not generally needed in peace-time rail transportation. War-time profits were good, but we could not spend them for needed long-time improvements, or accumulate any of them for war deferred maintenance, because 85 cents of every dollar was currently taxed away from us. Costs spiraled tremendously after the war. Outside industry raised their prices to us as they raised wages. Our wages, which absorb more than one-half of what we take in, naturally followed in line with the general inflationary pattern. Governmental Wage Boards told us how much we should pay in wages. In short, our costs were established for us by forces outside our control. That would not have been bad if, like other industry, we could have had the privilege of pricing our product. But pricing the railroad product is in the control of the Interstate Commerce Commission, and it takes time under that process of pricing to obtain relief. It was the tremendous lag between increased costs that were forced upon us and increased rates we were unable to get promptly enough that caused the "railroad problem" of the past few years. Gentlemen, when government boards make decisions that tell you what your costs are going to be, and bureaus and commissions tell you when and how much you are to charge for your product, that is when management finds itself in all kinds of hot water—and we have been through what I would call boiling water for the past several years.

SECOND: Why Have Some Rail Earnings Increased?

What you have said might be true with respect to the Pennsylvania Railroad and some others, but why is it not true of many other railroads — particularly in the south and west, where earnings have shown up rather well?

Answer: If any railroad—east, west or south—has 30% of its gross business operating at a ratio of 117%—that is, handling traffic that costs $1.17 to take in $1.00 of revenue—it would have considerable difficulty in making ends meet. That has been our problem, and it has caused us concern. Naturally, the densely populated area we serve causes heavy movement of foodstuffs, mail, small package shipments, and passengers. The hauls are comparatively short, and the terminal handlings numerous and expensive. Last year we had $300,000,000 worth of that kind of business—30% of our total gross revenue—and it cost us $351,000,000 to handle it—so you can appreciate what the other $700,000,000 gross had to do to absorb this enormous loss and make a $34,000,000 profit for the Company. Our objective with respect to this large source of unprofitable business is threefold.

(1) Inaugurate every known efficiency method to reduce costs. This involves capital expenditures upon which there is a justifiable return on the investment.

(2) Secure a greater divisional share of the revenue on interline traffic to offset high terminal expenses in eastern territory. This is being processed through established industry procedure.

(3) Raise rates to the point of making the traffic profitable. This has been and is being actively progressed.

If the methods I have described fail to make these forms of traffic profitable, there is only one thing left to do — raise the rates and force the traffic to the agency best suited to handle it at a profit, even though that agency may be one that does so through government subsidy.

The old Italian theory in economics of "what we lose on the lemons we make up on the 'bananas'" cannot be applied any longer to the railroad industry — because, as in our case, there are

(Continued on page 30)

*An address by Mr. Symes before the Bond Club of Philadelphia, Philadelphia, Pa., Oct. 6, 1949.

Dealer-Broker Investment Recommendations and Literature

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

Building Outlook — Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Common Stocks — Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Devaluation and Its Impact on the American Economy—Analysis—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Local Notes—Leaflet of current topics—Bankers Bond Co., Inc., Kentucky Home Life Bldg., Louisville 2, Ky.

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

Preliminary New York Bank Earnings—Figures on 19 New York City Banks—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

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

* * *

Best Foods, Inc. — Circular — Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Also available is a circular on **Chicago, Rock Island & Pacific Railroad** and **Home Insurance Co.**

Central Electric & Gas Co.—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

City Products Corp.—Analysis—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

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

Consumers Power Co.—Circular—Ernst & Co., 120 Broadway, New York 5, N. Y.

Davidson Bros., Inc.—Circular—Baker, Simonds & Co., Buhl Bldg., Detroit 26, Mich.

Douglas & Lomason Co.—Circular—White, Noble & Co., Michigan Trust Bldg., Grand Rapids 2, Mich.

National Automotive Fibres—Circular—Reynolds & Co., 120 Broadway, New York 5, N. Y.

National Gypsum Co.—Analysis—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

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

Otis Elevator Co. — Bulletin — J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Also available is a study of **Mission Development Co.** and **McLellan Stores Co.**

Quebec Oil Development Ltd.—Circular — Hiscox, Van Meter & Co., 225 South 15th Street, Philadelphia 2, Pa.

Rockwell Manufacturing—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a memorandum on **Republic Natural Gas.**

Southern Co.—Study—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of the **Western Union Telegraph Co.**

Southern Union Gas Co.—Circular—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

Stromberg-Carlson Co. — Analytical study—H. M. Byllesby and Co., Inc., Stock Exchange Bldg., Philadelphia 2, Pa.

Sunshine Biscuit — Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Reports Increase in Nat'l Bank Earnings

Net return for first half of 1949 stated at $378 millions, an increase of $23 millions over same period last year.

Comptroller of the Currency Preston Delano announced on Oct. 4 that the national banks in the United States and possessions reported net operating earnings of $378,000,000 for the six months ended June 30, 1949, an increase of $23,000,000 over the first half of 1948.

Preston Delano

Gross earnings were $983,000,000. This is an increase of $57,000,000 over the gross earnings for the first six months of 1948. The principal item of operating earnings in the first half of 1949 was $475,000,000 from interest and discount on loans, which was an increase of $52,000,000 compared with the corresponding period in 1948. Other principal items of operating earnings were $287,000,000 from interest on United States Government obligations and $57,000,000 interest and dividends on other securities, a total of $344,000,000, which was a reduction of $5,000,000 compared to the first half of the previous year; and $54,000,000 from service charges on deposit accounts, an increase of $6,000,000.

Operating expenses, excluding taxes on net income, were $605,000,000 as against $571,000,000 for the first half of 1948. The principal operating expenses were $292,000,000 for salaries and wages of officers and employees and fees paid to directors, an increase of $19,000,000 over the first half of 1948; and $91,000,000 expended for interest on time and savings deposits, an increase of $4,000,000.

Adding to the net operating earnings the profits on securities sold or redeemed of $14,000,000, and recoveries on loans and investments, etc. (incl. recoveries of reserves (previously charged out) of $32,000,000, and deducting therefrom losses and charge-offs (including current charge-outs for reserve purposes) of $77,000,000, and taxes on net income of $98,000,000, the net profits before dividends for the six months ended June 30, 1949 amounted to $249,000,000 which, at an annual rate, amounts to 8.56% of capital funds.

No Change in Gold Price: Snyder

Treasury Secretary in statement to press says only Act of Congress can alter gold content of dollar, and his authority to change gold price is limited by International Monetary Fund Agreement and other important considerations.

The Treasury Department has issued the following statement in response to inquiries at Secretary Snyder's press conference of Wednesday, Oct. 5, 1949, concerning the legal authority to change the gold content of the dollar and the Treasury's price for gold. The Secretary again stated that he had no intention of proposing a change in the dollar price of gold.

John W. Snyder

He reiterated what he had said on many occasions, that he does not perceive any considerations which would justify such an action.

(a) The Gold Content of the Dollar—

Only an Act of Congress can now alter the statutory gold content of the dollar.

The gold content of the dollar, and hence the statutory monetary value of gold in terms of the United States dollar, was defined by the Presidential Proclamation of Jan. 31, 1934, issued under authority of Title III, Section 43, of the Act approved May 12, 1933, as amended. The weight of the gold dollar was fixed by this Proclamation at 15 5/21 grains of gold 9/10 fine, that is 1/35 of a troy ounce of pure gold (technically referred to as gold 1,000 parts fine). The monetary or statutory value of gold in the United States is therefore $35 per fine troy ounce. After several extensions the authority of the President by proclamation further to change the gold content of the dollar expired on June 30, 1943.

(b) The Price of Gold—

The Secretary of the Treasury has authority under Sections 8 and 9 of the Gold Reserve Act of 1934, as amended, with the approval of the President, to purchase and sell gold at such rates and upon such terms and conditions as he may deem most advantageous to the public interest.

The authority of the Secretary of the Treasury in this respect, however, is limited by a number of factors. First is the obligation undertaken by the United States as a member of the International Monetary Fund. Article IV, Section 2 of the Articles of Agreement of the International Monetary Fund provides:

"The Fund shall prescribe a margin above and below par value for transactions in gold by members, and no member shall buy gold at a price above par value plus the prescribed margin or sell gold at a price below par value minus the prescribed margin."

The Fund has prescribed a margin of ¼ of 1% above and below the par value for purchases and sales of gold. Accordingly, the United States has an obligation to the International Monetary Fund not to purchase gold at more or sell gold at less, than $35 plus or minus the prescribed margin so long as the par value of the dollar declared to the Fund remains unchanged. The par value of the dollar can be changed only pursuant to the provisions of the Articles of Agreement and the Bretton Woods Agreements Act, which requires the approval of Congress for any such change. Section 5 of that Act provides that neither the President nor any person or agency shall propose to the International Monetary Fund any change in the par value of the United States dollar or approve any general change in par values unless Congress by law authorizes such action.

Even without the legal obligation to the International Monetary Fund there are important considerations of policy which in effect, circumscribe the discretion of the Secretary of the Treasury to change the price of gold. The gold policy of the United States has been directed primarily to maintaining a stable relation between gold and the dollar.

Since 1934 the United States has firmly adhered to the requirements of an international gold bullion standard. We have done so by buying and selling gold freely at a fixed price, $35 an ounce, in transactions with foreign governments and central banks for all legitimate monetary purposes.

The importance which the United States attributes to the maintenance of a stable dollar price for gold is demonstrated by other legislative provisions. The gold parity statutes contained in the Gold Standard Act of 1900 and the Act of May 12, 1933, provide that the gold dollar "shall be the standard unit of value and all forms of money issued or coined by the United States shall be maintained at a parity with this standard and it shall be the duty of the Secretary of the Treasury to maintain such parity."

Mayne to Portland Office

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE.—Donald R. Mayne is now associated with the Portland office of Dean Witter & Co., Equitable Bldg. Mr. Mayne was previously with the firm's San Francisco office.

With F. L. Putnam & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — Barry E. Steele is with F. L. Putnam & Co., Inc., 97 Exchange Street.

Kingdom of Belgium to Redeem $245,500 7% Bds.

J. P. Morgan & Co. Incorporated and Guaranty Trust Company of New York, as Sinking Fund Administrators, are notifying holders of Kingdom of Belgium External Loan 30-Year Sinking Fund 7% Gold Bonds due June 1, 1955, that, through the sinking fund, $245,500 principal amount of these bonds have been drawn by lot for redemption on Dec. 1, 1949, at 107½%. Subject to the provisions of Executive Order No. 8389, as amended, the drawn bonds will be paid at the office of J. P. Morgan & Co. Incorporated or at the principal office of Guaranty Trust Company of New York.

Illinois Brevities

The 800,000 shares of outstanding common stock of Central Illinois Light Co., which were admitted to dealings on the New York Stock Exchange on Sept. 30, had been held by The Commonwealth & Southern Corp. They were distributed to the latter's preferred stockholders on Oct. 1, 1949, in accordance with Commonwealth's dissolution plan. James A. Longley, President of Central Illinois, recently announced that the company proposes to issue additional securities of a type not yet determined, the proceeds of which are to be used to finance in part its construction program and to pay off temporary bank loans which at July 31, 1949 amounted to $2,005,000. This would require approximately $4,500,000 additional cash which would have to be provided before the end of 1950. For the 12 months ended Aug. 31, 1949, net earnings after charges and Federal income taxes and dividend requirements on the preferred stock amounted to $2,393,543, or $2.99 per common share, as against $2,260,527, or $2.85 per common share, for the preceding 12 months' period.

* * *

Halsey, Stuart & Co. Inc. headed two groups of underwriters who publicly offered (1) on Sept. 15 $2,970,000 Indiana Harbor Belt RR. 2⅜% equipment trust certificates at prices to yield 1.30% to 2.75%, according to maturity, and (2) on Sept. 22 $9,120,000 New York Central RR. 2¾% equipment trust certificates at prices to yield 1.40% to 2.92½% according to maturity.

* * *

International Harvester Co. reported third quarter sales (for May, June and July, 1949) amounted to $221,870,000 as compared with $255,712,000 in the comparable quarter of 1948, a decrease of 13.2%. Because of very high sales in the first six months of this fiscal year, the nine-month dollar sales total of $704,644,000 still showed a slight gain over the $689,601,000 sales for the nine months ended July 31, 1948, the increase amounting to 2.2%. Net income, after Federal income taxes, amounted to $48,910,000, or $3.50 per common share, for the first three quarterly periods of the current fiscal year, which compares with $41,196,000, or $2.90 per common share, for the corresponding period of the previous fiscal year.

* * *

An issue of 100,000 shares of Liberty Loan Corp. 90-cent cum. convertible preferred stock ($10 par value) was offered to the public on Sept. 21 at $15 per share by a group of underwriters headed by Riter & Co. of New York. The net proceeds are to be added to the company's cash balances and will be utilized as additional working capital. Mason, Moran & Co., Sills, Fairman & Harris, Inc., Straus & Blosser and Shillinglaw, Bolger & Co., all of Chicago, were among those participating in this offering.

* * *

The first television set specifically designed for use in the kitchen has been announced by Motorola, Inc., Chicago manufacturer. It is an all-white table model with a seven-inch tube, priced at $129.95. Weighing but 26 pounds, it can easily be carried from room to room. It is 16½ inches wide, 16 inches deep, by 9 inches high, small enough to fit onto the average kitchen shelf.

* * *

Participating in the public offering on Oct. 6 of $18,000,000 of first mortgage bonds, 2⅞% series due 1969, of the Gas Service Company, Kansas City, Mo., were the following Chicago investment bankers: A. C. Allyn & Co., Inc., A. G. Becker & Co., Inc., Central Republic Co., Inc. and Kebbon, McCormick & Co. This issue was offered at 100.75% and accrued interest.

* * *

Included in the group of 49 underwriters who on Sept. 22 publicly offered $31,000,000 3½% sinking fund collateral trust bonds, due Nov. 1, 1974, of the West Penn Electric Co. at 102.526% and accrued interest, were the following Illinois bankers: A. G. Becker & Co., Inc., Harris, Hall & Co. (Inc.), The Illinois Co., and Sills, Fairman & Harris, Inc.

Chicago investment dealers included in the nationwide group of 164 underwriters who underwrote an issue of 856,895 shares of common stock of The West Penn Electric Co. were: A. C. Allyn & Co., Inc., Bacon, Whipple & Co., A. G. Becker & Co., Inc., William Blair & Co., Blunt Ellis & Simmons, Central Republic Co. (Inc.), Julien Collins & Co., Paul H. Davis & Co., The Illinois Co., Kebbon, McCormick & Co., Mullaney, Wells & Co., Sills, Fairman & Harris, Inc., and Straus & Blosser. Of these shares, 468,621 were offered by the company to its common stockholders at $23.62½ per share and 388,274 shares, plus any unsubscribed shares, were offered in exchange for outstanding 6% and 7% cumulative preferred stock and class A stock. The subscription and exchange offers expired at 3 p.m. on Oct. 7.

* * *

Central Illinois Public Service Co. for the 12 months ended June 30, 1949 had a net income of $4,577,397, after charges and Federal income taxes. This compares with a net of $4,567,987 for the preceding 12 months' period. At June 30, 1949, the company served a total of 244,760 electric and gas customers, an increase of 7,362 customers since June 30, 1948. Current assets at the close of June 30, 1949 amounted to $18,945,141 (including $3,901,650 received July 1, 1949, representing proceeds from the sale of 276,223 shares of common stock). Current liabilities totaled $6,533,739.

* * *

Net income of Nutrine Candy Co. for the six months ended June 30, 1949 totaled $87,922, equal to 22 cents per common share, compared with income of $274,444, or 68 cents per common share, for the corresponding period of 1948.

* * *

Central Republic Co. (Inc.) Harris, Hall & Co. (Inc.) and the Illinois Co. participated on Sept. 21 in the offering to the public of 200,000 shares of Carolina Power & Light Co. common stock (without par value) at $29.50 per share.

* * *

For the first six months of 1949, Chicago & Southern Air Lines, Inc. reported net income, after income taxes, of $296,621, equivalent to 58 cents per share on the capital stock. This compared with net income of $267,682, or 53 cents per share for the same period last year.

* * *

Sales of The Fair, Chicago, for the 26 weeks ended July 30, 1949 amounted to $15,491,641, a decrease of 6.7% below the $16,603,453 for the comparable period of 1948. The net profit after Federal income taxes totaled $116,111, as against $413,593 for the 26 weeks ended July 31, 1948. This was equal to 31 cents and $1.11 per common share, respectively.

* * *

Club Aluminum Products Co. reported net sales of $10,485,700 and net profit after taxes of $282,916, or 87 cents per share, for the year ended June 30, 1949, which compares with net sales of $13,005.082 and net profit of $534,143, or $1.65 per share, for the previous fiscal year. As at June 30, 1949, current assets totaled $1,523,184, and current liabilities amounted to $588,476.

* * *

An investment banking syndicate headed by Harris, Hall & Co. (Inc.) on Oct. 4 publicly offered $4,500,000 Chicago, Milwaukee, St. Paul & Pacific RR. Co. 2¼% equipment trust certificates, series KK, at prices to yield from 1.20% to 2.55%, according to maturity.

* * *

Avildsen Tools and Machines, Inc. (formerly known as "Republic Drill & Tool Co.") reports for the year ended June 30, 1949 a net profit, after deducting taxes and cost of plan rearrangement resulting from the acquisition of the Celfor Tool Division, and after including prior years depreciation adjustments of $11,898 (net of income tax effect) amounting to $31,714. These earnings compare with net profits after taxes, for the preceding fiscal year, of $108,545. At June 30, 1949, current assets totaled $2,764,751, and current liabilities amounted to $1,387,177, leaving a working capital of $1,377,574.

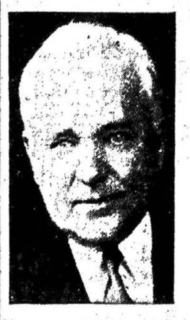
(Continued on page 30)

Mysteries of Devaluation

By THOMAS I. PARKINSON*

President, The Equitable Life Assurance Society of U. S.

A few weeks ago we were told by the British Treasury officials that the pound sterling would not be devalued—no, no, never. A few days ago the same officials announced that the pound, then worth $4.03, would thereafter be worth only $2.80.



T. I. Parkinson

Devaluation of our modern paper money is simply a change in its value in terms of other paper money and, for the moment at least, the U. S. dollar serves as the standard.

From 1821 to 1914 the British pound sterling was convertible into gold which, at the fixed price of gold, was worth $4.86. It is true that during World War I the pound had to be pegged to keep it at that value in dollars and when the peg was removed in 1920, it fell to $3.40. It was returned to the value of $4.86 in 1925 when Britain returned to the gold standard and then in 1931 when Britain again went off the gold standard, it dropped to $3.20 When the United States changed the price of gold from $20 to $35 an ounce, thereby devaluing the dollar, the pound in terms of dollars went to approximately $5. Just after World War II it was worth approximately $4 and when the U. S. made a loan of $3,750,000 to Britain, it was agreed that the British would maintain the pound at the fixed rate of $4.03.

Then there was the Bretton Woods agreement to establish a Monetary Fund and to stabilize currencies under which Britain, as a member of the Fund, agreed not to change the dollar value of the pound without approval of the Monetary Fund except that a 10% reduction in its value might be made without the approval of the Fund and the Fund was obliged to approve any reduction in value which was made to correct a "fundamental disequilibrium." The latter phrase was a masterpiece of phraseology credited to the British representatives at the Bretton Woods conference. However, the British did not need to make use of it because the Monetary Fund was agreeable to a change in the value of the pound and promptly approved it when proposed by the British a few days ago.

It would appear that the U. S. monetary authorities have been more interested in fixed and stable currencies than have the representatives of Great Britain and other countries. British officials have complained that a large part of the three and three-quarter billions lent by the U. S. was used up in complying with the terms of that loan requiring Britain to maintain the pound at $4.03. They would have preferred to let the pound sterling find its own value in an uncontrolled exchange market.

The reduction to a rate as low as $2.80 was a surprise and was defended by British officials on the ground that if it proved too low it could be readily increased. If, however, the new rate has to be supported, the British will probably look to the U. S. to provide the support. That means that our Federal Reserve will buy sterling in the amount necessary to support the $2.80 rate and such buying will be either for the account of the U. S. Treasury or for the Federal Reserve banks.

The devaluation of the pound was long and violently debated and then, suddenly, accomplished.

It is difficult as yet to appraise its effects. It was urged because Britain was short of dollars which meant that Britain was not selling to the U. S. goods or services in sufficient amount to obtain the dollars necessary to buy the things Britain wanted from this country. It may be that the British prices will be reduced to the point where the U. S. will buy more British goods but it is plain that Britain will have to sell in the U. S. in greatly increased volume in order to obtain the same number of dollars which were realized from less sales at the higher prices. And if Britain is to get additional dollars, we will have to buy a still larger volume of British goods and services. If such an increased volume is to be attained, it may be that the U. S. will have to lower some of our tariffs or otherwise facilitate British sales in this country. That would involve a depressing effect on American business just as the devaluation of the pound sterling had a depressing effect on our business in 1931.

Another result of the decrease in the pound's value will be to increase British sales in other countries. This will have some effect where U. S. exports are in competition with British exports. In Venezuela, for example, the prices of British goods will be lowered because of the devalued pound and it will be harder for American exporters to meet the competition. What, then, becomes of the efforts of the U. S. to increase its market abroad?

In this, as in most economic situations, that which involves benefit to one party usually involves some detriment to the other. Businessmen and politicians in this country will soon be asking how far we can go in encouraging the sale in our home markets of British-made goods, even for the worthy purpose of providing the British with dollars with which to buy in our markets. We can hardly escape discussion of tariff reductions to increase imports versus protective tariffs to support American industries. It may be that the debates of the McKinley campaigns will become current again. In any event, is it fair to ask, what did we get for what we gave in the conferences which resulted in devaluation by Britain and the many other countries which followed suit? Are the benefits which Great Britain may derive accompanied by detriments which we can ill afford to absorb?

Our representatives have been none too clear in defining what our objectives were in these recent monetary discussions and re-valuations. It has been said that our great purpose was to make Britain self-supporting but it may be that the cost to us of the "self-supporting program" may be greater than our continued support.

President Wilson once said that in foreign relations he was in favor of throwing open the shutters and putting up the windows in order to let in light and air. There was a good deal of secrecy about the recent Washington conferences. One wonders whether there were any other measures agreed upon which our Administration, for political or other reasons, does not care to divulge. In a similar atmosphere our representatives at Yalta did and promised some things that we knew nothing of until we met up with them in the dark.

*Statement by Mr. Parkinson, distributed by Continental Press Syndicate, Brightwaters, N. Y.

With W. N. George Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, MO.—Walter N. George, Jr., has joined the staff of Walter N. George & Co., Holland Building.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

National City Bank last week announced an increase in its dividend from $1.60 to $1.80 per share on an annual basis by the payment of a 20 cent extra. While the increase had been expected for some time, the announcement served to create considerable interest in bank shares and trading picked up substantially from previous sessions.

There were also the quarterly statements for the period ending Sept. 30 to occupy the interest of bank stock followers.

In general earnings reports were in line with expectations and little changed from the comparable period of the year before. Changes in the total and composition of earning assets during the quarter reflected the trends in business and the policies of the monetary authorities.

Shown below are the indicated earnings of 15 of the larger New York City banks for the third quarter compared with those of the similar period of 1948. Also presented are the results for the first nine months of the two years and the total deposits at the end of the last two periods.

	—Indicated Earnings—				—Deposits—	
	Third Quarter		Nine Months		Sept. 30 1949	June 30 1949
	1949	1948	1949	1948	—(000 omitted)—	
	$	$	$	$	$	$
Bank of Manhattan	0.52*	0.57	1.41*	1.65	1,040,504	1,061,902
Bankers Trust	0.63	0.69	1.87	2.32	1,316,710	1,416,974
Central Hanover	1.50	1.50	4.50	4.50	1.361,688	1,350,500
Chase National	0.62	0.63	1.85	1.69	4,106 110	4.283,944
Chemical Bank	0.76	0.74	2.23	2.22	1,327,825	1,366,195
Commercial National	0.78	0.75	2.42	2.46	179,006	174,360
Corn Exchange	1.25	1.24	3.73	3.69	739.967	739,902
First National	15.78	18.68	53.17	60.79	658,647	585,181
Guaranty Trust	4.36	4.48	13.76	13.66	2 280,720	2,301,105
Irving Trust	0.31	0.30	0.90	0.90	1,060,925	1,075,448
Manufacturers Trust	1.15	1.08	3:48	3.45	2,094,367	2,234,646
National City	0.74	0.74	2.11	2.29	4,611,284	4,665,463
New York Trust	1.62	1.69	4.70	4.83	610,394	593,249
Public National	1.15	1.23	3.38	3.56	475,248	492,168
U. S. Trust	10.55	10.50	31.45	29.36	113,236	130,095

*Figures based upon 2,500,000 shares outstanding since June 1949 prior to which 2,000,000 shares were outstanding.

In August banks in the New York area benefited by a reduction of two percentage points in required reserves. This release of funds and a somewhat lower demand for business credit were reflected in an expansion of U. S. Government security holdings. Also, although not shown in the above figures, there was a large increase by most banks in holdings of state and municipal bonds.

Loans and discounts were in most cases lower than at the end of June. This reflected a continuance of the decline which began early in the year and although there has in recent weeks been a reasonable uptrend the gain has not been sufficient to offset the declines. Central Hanover and First National were the principal exceptions to the general trend and both showed considerable improvement in loan totals.

In most cases there were only moderate changes in deposits during the quarter although First National was a notable exception showing a substantial increase.

The respective positions in the two principal items of earning assets, U. S. Government Securities and Loans and Discounts, are shown in the following tabulation.

	—(000 omitted)—			
	U. S. Government Securities		Loans and Discounts	
	Sept. 30, 1949	June 30, 1949	Sept. 30, 1949	June 30, 1949
	$	$	$	$
Bank of Manhattan	337,340	334;559	451,217	437,452
Bankers Trust	532,789	542,627	540,976	570,019
Central Hanover	556,049	581,317	484,887	422,896
Chase National	1,760,470	1,723,449	1,317,801	1,382,631
Chemical Bank	494,257	466,238	482,255	482.100
Commercial National	99,128	99,055	45,853	42,812
Corn Exchange	471,958	472,573	69,340	69,984
First National	349,552	316.936	186 620	126 751
Guaranty Trust	1,102,405	1,072,285	956,427	1,061,252
Irving Trust	458,346	451,102	381,682	382.973
Manufacturers Trust	998,900	988,408	555.237	577,363
National City*	1,939,757	1,799,935	1,347.435	1,374 248
New York Trust	272,096	233,613	239,441	243.212
Public National	220,334	238,859	148,752	139,928
U. S. Trust	58,507	65,960	49,044	52,963

*Includes City Bank Farmers Trust Co.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association held its annual convention at Colorado Springs Oct. 5 to 9, preceded by a gala day in Denver, where members attending the Convention were guests of the Bond Club of Denver and the Rocky Mountain Group of the Investment Bankers Association.

The program in Denver included a trip to the Mountain Parks through Central City, the famous ghost gold mining town, a trip through Bear Creek Canyon and the Red Rocks, and cocktails and dinner at the Brown Palace Hotel. A trip to the United States Mint was featured the morning of Oct. 5, with the special train leaving for Colorado Springs at 1 p.m.

The Convention opened with a cocktail party at the Broadmoor Hotel, Colorado Springs, at 5:30 p.m., with members being guests of the Colorado Fuel & Iron Corporation.

Full details of the program and complete coverage of the Convention will appear in the "Chronicle's" special NSTA Number to be published Oct. 27.

1950 Can Be A Better Year

By Q. FORREST WALKER*
Economist, R. H. Macy & Co., Inc.

Commenting on widely publicized changes in American business trends, retail store economist stresses need of distinguishing business ripples from broad currents. Says there is no certainty yet we may not face economic disturbances as serious as those of prior postwar periods, and contends readjustments are not yet complete. Lists government spending as artificial business support, but adds tax reductions and reforms are imperative need. Concludes 1950 can be made better year if prices are held in line and better selling exercised.

Few economic phenomena are so widely publicized as changes in the trend of American business. Our great dailies, syndicated business columns, radio newscasters and trade press pour out an unending stream of fact and speculation about our economic health. If production, sales or prices go up or down by the slightest amount, such facts are news. Daily, and often hourly, changes in our economic pulse are flashed around the world. What happens here is a matter of concern to the wool grower of Australia, the tin producer of Malaya, the rancher of Argentina and all others who depend upon international markets. Destiny has made us the hub of the business universe.

Q. Forrest Walker

Business Ripples Versus Broader Trends

During the past two decades, we have made much progress in the gathering dissemination of business news. There is need, however, for far greater skill in the interpretation of its meaning if we are to avoid needless disturbance of our confidence in the business future. If a major industry has been operating at a high rate and its output falls off a few points, it is not unusual for such a decline to be heralded with "scare" headlines and there are often ominous overtones in the radio newscasts. On the other hand, if a given trade does a little better than last month or last year, this news may be treated in the opposite way. Day to day changes and random and seasonal variations in business activity bulk so large in the news that the more significant cumulative trends receive wholly inadequate attention. Too often, we give distorted meanings to mere ripples in the ebb and flow of business activity.

Imperfect Trend Statistics

Part of our difficulties in interpreting business news stems from the imperfections of our statistical measurements of basic trends. Many of our most widely used business indexes, such as the F.R.B. index of industrial production, national income, wholesale and retail prices and unemployment, are usually interpreted as rather exact measures of economic change. They are not now and probably never can be more than rough indicators. Despite the utmost care in their compilation, it is impossible to avoid what statisticians call the "probable error." Probable errors arise from inadequacy of samples, averaging, seasonal and other factors. They may sometimes attain a magnitude of as much as 10%. Moreover, the probable error is positive or negative.

Minor Changes and Probable Error

For this reason, we need far greater caution in our interpretation of these measures. It frequently happens that business men, politicians, investors and others become unduly disturbed by changes in these measures that are less in magnitude than the inherent probable errors. Business may be better or worse than the indexes indicate. We may arrive too early or miss the boat completely when we place too great faith in the exactness of our economic clocks. In a sense, too, we are often so busy watching the economic clocks that we fail to do the things necessary to keep them going.

Economic Precedents and Forecasting

At its best, business forecasting is a difficult art in which good judgment is sometimes merely good luck. Short run appraisals can be made with a fair degree of accuracy, but longer range forecasts are especially difficult. For longer periods, we have to lean very heavily on economic history. Economic precedents are useful, but they cannot be used blindly. For instance, we know
(Continued on page 27)

*An address by Mr. Walker before the New York Council, American Association of Advertising Agencies, New York City, Oct. 5, 1949.

Mutual Funds

By HENRY HUNT

Market Review

"During September the averages moved to new highs for the summer recovery. Industrials sold at their highest prices since last November, the utilities at their highest since 1946, and the rails at their best prices since last May. Had the market been less firmly entrenched it probably would have had difficulty in withstanding the surprising and confusing news of the month. Profit taking might have been attracted by the 21-point gain since last June. During the month there was the announcement of the end of our atomic monopoly, a coal strike developed, the devaluation of foreign currencies were larger and more widespread than expected, and there was a threat of added costs as a result of union pension demands. Favorable was the upturn in business activity.

"Several factors accounted for the market's calm action last month. The bulls were encouraged by:

"(1) The knowledge that serious declines seldom occur when the smaller traders are skeptical—the odd-lot traders sold on balance every session during the month.

"(2) The short position increased for the ninth time in the last ten months to the largest total since 1932. Some of the more nervous shorts may feel they have too much company and buy the shares that they have sold, but haven't owned.

"(3) Three years ago the 'cat-and-dog' stocks were selling historically and dangerously high in relation to the general market. Today they are selling at a ratio that is lower than it was in the prewar years of 1935-1939.

"(4) Defensive-type common stocks are today selling at historically high premiums compared with general market prices. During the last 25 years greater premiums for such issues were paid only near the bear market lows of 1932 and 1942.

"(5) The more vulnerable capital goods stocks are selling at lower ratios to the steadier-type consumer goods stocks than they have sold at any bear market low since 1932.

"(6) The buyers at the June lows are still reluctant to sell because they will have to pay the higher taxes on short-term profits if they sell before December."—Written by **Ralph Rotnem** of Harris, Upham.

Food for Thought

Out of every 10 people age 65 or over today . . . five are wholly or partially dependent upon public authorities, family, friends or charity; three are still working to support themselves; one has retired on a pension; one has retired on his investments.—*National Industrial Conference Board study.*

Of every 10 men who are 65 or over, only one man has money income of $3,000 or more yearly.—*U. S. Department of Commerce.* —From **"The Commonwealth Dealer."**

Common Stocks vs. High Grade Bonds

"Owning Common Stocks vs. High Grade Bonds," a sequel to "Owning Common Stocks vs. Cash," by Henry Ward Abbot, contains a chart disclosing the interesting fact that latest available earnings on the "Dow" are equal to five times current yields on high grade bonds, the highest ratio that has prevailed during the past 30 years. It concludes:

"Many people buy high grade bonds because they are 'safe,' thus relieving themselves of investment problems. High grade bonds offer assurance of a fixed income plus maintaining their principal intact if held to maturity. Such people often overlook the fact that during periods of advancing living costs it is not enough to keep their principal intact. They also overlook the fact that such bonds have sold well below par in the past and may do it again. In 1920 even U. S. Government 4¼% bonds sold in the low 80s.

"People owning high grade bonds today, people who want no part of investment worry, but would like to increase their investment income, might well consider what mutual funds specializing in the ownership of common stocks have to offer.

"Mutual funds place the responsibility for purchasing and supervising a diversified list of common stocks where it belongs—on the shoulders of full-time professional investment managers.

"Mutual funds are designed primarily for long-term holding shareholders, at their option, may liquidate their shares at net asset value at any time.

"The past record of mutual funds, their current list of security holdings and their method of operation is an open book. Holders of high grade bonds should read it."

Stop "Dollar Erosion" From Eating Up Your Savings Now!

"Remember the loaf of bread that cost you 10 cents in 1939—and costs 20 cents now? the car that cost $900—and costs $1,800 today?

"No one doubts that over the long-term the real value of the dollar—what it will buy in goods and services—has suffered a decline.

"According to standard life expectancy tables, if you are now 25 you may 'expect' to live another 39 years. If you are 35, your expectancy is about 32 years; if you are 45, it is 25 years; 55, 17 years; and 65, 11 years. A dollar saved since 1913 (36 years) is worth relatively only 42 cents today—thus $10,000 would have dwindled to $4,200 in purchasing power. A dollar saved for the past 10 years is worth relatively only 59 cents; thus, $10,000 would have shrunk to $5,900 today.

"Whatever your life span may actually prove to be, history would indicate that rising prices will continue to eat away the real value, or purchasing power, of any fixed dollar savings you may be able to accumulate for the rest of your life. Will your capital suffice for your lifetime?

"Or—*will you outlive your capital?*

"In modern investment history, great strides have been made in harnessing recognized economic forces to conserve and increase invested capital and, as a result, to increase the income it may produce. Several large institutions and organizations, recognizing the effect that 'dollar erosion' can have on their funds, have adopted a type of approach known as 'investment by formula.'

"All such plans are based on the assumption that the prices of stocks and bonds will continue to move both up and down. Sometimes certain types of securities offer unusual opportunities to take profits; sometimes they offer opportunities for 'bargain' purchases. Using modern scientific methods to interpret the pattern of the past, these plans are designed to force the proper action to take advantage of both opportunities—without guessing, without prediction and without emotion. Some of these plans have been in successful operation for a decade or more."—From **"Keynotes,"** issued by **The Keystone Company of Boston.**

If You Own a Hammer, You're a Capitalist

"You paid money for it because you can drive more nails with it in a day (and drive them better) than you can with a rock or the heel of your shoe. You saved money and invested it in the hammer because with the hammer you could produce more—your time would be more productive, that is, more valuable.

"That's what capital is and that's what it is for.

"Now, suppose you hire a man to do repairs around your house. If he drives nails with a rock he won't get much repairing done in a day so you can't afford to pay him much. So your provide him with your hammer; he drives more nails and drives them straighter; he gets a lot more repairing done; so you can afford to pay him more.

"That's exactly how capital works in industry. Millions of people save some of their money instead of spending it all on themselves. They pool these savings and buy a factory and machine. Workers use the machines to produce more and so make themselves worth more.

"But they must produce enough to pay their own higher wages and a small wage to the owners of the machine—what is known as profit. Otherwise, why should savers invest in machines? With no return, they would spend their money like everyone else, and workers would go back to driving nails with rocks—and the low wages which that sort of production pays.

"That's why workers should be just as much interested in making a profit for their company as in making high wages for themselves. No profit—no wages."—*Text of an advertisement by Warner & Swasey, Cleveland, Ohio,* and quoted by **"The Mutual Investor."**

J. O. Stewart Now With Kebbon, McCormick

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Joseph O. Stewart has become associated with Kebbon, McCormick & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchange. Mr. Stewart formerly represented Harrison & Austin in La Porte, Ind. In the past he was an officer of F. S. Yantis & Co.

T. C. Coleman Joins Hill, Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Theodore C. Coleman has become associated with Hill, Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Coleman has recently been with Northrop Aircraft, Inc. Prior thereto he was an officer of Banks, Huntley & Co.

Harlan C. Cottrell, formerly with G. Brashears & Co., has also joined the firm.

Fridley & Hess Admit Douglas Johnston

HOUSTON, TEXAS—Fridley & Hess, First National Bank Building, have admitted Douglas E. Johnston to partnership. Mr. Johnston has recently been with the Houston Natural Gas Corp. and prior thereto was with Fridley & Hess.

New Mutual Fund Organized in Chicago; Shares Will Be Offered at Net Asset Value

CHICAGO, ILL.—Organization of a new diversified open end management type investment company, to be known as The Stein Roe & Farnham Fund Incorporated, is announced today by Stein Roe & Farnham, investment counsellors, of Chicago. Shares of stock

Harry H. Hagey, Jr.

Paul B. Zeisler

Kenneth D. Ross

in the Fund are being offered directly to the public by the Fund itself, which has offices at 135 South LaSalle Street. The offering price per share is the net asset value, which is now approximately $50; and no portion of the proceeds will be used for organization costs or selling commissions. A shareholder may redeem his stock in whole or in part at net asset value less 1%. Shares are transferable. Authorized capitalization consists of 80,000 shares.

Officers of the corporation are Harry H. Hagey, Jr., President; Paul B. Zeisler, Vice-President; Richard H. Templeton, Jr., Secretary; Kenneth D. Ross, Treasurer; Robert A. Woods, Assistant Secretary, and Alden L. Odt, Assistant Treasurer. Directors are Charles Wells Farnham, Frederick Roe, Sydney Stein, Jr., Edward Gudeman, and Messrs. Hagey, Ross and Zeisler. Except for Mr. Gudeman, who is assistant to the Vice-President in charge of merchandising of Sears, Roebuck & Company and likewise a director of that company, all the directors are partners of Stein Roe & Farnham. The officers and directors of the Fund serve without direct compensation.

The First National Bank of Chicago is custodian of securities as well as dividend disbursing and transfer agent for the Fund. Pope & Ballard are its counsel and Lybrand Ross Bros. & Montgomery its auditors. Stein Roe & Farnham will act as investment adviser to the Fund, and, as such, will receive a quarterly fee of ⅛ of 1% of the average net asset value: the firm will receive no other compensation from the Fund and has agreed that if expenses other than taxes exceed 1% of the average net asset value in any year, the firm will reimburse the Fund for any excess.

The Fund was organized primarily as an investment medium for the small investor and is intended to afford such investors the same type of professional investment supervision that investors with security portfolios of $100,000 or more are in a position to receive as individual investment counsel clients of Stein Roe & Farnham. The Fund is intended to be substantially the equivalent of an individually managed investment account, and it will be its policy to maintain at all times a position considered appropriate for the requirements of an average investor. While the Fund will always maintain a substantial investment in high-grade fixed-income bearing securities and is therefore not designed primarily for rapid capital appreciation, the selection of sound, good quality common stocks having unusual long-term growth possibilities will be emphasized in connection with the equity portion of the portfolio. Minimum subscription to be accepted for the present will be $3,000.

Stein Roe & Farnham was organized here early in 1932 and is one of the leading investment counsel organizations in the Middle West.

Harold K. Bradford Heads Three Affiliates of Investors Diversified Services

MINNEAPOLIS, MINN.—Harold K. Bradford, Vice-President of Investors Diversified Services, and for 23 years a prominent figure in the securities and investment business in West Virginia, Washington, D. C., and Minneapolis, has been elected President of three affiliated companies of Investors Diversified Services—Investors Mutual, Inc., Investors Selective Fund, Inc., and Investors Stock Fund, Inc.

Harold K. Bradford

At the same time the directors elected Robert W. Purcell, Vice-Chairman of Alleghany Corporation of Cleveland, Ohio, as Chairman of the boards of directors of the three companies.

Mr. Bradford was in the securities business in West Virginia from 1926 until 1930. He became Securities Commissioner of the State of West Virginia in 1932 and held that position through 1935, serving as Secretary of the National Association of Securities Administrators in 1934, and President in 1935. From 1935 to 1939 he was with the Securities Exchange Commission in Washington, D. C.

In 1939, Mr. Bradford joined Investors Diversified Services (then Investors Syndicate), and in 1940 became an officer in the company. During this period Investors Mutual, Inc., one of the affiliates of which Bradford is now President, was started with an original investment of $100,000. As of Sept. 16, 1949, the fund has grown to $154,694,785 with 13,302,868 shares outstanding and held by over 73,000 shareholders.

Since its organization, Investors Mutual, Inc., has pioneered many changes and unique practices in the investment company field. These include the reinvestment of dividends for shareholders without cost. About 52% of Mutual's shareholders are presently taking advantage of this.

Investors Diversified Services—the parent company—was organized under the name Investors Syndicate in 1894 as an investment company, issuing and distributing its own face amount certificates—investments paid for on an instalment basis. In 1941, the company discontinued its own issuing operations but simultaneously began distribution of the face amount certificates of its wholly owned subsidiary, Investors Syndicate of America, Inc.

Subsequently, additional subsidiary and affiliated companies were formed, including the three funds of which Mr. Bradford was elected President, Investors Syndicate of Canada, Ltd., and Investors Syndicate Title & Guaranty Co. Investors Diversified Services and its subsidiary and affiliated companies now have combined assets of over $640,000,000.

Controlling interest in Investors Diversified Services was acquired early this year by Alleghany Corporation, headed by Robert R. Young, Chairman of the board of directors, and Allan P. Kirby, President. At that time, Young said that the purchase would "provide Alleghany Corporation the opportunity to assist in the reopening of the capital markets of the country which is so urgently needed to support our system of free private enterprise. The only way to obtain the investment money needed to keep up employment is to go to the Main Streets of America and tap the rank and file."

Stockholders of Investors Mutual also re-elected as directors Harlan K. Nygaard, Robert J. Stallman, Carl R. Gray Jr., Henry J. Guild, and Purcell. New directors elected include Bradford, Clarence Meadows, former Governor of West Virginia, and Robert J. Buckley, former United States Senator from Ohio.

Investors Stock Fund stockholders re-elected as directors Clarence E. Drake, Eugene B. Hanson and Randall F. Fullmer. New directors elected include Purcell and Bradford.

Stockholders of Investors Selective Fund re-elected as directors Arthur C. Strachauer and Lucian C. Sprague. New directors are Bradford, Purcell, and John V. Dobson, President of the J. F. Anderson Lumber Co. of Minneapolis.

COMING EVENTS

In Investment Field

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.

Oct. 27, 1949 (New York, N. Y.)
New York Group of the Investment Bankers Association annual dinner and election at the Hotel Pierre.

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.

With Lamson Bros. & Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Henry B. Moss is with Lamson Bros. & Co., City National Bank Bldg.

Holds Planned Economy Complicates Banking Problems

W. W. Townsend tells New Jersey Banking Association a banker cannot rest secure in assumption that government will protect him, merely because he must follow Federal Reserve Board dictation.

Speaking on "Banking Problems Under a Planned Economy" before the New Jersey Bankers Association at Asbury Park, N. J., on Oct. 5, W. W. Townsend, senior partner of Townsend-Skinner & Co., business and bank consultants, contended that "the basic fallacy of the planned economy lies in the assumption that the actions of the public can be both predicted and pre-determined. The plain fact is that the Government can restrict and restrain but it cannot induce the actions of its people by anything short of complete totalitarian control.

W. W. Townsend

"This," Mr. Townsend continued, "presents a very real problem to the banker, who deals in dollars and in debts not only with the public, individually, but with the Government itself, and who has that same Government as a supervising and regulating agency.

"The biggest problem for the banker, who is neither wholly free nor wholly controlled, is to rationalize the activities of the planners and to estimate what will be the actual consequences of those activities, such consequences being more often than not quite at variance with the announcements of purpose and intention.

"As a case in point, the reduction in reserve requirements was supposed to stimulate business borrowing. It did nothing of the sort because the borrowers were not interested in borrowing. It did affect the Government bond market which had been previously stimulated by the withdrawal of the Federal Reserve from that market as a supplier. This further complicates the banker's problem.

"With no criticism intended, the evidence is plain that the Federal Reserve has been the biggest syndicate manager in the history of the securities business since 1942 and its responsibilities in this connection are frequently at variance with the responsibilities set forth in its original charter. Perhaps nothing can be done about this situation at present. It should be recognized, however, by the bankers as only in this way will they be able to regulate their conduct and to discharge their own responsibilities to the public.

"Cheap money has much to commend it, but any virtue carried to excess becomes a vice and cheap money is no exception.

"The banker can neither rest secure in the assumption that the Government will not allow anything untoward to happen to him and his institution nor can he break away from the chains which have been wrapped around him and around the Federal Reserve itself, by the whole conspiracy of circumstance which developed out of the necessity of winning the war at all costs.

"In order to win that war it was necessary for us to indulge in a great number of evils which were lesser by comparison with the greatest of all evils, which would have been to lose the war, but those who tell us that because those evils were lesser, they are good, are doing us a real disservice. In the last analysis, we cannot escape the consequences of a whole host of those lesser evils, including an astronomical debt, an inflated money supply, the decreased purchasing power of our monetary medium and a great deal of social unrest. The banker is so bound up in this web that he cannot now escape but, on the other hand, he must never relax his efforts or he will find himself inevitably and inexorably socialized, as have been his confreres in England."

Veneklasen Joins Staff of Voss Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Herman W. Veneklasen has become associated with Voss & Company, 39 South La Salle Street. Mr. Veneklasen was previously with Reynolds & Co. and prior thereto was with L. F. Rothschild & Co. and Boettcher & Co.

J. A. Hogle Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Carl B. Klein has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street.

Canadian Securities

By WILLIAM J. McKAY

During and since the war Canada's great gold-mining industry which previously played a dominant role in the Dominion's economy has been to a large degree neglected. This is a natural development during boom periods but as the experience of the early 1930's clearly demonstrated, gold can be a powerful offset in times of economic decline.

Gold, unlike other commodities, is assured of a stable market, and during depression periods the costs of production decrease. At such times also in this era of managed money there is always the possibility of an upward revaluation of the gold-price in order to arrest the downward economic trend. The gold-producing countries therefore possess an invaluable advantage whenever depression threatens.

There are now many indications that Canada will shortly be confronted by many difficult economic problems and the answer must be provided within her own borders; it is increasingly evident that the exceptional assistance provided by this country during and after the war is now no longer possible. Canada is already the second largest gold - producing country of the world but the possession of the fabulous Laurentian Shield provides, with proper encouragement, the opportunity for extraordinary expansion of output.

Some attempts have been made to arrest the striking decline in gold production which has taken place in the past few years. The upward revaluation of the Canadian dollar dealt an almost mortal blow to the industry and it was subsequently necessary to introduce the Gold-Mining Emergency Assistance Act in order to prevent a still more serious decline. Following the recent devaluation, however, the benefits resulting from this legislation will be drastically cut at the end of the year.

From the production low-point registered during the war years there has been only a slight recovery and the previous peak level of over $200 millions is still far away from probable attainment under present conditions.

With adequate encouragement there is little doubt that previous production figures could be largely exceeded. Assistance in the shape of cumbersome legislation is by no means the ideal solution. At the present time moreover Canada has an exceptional opportunity to provide an extraordinary stimulus to the gold-mining industry by a more direct method.

The 30% devaluation of the pound under normal circumstances would have been followed almost automatically by a 15% devaluation of the Canadian dollar. The unexpected extent of the slash in sterling, however, came as a distinct surprise even to Britain's own Dominions; their subsequent reactions were necessarily precipitate. In the case of Canada the situation was particularly embarrassing from the political standpoint. The Conservative opposition during the election campaign just concluded had made an important issue of the exchange question. The Liberals were forced into the position of defending at all cost the maintenance of the par dollar. In these circumstances therefore a compromise decision ot devalue by 10% only was a natural outcome.

Now there has been time for adequate reflection and especially in view of the still more striking recent currency slashes by the Latin American countries Canada can still amend her previous improvised decision. This would not only place Canadian exports on a better competitive position but it would also provide a powerful stimulus to Canada's potentially most valuable natural resource—the Dominion's gold and allied base-metal production.

During the week there was good demand for external bonds slightly below the current market. The internals were also steady but there was little change price-wise. Free funds were exceptionally strong at 9⅜%, only a fraction from the official selling level and the corporate-arbitrage rate was firm at 12½%-11¾%. Stocks were irregular with renewed demand for Western oils and an easier tendency in the base-metal issues following the lead price-cuts. The industrials were mostly higher led by Abitibis which advanced sharply on the highly favorable dividend report.

Quick-Seal Products Common on Market

Offering of 49,900 shares of Quick-Seal Products, Inc. $1 par value class A common stock was made Oct. 11 by J. H. Drass & Co. Inc., Sunbury, Pa. The stock is priced at $6 per share.

Proceeds from the sale of these shares will be used to construct and purchase new machinery, to pay off notes issued in the acquisition of patents and other assets, and to raise working capital. Unless 35,000 or more of these shares are subscribed, none will be sold and all paid subscriptions will be refunded.

Quick-Seal Products, with headquarters in Shamokin, Pa., holds patents on and is engaged in the manufacture of a revolutionary type plug for use as a stemming and safety device in blasting operations. These plugs have potential use in coal mining and excavating operations as well as many other uses where dynamite blasting must be confined to close quarters.

The duPont Company of Wilmington is the sales agent for the company's products in the United States.

W. F. Kusay Opens

CHICAGO, ILL.—W. F. Kusay will engage in a securities business from offices at 622 West 120th Street. He was previously with Sills, Fairman & Harris.

British Exports to Dollar Area

By PAUL EINZIG

Dr. Einzig analyzes views on probable effects of devaluation on British exports to dollar area. Holds it should not be assumed that British exporters are in position to obtain same dollar prices as before devaluation, and predicts rise in sterling prices above their pre-devaluation level. Sees, however, some net gain in dollar proceeds from devaluation.

LONDON, ENGLAND.—One of the most highly controversial questions arising from the devaluation of sterling is the probable extent to which that change is liable to affect the volume and value of British exports to the dollar area. For many months before the devaluation the main argument against it was the view that the increase in the volume of such exports would not compensate Britain for the decline of the dollar proceeds of the goods which could be sold in the Dollar Area on the basis of the old exchange rate of $4.03. This view is understood to have been held by the permanent officials of the Treasury and the Board of Trade, on whose advice the Government took the line that a devaluation, so far from resulting in an increase of the country's dollar earnings, would actually reduce them, for on the basis of a lower rate the dollar proceeds of an increased volume of exports would be less than they would be in the absence of a devaluation.

Dr. Paul Einzig

Some months ago, following the fall in prices in the United States, a number of leading British officials are understood to have changed their view on this matter. They arrived at the conclusion that, after all, it would be worth while to devalue the pound, as the increase in the volume of British exports to the Dollar Area would more than compensate the country for the adverse change in the terms of trade brought about by a devaluation. The main reason for this change of attitude was the fall in the volume of British exports to the Dollar Area during the second quarter of 1949 fall which provided a fair scope for an increase through price reductions. It was this change of attitude of the officials which has led to the conversion of several Ministers (including the Prime Minister) in favor of devaluation. Sir Stafford Cripps was not prepared, however, to accept the new view, and it was only when he found that the overwhelming majority of the Government now favored devaluation that he agreed reluctantly to adopt that course. However this may be, his enforced conversion was very thorough-going indeed. In a statement to the press on the day after the devaluation, he said that there was no reason why the devaluation should reduce the dollar prices of the exports which were sold in the Dollar Area on the basis of the old rate. According to his revised opinion, the increase of the volume of British exports to the Dollar Area would be a net gain to the British dollar reserve, for it is only these additional exports that would have to be sold at lower dollar prices.

The opposite extreme was represented by those critics of the devaluation who held the view that, in order to earn as many dollars as Britain earned before the devaluation, the volume of British exports to the Dollar Area would have to be increased by 142.8%, and in order to bring about a substantial increase of dollar earnings the volume of these exports would have to be practically doubled. On the basis of this view, they inferred the conclusion that it would be quite impracticable to achieve or even approach that end, and that even if it were possible the extra labor involved would be highly detrimental to the British standard of living.

Needless to say, both extreme views are fundamentally false. Sir Stafford Cripp's synthetic optimism in expecting that the goods that were salable in the Dollar Area before devaluation would continue to be sold at the same dollar prices is as untenable as his critics' pessimism in believing that all British exporters to the Dollar Area would automatically cut their dollar prices, following on the devaluation, by full 42.8%. The truth lies somewhere between the two extremes, but no living human being could possibly claim to be able to guess where exactly, or even approximately, it lies.

There are undoubtedly certain types of goods which continue to sell at the same dollar prices as before devaluation, though the exporters concerned may, of their own free will, cut the dollar prices to some extent in order to expand their markets in the Dollar Area. Hitherto they were unable to cut their prices, because in doing so their exports would have ceased to be profitable. Now they receive more sterling on the basis of the pre-devaluation dollar prices, and could afford to sell at lower prices. They could not afford, however, to give away the whole of the 42.8 increase of sterling yield on dollar sales. For one thing, part of the dollar proceeds of their sales is absorbed by dollar expenditure incurred in connection with the marketing, transport and distribution of their goods in the Dollar Area. Moreover, they would be unwise to assume that their sterling cost of production, transport, insurance, etc., would not be affected by the devaluation. Indeed, in most instances the prices of imported raw materials have been increased or are likely to be increased soon. Wages, too, are likely to increase, partly as a result of the higher cost of living that will inevitably follow the devaluation of sterling, and partly because their workers are sure to claim their share of the wider margin of profit resulting in from the higher sterling yield of the exports to the Dollar Area. So the exporters could not afford to give away the whole of this wider margin through a reduction of their dollar prices.

On the other hand, it would be wrong to assume that many British exporters are in a position to demand, and obtain, the same dollar prices as they did before devaluation. Only those trades which have a water-tight export organization for the whole trade can do so. In other trades competition between British exporters is likely to lead to dollar price cuts. And even some of the "monopolistic" exporters may have to face competition on the part of exporters of other countries which have devalued their currencies. Last but by no means least, many American firms are likely to cut their prices in order to meet the competition stimulated by the devaluation. For this reason alone, Sir Stafford Cripps was mistaken in his optimistic assumption.

There are innumerable other factors which are liable to affect the extent to which British exporters will have to cut their dollar prices to a greater or less extent. American tourists or business men may pay visits to Britain and make purchases on the basis of the sterling prices. Even in these instances, for reasons stated above, the sterling prices are likely to rise above their pre-devaluation level. Time only will show the extent to which the rise in the volume of British exports will have to pay for the reduction in the dollar proceeds of the pre-devaluation volume. On the whole, however, it is safe to assume that there will be some net gain of dollars, though this will depend largely on the attitude of Congress towards the undertakings given by the Administration concerning a reduction of the American tariff and a simplification of Customs procedure. For the present, unbounded Crippsian optimism and the defeatism of some of the critics seems to be equally ill-advised.

Fixter and Wyckoff With J. W. Sparks

PHILADELPHIA, PA. — The formation of a municipal bond department under the direction of Walter D. Fixter and George H. Wyckoff was announced by J. W. Sparks & Co., Western Savings Fund Building, members of the New York and Philadelphia-Baltimore Stock Exchanges, the New York Curb Exchange and the Chicago Board of Trade.

Walter D. Fixter

The establishment of the new department marks the reentrance of the firm into the field of municipal bond financing after a lapse of some 10 years.

Fixter and Wyckoff formerly headed the municipal bond department of Buckley Bros., which recently dissolved. Both men are widely known in the municipal bond field.

Fixter is a member and past President of the Municipal Bond Club of Philadelphia, and a member of the New Jersey Bond Club and Investment Traders Association of Philadelphia.

Wyckoff, prior to his association with Buckley Bros., was a partner of M. M. Freeman & Co. and later was associated with the firm of A. Webster Dougherty & Co. He is a member of the New Jersey Municipal Bond Club and the Municipal Bond Club of Philadelphia.

Cohu Installs Wire To Detmer, Chicago

Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange and other exchanges, have installed a private wire to Detmer & Co., 105 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange. The firm also announces, as previously reported in the "Chronicle" of Oct. 6, that Almon L. Hutchinson is now associated with its trading department.

Stern, Lauer & Co. Adds Edw. Plotkin to Staff

Stern, Lauer & Co., 30 Pine Street, New York City, members of New York Stock Exchange, announce the association of Edward H. Plotkin with the firm. Mr. Plotkin was formerly with Bendix, Luitweiler & Co.

Devaluation and Philippine Peso

By ALFONSO CALALANG*
Deputy Governor, Central Bank of the Philippines

Though asserting currency devaluation in modern economic life has become an effective national instrument of monetary action and something nations have to resort to from time to time in order to survive economically, Philippine national bank executive gives assurance that everything possible will be done to maintain stability of Philippine peso. Says European devaluations have had no unfavorable repercussions on Philippine business or on stability of Philippine currency.

Events of the past fortnight focused the attention of the world on the subject of devaluation. Devaluation is not a new thing. It is a synonym of debasement and debasement is almost as old as coinage. Greek monetary history contains the record of famous debasements of the coinage by Solon at Athens, and Dionysius at Syracuse, while the ancient Roman Empire offers a succession of debasements that would be too monotonous to recall. Coming to more modern times, Henry VIII of England, who was more famous for having had eight wives than for any other thing he did during his reign, made a personal profit amounting to one-quarter of the total value of all the coins minted in England between 1542 and 1547.


Alfonso Calalang

The only difference between debasement and devaluation is that in former times and until very recently debasement has not only been considered immoral, but has also been regarded by economists, financiers, politicians and statesmen alike in the same light as downright fraud, stealing or robbery. But as a result of the economic upheavals and financial dislocations that followed in the wake of World War I, climaxed by the greatest stock market crash of all times—the crash of the New York Stock Market in 1929—which was followed by the greatest of all great depressions and whose effects reverberated throughout the world, culminating in the closing of all banks in the United States at the time of the first inauguration of Franklin D. Roosevelt as President of the United States on March 4, 1933, there has been a change in mental attitude with respect to devaluation. Among the first of the many remedies and instruments of political and economic action which President Roosevelt utilized in the early months and years of his administration to bring order out of chaos in the then almost moribund economy of the United States was the devaluation of the dollar, which was formalized by an Act of Congress in 1934. Let no one think for a moment that the United States of America was the first among the modern nations to devalue its currency. France did it in 1928 with the franc; England, by abandoning the gold standard in 1931, devalued the pound sterling that year.

It is a paradox of history that nations which were the foremost champions of the gold standard and which were the staunchest advocates of sound and stable currencies have been the first to abandon the gold standard and to devalue their currencies during the second quarter of the 20th Century. It is also a paradox of history that many leader-nations of this world have become victims of political and economic systems they themselves championed.

Up to the outbreak of World War I in 1914, the gold standard reigned supreme and the 100 years that preceded 1914 was a century noted for economic and industrial progress. This progress was achieved because and as a result of adherence to the gold standard. So great was the faith of the nations and mankind in the gold standard during the 100 years that preceded 1914 and so enormously wealthy did the world become during that period that one school of economic throught denominated it the Golden Century. Up to 1914 most of the civilized world thought that with the world-wide adoption of the gold standard, man's quest for the ideal monetary standard had ended; that we were already on the threshold of an economic millennium which was to bring economic stability to the world.

Breakdown of Gold Standard

But the outbreak of World War I in August, 1914, rudely awakened mankind from its reverie. Almost immediately after the outbreak of that war, many currencies of the world ceased to be freely convertable, foreign exchange rates fluctuated widely, and the world suddenly came to the realization that gold for the first time in 100 years has failed mankind. As the events which followed the Armistice of 1918 proved, the gold standard was not the one monetary standard that will save the world from chaos.

England was the first of the great powers of the modern world to adopt the gold standard. During the Golden Century, England became the greatest and most powerful political and economic empire the world has ever known; an empire on which, at one time, the sun never set, with London as the undisputed financial capital of the world; an empire which became great and strong under the gold standard; this empire, as a consequence of the impacts and repercussions of two World Wars has disintegrated and is now, according to a spokesman of the present Labor Government in England, "on the brink of a terrifying chasm."

Who would have thought that following the New York Stock Market Crash of 1929, the United States of America, which even then was considered the wealthiest nation in the world, enjoying the highest standard of living, blessed with a stable currency—the United States dollar—which was based on the orthodox gold standard, yes, who would have thought that after three years of an economic depression, all of the banks in the United States would have to close, that her level of industrial activity would fall down so low as to bring unemployment to and make idle about 15 million people out of a total population of 130 million?

Who would have thought that within the short space of three years — from 1930 to 1933 — the United States of America would sink from heights of intense prosperity to the lowest depths of depression? Yes, who would have thought that the United States of America which has, for almost a century and a half, placed so much reliance on gold and which has become so prosperous as a result of its adoption of and adherence to the gold standard, would suddenly abandon the gold standard and devalue the dollar?

Philippines Firm Against Peso Devaluation

Once again, as an aftermath of World War II, we are witnessing another series of currency devaluations, the long range consequences of which are too early to predict or foretell. Devaluation, in modern economic life, has become an effective national instrument of monetary action. It has become one of those things which nations have to resort to from time to time in order to survive economically. With regard to the Philippines, however, the devaluation of the pound sterling from $4.03 to $2.80 as announced by the British Chancellor of the Exchequer on Sept. 18 and confirmed by the International Monetary Fund the following day, and of the other currencies in the sterling area and elsewhere, we in the Central Bank stand firm in the announcement we made nine days ago that we expect no immediate serious repercussions in the Philippines as a result of such devaluation. Let the Cassandras and the prophets of disaster think otherwise. But we in and of the Central Bank of the Philippines will do our best to maintain stability of the Philippine peso, both in the domestic and in the international field. We shall not just sit down and wait. We shall, to the best of our ability, and with the instruments of action available to us, see that the confidence of our people and of other countries and peoples in our currency is maintained. God willing, we hope to succeed.

Let me recall to you that on that fateful Monday last week, Sept. 19 to be exact, while in London and in the capitals of Europe and in many countries outside North and South America, the banks and exchanges were closed and people were panicky; here in Manila, on that day, our banks and the Manila Stock Exchange conducted business as usual. There was no panic, there were no runs, there was no rush to buy dollars, the people remained calm. The devaluation of the pound sterling and of other currencies has not produced the consequences which other quarters had feared, and we do not anticipate any such consequences in the near future. These, I can only attribute to the fact that our currency is stable and sound, to the fact that the people of the Philippines, Filipinos and foreigners alike, have confidence in the Philippine peso.

*An address by Deputy Governor Calalang before Lions Club of Manila, Manila, Philippines, Sept. 28, 1949.

Reynolds Sponsors Investment Course

LANCASTER, PA.—Reynolds & Co., members of the New York Stock Exchange, are sponsoring an investment course for women to be given on Wednesday evenings through Nov. 9 at the Fackenthal Library of Franklin and Marshall College.

Two hundred and twenty-five women have already registered for the course. Attendance at the meetings is by reservation only and those wishing to attend may make arrangements with Prof. William A. Thomson of the College.

Speakers include John A. Murphy, Reynolds & Co.; Miss Lesley Frost, Federation of Women Shareholders in American Business; R. I. Cummin, Reynolds & Co.; Prof. Winthrop Everett of Franklin and Marshall College; L. S. Warren, Reynolds & Co.; Joseph E. Welch, Wellington Fund, and Hugh Johnson, George D. B. Bonbright & Co.

John Greany Opens

MIDLAND, TEX. — John D. Greany will engage in a securities business from offices at 104 South Colorado Street.

Cardinal Factors Overlooked in Devaluations

By MAX WINKLER
Partner, Bernard, Winkler & Co.

Dr. Winkler points out that 1931 devaluation of pound did not alter adverse balance of trade of United Kingdom, and there is still uncertainty extent of present devaluation is sufficient.

Advocates of currency devaluation or exchange manipulations overlook one cardinal factor: If these steps help solve fiscal problems, there are no reasons for such problems ever to exist. The moment they arise, the government in question simply devalues. If it be argued that devaluation affords only temporary relief, what prevents governments from starting all over again, as soon as the time limit expires? It may, of course, be contended that the process should not be carried too far. However, who knows the answer to the question: How far is "too far?" British, and presumably U. S. monetary experts felt that a reduction in the value of the pound from $4.00 to $2.80 went far enough. French, Belgian and Dutch experts feel the reduction was too drastic.


Dr. Max Winkler

Britain's move is said to have been prompted by a desire, nay, the necessity to obtain more dollars for her exportable goods and for her services. Almost exactly 18 years ago Great Britain took a similar step. What happened, is revealed in the subjoined statistics (in millions of dollars):

United Kingdom Foreign Trade

	*Exports	Imports	Adverse Balance
1928	4,106	5,818	1,712
1929	4,082	5,941	1,859
1930	3,301	5,081	1,780
1931	**2,076**	**3,901**	**1,825**
1932	1,459	2,460	1,001
1933	1,382	2,237	855
1934	1,345	2,199	854

*Includes re-exports.

While it cannot be proved with mathematical precision that there is a distinct relationship between Britain's devaluation in 1931 and the pronounced decline in exports during each of the following three years, it is nevertheless significant that the British expectations that a lower pound would result in increased exports did not materialize. What basis is there for believing that devaluation in 1949 will bring about results different from those occasioned by devaluation 18 years earlier? There is, however, one consolation: Britain's adverse balance of trade was reduced very considerably during the years in question. However, this reduction resulted from a sharp curtailment in imports. Great Britain's difficulties are much too fundamental in nature to justify the belief that mere enactment of laws would bring about changes for the better. These difficulties may be summarized as follows:

(1) Loss of overseas investments accompanied by a very drastic reduction in income derived therefrom;

(2) Abnormally high expenditures incident upon the maintenance of armies, air forces and navies;

(3) Distressing chaos in world commerce resulting from the tragic cleavage between East and West.

If statesmen are interested in bringing about a change for the better in the field of economics and finance, it is imperative to take such measures as will eliminate the factors referred to above, or at least reduce their importance.

San Francisco Bond Club Outing

SAN FRANCISCO, CALIF.—The San Francisco Municipal Bond Club held its annual fall outing at the Colonial Village, Guerneville, Calif., Oct. 7-9. Features of the three-day outing were a golf tournament, shuffleboard tournament, baseball game, horseshoes, swimming, dominoes, tennis, etc.

Members of the committee were Andrew E. Steen, American Trust Co.; Al Beaumont, Dick de Graca, and Belden S. Gardner, Hannaford & Talbot.

"Wall Street Is Main Street—Main Street Is Wall Street"

By EMIL SCHRAM*

President, New York Stock Exchange

Pointing out increased consumption is goal of all economic activity, Mr. Schram holds this objective cannot be obtained without more investment. Says government investment as substitute for private enterprise is repugnant to American people, and extols work of U. S. corporations investing capital abroad. Stresses shabby treatment of capital at home, as deterrent to equity capital and asserts, if investment is encouraged at home, funds will readily flow abroad. Concludes equity capital shortage has become national emergency.

Never before have Wall Street and Main Street been so close. Never before have the interests of Main Street and Wall Street been so interrelated. Main Street, to a group concerned with the problem of distribution, stands for consumption. The goal of all economic activity is consumption.

Emil Schram

Since consumption is the end of economic activity, it follows that the reduction of costs is an ever present challenge. No one knows this better than you whose business is primarily distribution. How to cut the expense of distribution has been one of the baffling problems of the American economy as far back as I can remember. I am sure that, as a result of changes in merchandising methods and of cooperation between manufacturers and retailers, that continued progress will be made in bringing down the cost of goods to the final consumer.

I am sure, too, that costs cannot be reduced without further investment. The consumer did not get more for his money from the store that was run without system or method, with antiquated fixtures and equipment and with little capital and no competition.

The cost of moving a ton of coal from the mines of Pennsylvania to New York City before the railroads were built was many times what it is today. At the turn of the century the amount of coal required to produce a kilowatt hour of electric power amounted to more than seven pounds. Plants recently completed use three-quarters of a pound of coal to turn out the same energy.

Economic Progress Due to Large Investment

Almost every change that has differentiated our living standards from those of the past has been the result of large investment. The order of events is larger investment, lower costs, larger output, and, finally, lower selling prices and enlarged consumption. This is the essence of economic progress.

I believe that the idea of government investment, as a substitute for the free choice of business organizations and individuals is altogether repugnant to the American people—particularly to those who are alert to the consequences. They recognize it for what it is—the inevtiable euthanasia, not only of the investor but of freedom. In saying this, I have in mind my experience as Chairman of the Reconstruction Finance Corporation, whose emergency activities I wholeheartedly favored. The "emergency" seems to have continued under circumstances far different from those justifying the early activties of the RFC. I cannot believe that the recent trend toward the broadening of its activities reflects the conclusions of a responsible body of Washington opinion. The use of government money to invest directly in business enterprise is indefensible. The expansion of the RFC under present conditions suggests a fallacious policy predicated on the assumption of a deteriorating and chaotic, rather than a vigorous dynamic economy.

Some months ago, Mr. Willard Thorp, Assistant Secretary of State for Economic Affairs, stated, "Economic development is not limited to industrialization in the narrow sense of manufacturing. Surely, the development of manufacturing enterprises is generally a necessary part of economic development, but it is not the whole, and often not the most important element. Economic development embraces advances in agriculture, mining, transportation, communications, power, and in the skills and capacities of the people. It requires the expansion of the distribution system, and the full machinery required for the exchange of goods."

This is an excellent description of economic development or economic progress. It recognizes all of the major phases of man's efforts to make a living and to live more completely. While Mr. Thorp was speaking primarily of foreign investment, his remarks are equally pertinent in considering the future of the United States, and let this be noted by those who have preached the doctrine of American economic maturity—that in the 50 years since the geographical frontier was closed, changes in America's living habits have been altered to a greater extent than in any other period. The second half of the 20th century holds out equal promise of further widening horizons on the economic frontier, with the single qualification that energies be not bottled at the source. The source is, and in a society founded on business enterprise, must be, enterprise fund, or in more familiar terms, venture or equity capital.

U. S. Capital Abroad

A great New England enterprise has expanded more than $300,000,000 in Latin America in the development of lands previously useless and several hundreds of thousands of acres of such lands have been converted into fertile, producing farms. Virgin forests have been cleared and uninhabitable swamps have been converted into excellent agricultural land by scientific, large-scale drainage and extensive sanitation programs.

For approximately one-half million persons in Central America dependent on the company's 100,000 employees, far-reaching benefits have been established in the fields of primary educational facilities, in public health, in housing facilities, in technical training. The company maintains 13 tropical hospitals with an overall staff of almost 1,100, and its medical department promotes graduate study in North America in tropical medicine.

Nationals are assisted in reforestation and the company is also engaged in research in land use, planting considerable acreage to Manila hemp, cocoa, African palm oil and various precious hardwoods. The development of banana plantations involves long-range planning. New acreage must be cleared, filled and drained, rivers diverted and railroads, town hospitals and schools built.

The company to which I refer, as you have already gathered, is a pride of Boston — the United Fruit Company.

Another American Corporation has been supplying "developmental" capital in various parts of the world for a quarter of a century. From the end of 1945 to the close of this year the company's construction expenditures will have totaled approximately $140,000,000. It has had record operating revenues and net operating income. Yet, beset with difficulties arising out of local conditions such as compulsory wage adjustments and foreign exchange problems, the company has had to suspend dividends on its preferred stock. One of the company's major problems is to arrange the financing required for a longer-term construction program, which will enable the operating companies to meet the continued demand for additional supplies of power for which the demand is urgent. The company to which I refer is the American and Foreign Power Company.

How are we going to induce a new generation of Americans, brought up on wicked stories of American capitalism which are out of date by at least half of a century, to invest abroad. I would like nothing better than to look down the list of companies whose securities are publicly traded on the New York Stock Exchange and find equities of water works in South America, electric light and power companies in the Middle East and companies developing mineral and forest, resources in Africa.

That would be a sign of real economic maturity and also of international understanding. New England pioneered in international commerce and is awake to the promise of international investment. How can we expect foreign countries to amend their laws and policies and change their attitude toward American capital, knowing that investment and investors at home are discriminated against, ignored and discouraged?

Fair Treatment of Domestic Capital Lacking

Suppose the legendary man from Mars were to come down and listen to the description of the invaluable work to be done with American funds in developing the resources of foreign countries and in imparting American know-how. What would he conclude as to the treatment of American investment at home? If he were told that obstacles to ownership have been set up, I venture that it would seem beyond belief.

Not so long ago we were a debtor nation and it is familiar history that many of our resources were developed by foreign capital. Leading industries were financed with funds originating in London, Edinburgh, Paris, Amsterdam and Frankfort. Certainly

(Continued on page 34)

*An address by Mr. Schram at a luncheon meeting of the Boston Conference of Distribution, Boston, Mass., Oct. 11, 1949.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The **New York Savings Bank at 8th Avenue and 14th Street, New York**, announces the election of Malcolm G. Davis to its board of trustees at a meeting held on Oct. 11. Mr. Davis is Vice-President of Gilbert Associates Inc., engineers and consultants, in charge of research and special studies. He is a graduate of Massachusetts Institute of Technology and has been associated with the public utility industry as an engineer and economist since 1925.

Malcolm G. Davis

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J. P. MORGAN & CO., INCORPORATED, NEW YORK

	Sept. 30, '49	June 30, '49
Total resources	$795,965,138	$611,460,129
Deposits	717,179,681	537,765,991
Cash & due from banks	204,820,084	152,871,613
U. S. Govt. security hold'gs	349,571,087	236,878,738
Loans and bills discounted	194,537,715	175,259,039
Undiv. profits	20,613,633	19,874,117

* * *

At the regular meeting of the directors of **The National City Bank of New York** on Oct. 11, Highland C. Moore and Clifford D. Rahmer, Assistant Vice-Presidents, were appointed Vice-Presidents. Mr. Moore is located at the 42nd Street and Madison Avenue Branch, and Mr. Rahmer will succeed Louis F. Sperry, Vice-President at Head Office supervising the bank's activities in the States of Pennsylvania, New Jersey, Delaware, West Virginia and Kentucky. Mr. Sperry will be transferred to the National City's new Fifth Avenue Branch when it is opened at 51st Street at Fifth Avenue. He will be associated with Vice-Presidents Hobart M. McPherson in the management of this branch. The building for the Bank's new uptown location is now nearing completion and when it is ready it will be occupied by the branch now located at 9 West 51st Street.

* * *

Harvey D. Gibson, President of **Manufacturers Trust Company of New York**, 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 became associated with the bank in 1927, and was made an Assistant Secretary in 1938.

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THE MARINE MIDLAND TRUST CO. OF NEW YORK

	Sept. 30, '49	June 30, '49
Total resources	$299,033,854	$313,154,358
Deposits	272,926,040	287,221,440
Cash & due from banks	74,279,149	98,855,230
U. S. Govt. security hold'gs	98,670,600	94,550,813
Loans and bills discounted	113,385,507	109,258,773
Undiv. profits	5,270,215	5,032,988

* * *

The election of Albert W. Ashley as Assistant Secretary, of the Industrial Bank of Commerce of New York is announced by Walter E. Kolb, President. Mr. Ashley, who succeeds the late George W. Hall, is second in charge of the main office consumer credit department; he has been with the bank 21 years. Also announced were the appointments of the following Assistant Branch Managers: William Gardner, Brownsville office; William A. Regan, uptown office; Eugene J. McCauley, Fordham office; Robert L. Sutherland, Yonkers office.

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	Sept. 30, '49	June 30, '49
Total resources	$216,265,101	$220,761,836
Deposits	186,887,778	192,915,952
Cash & due from banks	47,990,102	53,702,649
U. S. Govt. security hold'gs	56,954,763	56,645,319
Loans and bills discounted	42,717,475	46,109,009
Capital & surp.	13,985,284	13,965,284

* * *

Douglas H. Foxall has been elected to the board of directors of the **Savings and Loan Bank of the State of New York. Mr. Foxall** is Executive Vice-President of the Eastman Savings & Loan Association which provides banking and loan services to Eastman Kodak Company employees.

* * *

Donald J. Lewis has been elected a Vice-President of the **Second National Bank of Boston, Mass.**, it is learned from the Boston "Herald" of Oct. 6.

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Action on the proposed merger of the **Capitol National Bank & Trust Co. of Hartford, Conn., with** the **Phoenix State Bank & Trust Co.** of that city, will be taken at a special meeting of the stockholders of the latter on Oct. 25. Preliminary to the merger, said the Hartford "Daily Courant" of Sept. 23, the par value of the shares of the Phoenix will be reduced from $100 to $25 a share. The "Courant" also said:

"Approval of a preamble relating to the merger with the Capitol National will be given at the meeting. The agreement pertaining to the merger will be acted upon at an adjourned meeting of the Phoenix State Bank and Trust Company stockholders to be held Nov. 21."

Effective at the close of business Sept. 19, the Capitol National Bank & Trust Co. was placed in voluntary liquidation, having been succeeded by the **Capitol State Bank & Trust Co.**, according to the Oct. 3 bulletin of the Office of the Comptroller of the Currency. A previous reference to the merger plans appeared in these columns July 7, page 72.

* * *

W. Paul Stillman, President of the **National State Bank of Newark, N. J.**, announced on Oct. 5 the appointment of Hobart C. Ramsey, President of Worthington Pump and Machinery Corp., as a director of the bank, which was founded in 1812 and which is New Jersey's oldest bank. Mr. Ramsey, who has been President of Worthington since July 1 is a native of New Jersey and graduated from the U. S. Naval Academy at Annapolis in 1915. His association activities include Past-President and Chairman of the National Security Industrial Association; a director of National Association of Manufacturers; Chairman of Committee on Patents and Research of NAM, etc.

* * *

Through a stock dividend of $100,000, the **Sussex & Merchants National Bank of Newton, N. J.**,

(Continued on page 39)

Foreign Trade Council Reports on Devaluation

Its European Division issues preliminary survey in which it is stated devaluation will not meet all claims made for it. Lists benefits and drawbacks.

The National Foreign Trade Council, an organization sponsored by business concerns engaged in foreign trade, released on Oct. 7 a review of recent currency devaluations, prepared by the NFTC European Division, in which it was pointed out that many who opposed the pressure for devaluation did so not from any failure to recognize possible benefits of such action. Rather "it was because they believed that it would only postpone the time when the all-essential fundamental readjustments in production costs and trade and currency barriers would be faced."

The report contends that much more needs to be done by all countries concerned if recent currencey devaluations are to point away successfully from bilateralism and arbitrary trade controls towards commerce based on consumer choice and free market factors.

"Devaluation will not meet all claims made for it," the report asserts, "if sole reliance is placed on it as a solution to the comprehensive world trade problem."

Stating that it is too early to reach any firm conclusion on the success or failure of the devaluations, immediately beneficial results as well as certain drawbacks were listed as follows:

"(1) The air has been cleared and the tension of the past few months relaxed. Once a large section of the world had made up its mind that devaluation was inevitable, and had begun to operate on this expectation by selling the pound short (actually or through delaying purchases in the United Kingdom), in view of lowered reserves Britain had no alternative to devaluation. The new rate for the pound sterling gives an appearance of far greater firmness, and thereby contributes to international financial stability. This, in turn, should enable both plans and commitments to be projected further into the future.

"(2) Competitive positions have been restored, thus laying the groundwork for a return to more normal trade practices. If devaluation is to have any lasting effect and meaning, however, it should point away from bilateralism and arbitrary allocations or controls toward consumer choice based on market factors.

"(3) The possibility of reducing and eliminating multiple quotations and roundabout deals has been materially improved. In this connection, however, it should be pointed out that some currency relationships are still considered to be out of line, eventually necessitating at some future date individual country adjustments in cooperation with the International Monetary Fund.

"(4) An impetus has been given to greater production, particularly of gold and other items which already have a favorable market in the dollar area. One estimate suggests an increase in gold shipments to the United States of as much as $200,000,000 annually. Unless there is a sharp rise in costs, marginal mines are expected to be brought back into operation."

The following drawbacks were cited:

"(1) Inefficient producers in various countries have been given a new lease on life. Firms with high-cost structures, whether caused by deficiencies in management or labor, have for the time being been relieved of the pressure which they were beginning to experience and, therefore, no longer feel the urgency to improve conditions.

"(2) Industries depending on dollar area raw materials or equipment face a sharp rise in their cost of operations. While it may be possible for them to turn to other areas for these items, some increase in local currency costs is likely. The fact that hitherto they had not obtained these products from other areas indicates either unavailability or higher prices. Equal devaluation in those areas will not correct this situation, except by a reversal of the relative price advantage as between a dollar country and a devalued currency country. This increase in cost will apply to goods financed under ECA as well as to those financed with free dollars, since the new rates will determine the amount of local currency which must be turned into the counterpart fund."

Beyond these immediate and definite drawbacks, continues the report, "there are innumerable dangers consequent on devaluation. For example, it has been feared that currency adjustment by one or more countries might easily lead to a race of competitive currency depreciation. Apparently, this possibility has been avoided. Existence of the International Monetary Fund should prove a strong deterrent to any movement in this direction.

"There is a further danger that production in the devalued countries cannot be increased rapidly enough to take advantage of the new opportunities presented. An associated danger is that any concerted shift away from the dollar area to other sources of supply will drive up prices by as much as the devaluation. In terms of sales to the dollar area, there is the danger that a setback to United States export operations or further deflationary pressures in the United States can block any net increase in dollar purchases. Most observers, however, do not consider this likely. Above all else, of course, the great danger is that inflationary pressures within the devalued countries will be so strong that within a brief period all the potential benefits will be lost.

"Taking the optimistic view, the readjustment of currencies could make possible a genuine upsurge in the volume of world trade, without for the time being any increase in U. S. trade and consequently a drop in its percentage share. Greater selling effort will undoubtedly be required from U. S. exporters, but it is still true that the total of U. S. exports depends almost wholly on the amount of dollars that are being and will be pushed out into the channels of trade, from whatever source.

"It should not be forgotten that one of the primary aims of devaluation has been to maintain and, if possible, enhance dollar earnings so that the balance of payments gap may be bridged. This aim would have little meaning if not translated into the reason why dollars are so earnestly desired, namely, to buy goods and services from the dollar area. This action is in a further sense in direct contemplation of the end of ECA and the establishment of Western Europe on a self-supporting basis after 1952.

"Persistence of the gap after that date would be impossible without extension of the present aid program or aid in some other form. A gradual narrowing of the gap, particularly if it can be accomplished by raising earnings, will be less of a shock to American exporters than an abrupt forced closing of the gap by direct action in 1952. The months ahead will tell whether the opportunity to close the gap by courageous reestablishment of a flourishing world trade at high levels will be seized or lost."

John Hancock Trustee Of Hamilton College


John M. Hancock

John M. Hancock, partner in Lehman Brothers, New York City, has been appointed a trustee of Hamilton College, Clinton, N.Y. Mr. Hancock in 1946 served as alternate to Bernard M. Baruch as the American representative to the United National Atomic Energy Commission. He is a directory or board member of twenty-one firms.

Ralph Phillips Pres. Of Los Angeles Club

LOS ANGELES, CALIF.—The Bond Club of Los Angeles elected Ralph E. Phillips, Dean Witter & Co., President to succeed J. Earle Jardine, Jr., William R. Staats Co.


Ralph E. Phillips

Other officers elected were: Charles Sill, Francis I. duPont & Co., Secretary, and Jo M. French, Blyth & Co., Inc., Treasurer. R. Stuart Roussel, First California Company and Messrs. Sill and French were named to the Board to succeed Rudolph J. Eichler, Bateman, Eichler & Co., Francis Moulton, R. H. Moulton & Co., and Carey S. Hill, Hill Richards & Co., whose term expired.

Tyson & Co., Inc., Opens in Philadelphia

PHILADELPHIA, PA.—The organization of a new investment firm, under the name of Tyson & Co., Inc., was announced by Albert B. Tyson, President of the new company. Mr. Tyson has been associated with the investment business for more than 25 years.

The firm, with offices in the Lewis Tower Bldg. here, will deal in investment securities, including government, municipal, railroad, public utility, and industrial issues.

Other officers of the new firm are: Joseph Tyson, Vice-President; Harold R. Tyson, Vice-President; and Gilbert Parker, Secretary-Treasurer.

Joseph Tyson was formerly with Hall, Tattersall & Co., W. H. Bell & Co., and Euler & Co. Messrs. Albert and Harold Tyson were previously with Euler & Co.

Webb Hilbert Joins Montgomery, Scott Co.

Montgomery, Scott & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, announce the association with the firm's New York office of Webb Hilbert, formerly partner in Hilbert & Co., which has been dissolved.

Jacquin Bliss to Admit

Jacquin, Bliss & Stanley, Hotel Biltmore, New York City, members of the New York Stock Exchange, will admit Jan Goldberger to limited partnership in the firm on Oct. 20.

Public Utility Securities

By OWEN ELY

Convertible Securities Prove Popular Marketwise

The utility industry in the past two or three years has issued some 25 or more convertible issues—debentures, preferred stocks, and preference common stocks—in addition to the several outstanding prewar issues. Several of these have subsequently been retired through redemption and forced conversion when conditions favored such a move. The new securities were issued in lieu of common stock issues, due to then-prevailing unfavorable conditions for equity financing. At present, with common stock financing easier to accomplish, the issuance of convertibles has slowed down.

What determines the trend towards conversion of a convertible issue? In general, the convertible must be selling close to conversion parity with the common stock; if it is at a premium, holders will be reluctant to give up the premium unless they are forced to do so by a redemption announcement. High-grade convertible debentures frequently sell at a premium of a few points over conversion. Thus the Consolidated Edison 3s are currently around 112 and are convertible into 40 shares of common stock selling at 27—a conversion parity of 108 (subject to any minor adjustments for interest and dividends). But as the price of the convertible security rises, this premium is apt to disappear. (However, at the moment Laclede Debenture 4½s of 1963 are selling at 123, being convertible into 160 shares of the stock at 7½ or 120.

Thus if Edison in 1950 should decide to raise its dividend to $1.80 it appears likely that the stock would (under present market conditions) reach a price of 30 or higher, at which level the debentures would have a conversion parity of 120; and at this level it is quite possible that the premium would disappear. The current yield on the debentures would then only be 2½% compared with 6% on the stock, and some holders might switch to obtain the higher income. Those in the heavier income brackets might also be influenced by tax considerations; if they exchanged for the common stock and retained the latter, they could postpone the evil day of paying taxes on their capital gains. In any event, whenever the company chooses to do so, it could call the debentures at 101.86 and debenture holders would scurry to make their conversion. Presumably the company might do this at some future date if it wishes to bolster its equity ratio against increased debt financing.

A semi-automatic way to force future conversion is to make the conversion privilege progressively less attractive at three-year intervals. This is a favorite device with the so-called preference common stocks issued by Philadelphia Electric and Public Service Electric & Gas. Two more of these issues are now on the way if pending holding company plans are consummated—Niagara Hudson Power and Duquesne Light.

Of course where the conversion privilege is some distance off, as with Detroit Edison 3s of 1958 (the date being Dec. 1, 1950), there may be a discount instead of a premium; the bonds are selling at 111½ and the eventual conversion parity of the 50 shares (at 22¾ for the stock) is 114.

The American Telephone & Telegraph Company has of course been by far the largest issuer of convertible debentures. It currently has outstanding (having redeemed an earlier issue) over $800 million of convertible issues. To equalize for the high price of the stock it always requires a cash payment along with each turned-in $1,000 debenture, in exchange for 10 shares of the common stock. Thus (with some modifying conditions) the 2¾s of 1961 must be accompanied by a cash payment of $500, the 2¾s of 1957 require $400, and the 3⅛s of 1959 $300. The selling prices of the debentures may thus be affected by the investment value of the issue (which serves as a price floor), the amounts of the cash payments, the price of the common, the premium over conversion parity, etc.

Other big debenture issues are the $57 million Consolidated Edison 3s of 1963 and the Detroit Edison 3s of 1958, with $57 million and $47 million outstanding respectively. Issues ranging between $5 million and $20 million have been sold by Connecticut Light & Power, Houston Light & Power, Laclede Gas Light, Virginia Electric & Power and Peoples Gas Light. Conversion of part of the Consolidated Gas of Baltimore 2½s of 1962 was automatically forced by a change in the conversion privilege last July.

Among the convertible preferred and preference common issues, by far the largest item is the 6 million-odd no-par shares of Public Service Electric & Gas $1.40 preference common, issued in the dissolution of Public Service Corp. of N. J. At present stockholders have little incenitve to convert into 1.1 shares of common stock, since the preference stock is around 28⅜ against conversion parity of 27⅞. In order to bring about conversion on any substantial basis, the company may find it necessary some time in 1950-51 (if earnings permit) to raise the dividend rate to $1.80 from the present $1.60.

The convertible preferred stock has proven particularly popular as a financing vehicle in California. Southern California Edison has outstanding some 2.4 millions of $25 par shares. There have been relatively small issues by California Electric Power, California Water Service, California Water & Telephone, California Pacific Utilities and Southern California Water.

Other companies which have issued convertible preferred stocks include New England Gas & Electric, Northern Indiana Public Service, General Telephone, Public Service of Colorado (after it had forced conversion of a convertible debenture issue), South Carolina Electric & Gas, Washington Gas Light, Central Electric & Gas and Iowa Southern Utilities.

Assoc. N. Y. Curb Member

At a regular meeting of the Board of Governors, John J. Sullivan of Bosworth, Sullivan & Co., Denver, Colo., and William D. Kerr of Bacon, Whipple & Co., Chicago, Ill., were elected to associate membership.

Cooley & Co. Add

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Thomas F. Finnegan and William J. Hartigan have been added to the staff of Cooley & Company, 100 Pearl Street, members of the New York Stock Exchange.

The Cheaper Money Trend and Life Insurance

(Continued from page 5)

spite of the fact that such action was definitely inflationary.

In the case of mortgage loans, as you all know, the level of interest rates has been more or less arbitrarily established by the Veterans and the Federal Housing Administration. During the recent past when there has been little or no market for 4% V. A. and F. H. A. loans instead of increasing this rate to 4½%, which would have made an ample private market for them, the Government through an R. F. C. subsidiary has furnished the funds for these loans. Last year I believe that it purchased them in an amount over $1 billion and since July 1 of this year over $250 million has been used for this purpose. Here is one of the most flagrant examples of the Government's pressure to keep interest rates lower than a free competitive money market would make them.

In the face of this experience I think that it can be taken for granted that the present Administration is going to want to keep interest rates low as long as it can. Frankly, I think that in spite of our large Federal debt, it is a mistake to put so much emphasis upon the necessity of low interest rates. But at the moment, the trend of thinking in this connection is opposed to mine and you would do well to base all your calculations on the fact that the Government in the foreseeable future will make every possible attempt to keep the general level of interest rates no higher than it was at the beginning of this year. There may be a little change in the pattern of interest rates between very short and long term paper but nothing of any great significance.

Assuming this to be true there are only two fundamental questions on interest rates today about which there can be much difference of opinion. The first is to decide why it is reasonable to expect that the Government may want even lower interest rates than those now prevailing. The other is to determine what are the limits to the Government's control of the interest rate. In other words, can it get what it wants?

Speaking bluntly, there are two reasons why I think the government may want even lower interest rates. (1) Because they think that lower interest rates will stimulate business activity and (2) because the government is now running a deficit and, of course, the lower interest rates will make it easier and cheaper for the Treasury to finance the deficit.

Probably when the Federal Reserve Open Market Committee made its first announcement on June 28 last of a change in credit policy, it had in mind that perhaps cheaper money might act as a business stimulant. You will recall that a business recession had begun to set in early in the summer and blank loans had begun to decline. It may also be worth bearing in mind that by that time it was quite generally admitted in government circles that the Treasury was going to run a deficit for the coming fiscal year of somewhere between $4 and $5 billion. This money would have to be borrowed.

Later, to make money more readily available, although there was not a shadow of a credit stringency as bank loans had been declining since the beginning of the year, on Aug. 4 the Federal Reserve Board ordered further reductions in reserve requirements that released about $1.8 billion of bank funds for lending or investment. In reducing these reserves the Board stated that the action was taken "with primary regard to the general credit and business situation and the maintenance of orderly conditions in the government security market."

As the government security market had been orderly throughout the year, if a slight upward movement in prices of government bonds is an orderly market, the Board's action must have been motivated according to its own statement because it thought that the business situation demanded cheaper credit. There was no credit stringency in the country at the time and as there was no immediate increase in the demand for loans there was nothing for the banks to do with the increase in loanable funds but to put them in government bonds. This resulted in an increase in the price of government securities and they went up almost immediately after the decrease in bank reserves. Likewise, the price of corporate and municipal bonds also rose and new issues of both classes found a ready market during mid-summer at decreasing interest rates.

Our everwatchful United States Treasury immediately took advantage of the lower structure of rates in the market to announce on Aug. 22 that it was refunding on Sept. 15, 2% bonds which were falling due on that date in the amount of $1.3 billion with one year certificates of indebtedness carrying a rate of interest of 1⅛%. Previous to this time the rate on one year certificates had been 1¼%.

Whatever may have been the motive of our banking authorities for increasing the amount of loanable funds in the market last summer, the most noticeable effect to date has been a reduction in the interest rate on high grade corporate and government bonds. Irrespective of how this affects the investor, I suppose it is too much to expect the Treasury to be dissatisfied inasmuch as "this movement has made it easier and cheaper to finance the current deficit. I think, therefore, we can take it for granted without much chance of being wrong that the government is going to want low interest rates both because it thinks such rates tend to stimulate business activity and also because it makes it easier and cheaper to finance the deficit. It is not necessary for our purpose to pass any judgment on which factor is the more important in its mind. It makes no difference what leads to the action so far as we are concerned — low interest rates prevail whatever the government's motive.

Let us now turn our attention to point two, the ability of the government to control the interest rate. Stripped down to its barest essentials, during the past year we have seen that the only way the government can control the interest rate and keep it from going up further than it desires is for it to decide what rates it wants to support on the various issues of its bonds, and then have the Federal Reserve banks buy as many as may happen to be offered to it at this price.

Without attempting to explain how it works, it is a fact that such purchases by the Federal Reserve banks tend to increase the money supply of the nation. Other things being equal, an increase in money supply tends to make prices go up. It can be definitely and categorically stated, therefore, that the limits to which the government can control interest rates will depend upon the degree to which it is willing to increase the money supply of the nation and, consequently, endanger the price level. In other words, the danger of inflation is what the government runs when it supports the bond market at an interest rate lower than that which would be established by a free market.

In considering, therefore, whether or not interest rates will go up or down in the immediate future, it seems to me that we should turn our attention to a consideration of the factors which will determine the movement of prices during this period of time. If one feels that there is any appreciable danger that prices will go up again and that the country may have further inflation, then I believe the public would not countenance central bank activities during the coming year, of the same kind of magnitude as took place in 1948 and which added fuel to the fires of inflation, merely to keep government bonds at par. The harm that would result from further inflation is infinitely worse than any harm that might flow from higher interest rates.

On the other hand, if one believes that the outlook for prices is downward, that the height of the business boom has been passed and that the investment demand will decline from present levels, then it seems to me an inevitable conclusion that the government cannot only keep the present structure of interest rates intact but, if it desires, can even force them lower.

Technique of Cheap Money

It should be apparent after our experience in financing the war that there is nothing mysterious about the technique of cheap money and it also should be apparent what the limits of the government are if it attempts to make money cheap, should the economic forces of the nation be making for dearer money. The technique is nothing but an ever creation of more and more bank reserves by the Federal Reserve banks with the result that an ever and ever larger increase takes place in bank deposits and bank cash, that the liquid resources of individuals become ever and ever larger, and with the result that the possibility of inflation becomes greater and greater.

It is doubtful if there is any one single factor which exercises a greater control over our whole economic activity than the money supply. The overall objective of any intelligent monetary policy should be to control the money supply in such a way as to make it neither redundant nor scarce. Under conditions of full employment and scarce raw materials such as have existed during the last three years, total production could be increased only very slowly, probably at a rate no higher than 2% or 3% annually. The Federal Reserve Index Number of Physical Production for the last two years seems to show this. If within such physical limitations, the supply of money is increased through substitution of bank credit for savings on such a scale as took place during the past three years, inflation is bound to result. No competent student of money, credit and prices denies it and, as a matter of fact, inflation did result as we all know and no amount of price control could have prevented it.

The Deficit Financing Argument

Bank credit was a dangerous substitute for a scarcity of capital in a period such as we went through in 1947-48. But in a period of depression when there is a large number of unemployed, when commodities are abundant and when the economy is not running at full capacity, bank credit can be substituted for savings with little danger. It tends to add to the total money supply, increases demand for goods and has a tendency, other things being equal, to step up production, increase output and not disturb prices.

This is the argument for deficit financing. It is a plausible argument in many ways but I fear based on specious reasoning. It overemphasizes the role that credit plays in causing the ups and downs of business activity. It assumes that business men will borrow money just because it is cheap and overlooks that the motivating force which leads to borrowing is the possibility of making a profit on the money so borrowed. It is further based upon the idea that as the supply of money is increased by government borrowing from the banking system, its velocity will not decrease. It also overlooks the many factors that are responsible for business fluctuations such as the accumulation of inventories, the wisdom of labor union policies, the impact of the tax structure, the international situation, and last but not least, the psychological changes which cause variations in the spending and saving habits of the people. Deficit financing with its additions to the money supply and lower interest rates cannot possibly counteract all these influences.

Moreover, there is another long term danger to deficit financing. Experience has shown that when the money supply is once increased it can never be materially decreased. A few days ago, a group of economists, which included one or two distinguished businessmen, recommended that when unemployment exceeded five million that the Treasury should run a deficit and finance the deficit through the banking system so as to increase the money supply. They further recommended that after the deficit financing had resulted in a business boom it should be curtailed by a change in the fiscal policy of the Treasury, that is, that at such periods taxes should be raised and government spending cut down and the money supply reduced.

Wholly apart from the logic of such a program, it seems to me that anyone with political experience in a democracy such as ours should realize it can never be put into effect. It is too much to expect Congress to increase taxes at a time when the existing tax structure is yielding a surplus. With the burden of taxes being as heavy as it is, and with people's natural reluctance to pay taxes, I think it will always mean that at such times Congress will have a tendency to decrease taxes rather than raise them. You will recall this was the action taken by the last Congress.

Moreover, anyone acquainted with government bureaus and the spending habits of Congress should also fully realize that there is little chance of getting an economy program put in force when the Treasury is running a surplus. That is exactly the time when appropriations for expenditures come easily. However logical any program may be in theory, it seems futile, if not worse, to argue for it when experience shows that the functioning of a democratic society will not put it into practice. Only evil results from such wishful thinking.

While I am one who does not think that the dangers of inflation are at all imminent right now, I do believe that there is real long term danger in materially increasing our present money supply. That supply is still excessive so far as the needs of trade and business are concerned in spite of the price rise and the increase in production which has taken place since the war. I believe the supply will continue excessive for years to come and is likely whenever conditions for a boom are favorable to be a potential danger to our price structure. It must not be forgotten that during the years 1942-45, as a result of war financing, the money supply (that is, total demand deposits adjusted plus currency in circulation outside banks) grew from $48.6 billion to $102.3 billion. Moreover, little attention was paid to the fact that in spite of the Treasury surpluses the money supply further increased over $11 billion from the close of hostilities to the close of 1947. While there was a decline during the first six months of this year, an increase began again in July at the rate of about a billion dollars a month. While I have no figures since then, it seems quite probable considering the Treasury deficit that the increase will continue throughout the year.

That potential inflation always inheres in excess money supply no competent student denies. The potential inflation may lay dormant for a long time but sooner or later it will be stirred up, and when it is, the excess money takes its revenge on the price structure. Then inflation follows which robs the weakest elements in our society, the beneficiaries of life insurance policies, the owners of savings bank deposits, the dependent and aged and all those who have to live on past savings.

When the bond support program was in full force a year ago, its defenders said that if the interest rate was permitted to go up, it would increase the cost of servicing the public debt. This statement, I assume no one would wish to dispute; but if it was intended to convey by this statement that the maintenance of our artificial low interest rates was a net gain for which no one had to pay the cost, then it was indeed a misleading statement.

The advocates of low interest rates from the inception of our cheap money policy in 1932 have always assumed that the burden of low interest rates was mainly felt by the wealthy classes and somehow or other were an aid to the poor. One of them told me in discussing this question, "The rich have the money, don't they? The poor borrow it. Is it not obvious that this reduces the burden of the poor at the expense of the rich?" Nothing could be farther from the truth.

Low Interest Impact on Life Insurance Costs

This is shown clearly when one studies the impact of low interest rates on the cost of life insurance. The ownership of life insurance is not centered in the rich. The average policy, even excluding industrial life insurance, is not large and the billions of life insurance in force in this country is owned by the rank and file of our average ordinary citizens. Anything that increases the cost of life insurance is a burden which the average man has to bear.

Recently, we had our actuaries prepare the net costs for a term of 20 years on an ordinary life insurance policy issued at age 35, based on the premium and dividend scales in force in 1929 for the 10 largest participating companies, excluding industrial companies, doing business in the State of New York. Then we had them prepare a similar cost for this type of policy and for the same companies according to the premium and dividend scales currently in force. We found that the cost of insurance on account of the reduced interest rate alone had gone up 21%.

But this is not the whole story as to the increase in the costs of insurance by any means. If the insured wants to provide the same monthly income for his beneficiary, he must now carry more insurance than he did in 1929 because of the lower interest rate that the insurance companies are able to pay on money left with them.

The increase in the cost of providing a given number of dollars of income to a beneficiary through insurance is really astonishing. I shall illustrate the cost of maintaining enough ordinary life insurance issued at age 35 so that if the insured dies during the 20th policy year when his wife is age 55, she will be guaranteed a monthly income of $100 a month for life with 10 years income certain. This is a typical settlement option producing a somewhat smaller income if the insured dies earlier and a somewhat larger income in the event of later death. Using the averages for the same 10 companies previously mentioned in 1929 it would have been necessary for this purpose to buy a $17,500 policy, the net cost of which for 20 years, according to 1929 premium and dividend rates, would have been $6,178, or an average of $309 per year. Today, to provide the same number of dollars of income, the policyholder would have to buy $22,950 of life insurance, the net cost of which for 20 years, according to 1948 rates, would be $9,823, or an average of $491 per year. In short, the cost of providing such a life income has increased 59%.

This 59% increase in the cost of providing a life income of the same number of dollars is a fair measure of the impact of lower interest earnings on those policyholders who buy life insurance for the income it will produce.

Substantially, all of this increase in cost is due to lower interest rates. Although there has been a considerable improvement in mortality during this period, the net effect of such improved mortality is quite small; for it operates in the direction of reducing the cost before the death of the insured and then in the direction of increasing the cost after his death because of the greater longevity of the beneficiary as well as of the insured. The 1948 Life Insurance Fact Book, published by the Institute of Life Insurance, shows that expenses over this period had increased by only 3% of the premium and interest income; hence little of this increase in cost is due to higher expense rates.

Nor can this 59% increase in the cost of providing the same number of dollars of monthly income be dismissed with the statement that it is just part and parcel of the general increase in the cost of living and is typical of the increase which has taken place in the general price level.

In order to provide the same quantity of food, shelter and clothing that was provided by an income of $100 a month before the war, it is now necessary to provide an income which, when expressed in dollars, is increased in proportion to the increase in the general price level. In other words, the policyholder who wants to insure his wife an income for life sufficient to provide the same quantity of food, clothing and shelter, must now not only provide a larger number of dollars of monthly income—larger in proportion to the increase in the general price level—but each dollar of such monthly income now costs him 59% more than it did 20 years ago. In short, he must carry about 70% more insurance and at a 59% increase in cost.

This 59% increase in cost is the measure of the added burden on a large and increasing number of policyholders due solely to the reduction which, incidentally, is due largely, if not solely, to the low interest policy of our Federal government. Verily, someone pays the price for low interest rates even if the Treasury does not. All too often, I am afraid, it is going to be the widows and orphans who are the principal beneficiaries of life insurance policies.

Long Term Forces Making for Higher Interest Rates

While for the immediate present, or as long as current business activity may recede, the outlook is for even lower interest rates than now prevail, in the long run I believe that present economic and social forces if allowed to operate without too much restriction would make for higher interest rates. I base this opinion upon the fact that at present we are in a capital hungry world. Not only does much of the western world still lie in ruins and must be rebuilt if any reasonable standard of living is to be regained, but the rapid advances made in industrial technique during the past decade are making a demand for huge sums of capital. The long term secular problem in this conection seems to me to be scarcity of savings, rising prices and inflation, rather than oversavings, abundance and deflation.

Moreover, all the social and political trends today seem to be working to increase consumption at a rate faster than output can be increased. The emergence of the social welfare state with all its manifold schemes for raising the standard of living of the masses and at the same time cutting down their hours of labor, plus the threat of war which is calling for the expenditure of stupendous sums on armaments, makes the prospect of a long term upward movement in prices almost inevitable. As one surveys the world, what could be more apparent than that the masses of mankind are striving for a standard of living which the present capital equipment of the world is inadequate to furnish. In essence, labor governments such as are now in force in western Europe are attempting to guarantee their peoples a standard of living higher than they can afford. This is the basic economic reason back of the so-called "Shortage of Dollars."

How is it ever going to be possible to meet these world-wide demands for higher living standards? Is it not obvious to any economist that it can only be done by increasing the rate of investment. The world needs more capital goods, not less. Consider the case of British industry. Here we find it generally admitted that practically all her factories need to be re-equipped with more modern tools of production if the standard of living for her people is to be maintained. The so-called backward nations of the world want to industrialize. The industrial revolution will again be on the march to these nations in a year or two. Is it not obvious that all these processes are going to call for more savings rather than less and is there much chance that the capital needed to bring them about can be forthcoming from any other place than America?

Moreover, these demands are being made at a time when there is no surplus of capital in this country. In order to finance itself here, industry during 1948 retained for that purpose approximately 65% of its total net earnings, only paying out 35% to their stockholders. One cannot help but wonder what American industry would have been compelled to pay for its capital had it paid out all its earnings to its stockholders and then made the attempt to finance its expansion and re-equipment by calling on the money market for the funds. Looked at from this angle, money was not so cheap in 1948, after all.

This now brings us to the role that the interest rate should play in an economic situation such as I have just described. In a world characterized by a capital scarcity, there are only three ways that the available capital can be distributed. (1) By rationing. This lets the government decide what industries are to be expanded and how much. It may not be the road to serfdom, but certainly is the road to Socialism. No free enterprise system can long endure with capital distributed in this manner. (2) The interest rate can be permitted to go up. This lets the market place decide who is to have the available capital and trusts the workings of the price system to determine what industries are to be expanded. It is the way of economic liberty, free enterprise and democracy. (3) Control the interest rate but do not ration capital. This permits bank credit to be substituted for savings. It insures continuing inflation, rising prices and the ruination of the middle class. It is the easiest, and I regret to state, the most likely method to be followed in a country politically organized as ours. In short, I believe in the long run this country as well as the rest of the western world is caught up in social and political circumstances that make our most pressing long term economic problem that of maintaining a stable value for our currency. Too many of our economists are still living in the atmosphere of the 30's when oversaving appeared to be our problem. In spite of the growth of insurance, our masses are not saving enough. They are being lulled into a false security by the demand for wholesale pensions and our plan of social security.

In spite of the fact that we hear a good deal about the excess revenues that are collected on account of social security taxes and the market that these excess revenues are supposed to make for our government bonds, it is still a simple fact that the financing of social security as it has been operated from its inception has not made for any substantial savings or capital accumulation. True, more has been collected in payroll taxes than has been paid out in benefits. But the fact remains that the so-called reserves (the government bonds in the trust funds that we hear so much about) are not government assets, but government liabilities. If the benefits are paid, as now promised, future generations will have to provide the money to pay the promised benefits. In fact, future generations will have to provide the funds to pay all pension benefits whether private or public. Pensions are a burden on the economy when they are paid, not before.

No one apparently deems it advisable to tell the public in unmistakable terms that from the outset of social security, taxes have been on the average only about one-third of what they should have been if the system were to be operated on an actuarial basis. Here is accumulating a heavy unrecorded and unfunded debt for old age and survivors insurance that is not shown on the Treasury books. Would it not seem from all this that the long-term secular monetary problem facing the country is scarcity of capital, rising prices and inflation, rather than oversaving, stagnation and declining prices, and does not such an overall economic situation make for rising interest rates rather than declining ones?

Conclusion

Bearing in mind that the money market will continue to be controlled by those who believe in cheap money, any material change in interest rates on the up side is very unlikely. Do not plan on it. When one considers with what reluctance our monetary authorities permitted interest rates to rise during the past two and one-half years, when the demand for new funds for business investment far exceeded the supply of savings, you can be certain that these authorities will not do anything to make interest rates go up if the demand for business investment should decline. And there probably will be some decline in business investment during 1950. It is with regret, therefore, that I feel compelled to tell you that barring such increased armament expenditures as may call for deficits large enough to put the forces of inflation to work, there is little or no chance of an upward movement in the interest rate for the coming year.

Moreover, if the business pattern for the months immediately ahead is one of continuing readjustment downward, if the total volume of private construction declines as now seems likely and if inventories do not increase and there is some slackening in the overall rate of business activity, then interest rates will tend to move downward.

Moreover, I believe that if a situation should come to pass where there is a really considerable volume of unemployment, and this is possible, it is my further belief that the monetary authorities will take further positive steps in one way or another to make money cheaper in the hope of stimulating private lending and investing. Those who believe in the beneficial effects of deficit financing still seem to be in power.

The outlook for the interest rate therefore, depends upon the outlook for business and the movement of prices. If in an inflationary period such as we had in 1947-48 the then prevailing structure of interest rates could be maintained, what likelihood is there in the present situation that they will be permitted to go higher? Is it not almost a certainty that if prices continue their recent decline, if unemployment should increase and the rate of business activity slow down, interest rates would also decline?

All of us charged with the management of life insurance companies should make no long distance plans with the expectation of higher interest rates than now prevail. Premiums, reserves and settlement options should all be based on a rate no higher than 3%. In my own company we are using a lower rate. In a space of 17 years the average net rate of interest earned by life insurance companies has decreased from 5% to a rate under 3%. As you know, this has caused a reduction in policy dividends, an increase in premium rates, lower interest rate guarantees on settlement options, the strengthening of reserves on old policies, and, in brief, a set of decisions all of which have resulted in making insurance cost more for the premium-paying policyholder on the one hand and in giving less to the beneficiaries of the policies on the other.

However, in spite of the fact that I can see no material increase in interest rates in the immediate future, the long-term economic outlook if left to work itself out is making for higher rates. There will be a world scarcity of capital for years ahead. Social and political trends are stimulating the propensity to consume at the expense of savings. The advent of the social welfare state and the craze for pensions make this inevitable. In fact, the commitments, expressed and implied, of our present Administration make inflation still the long term danger. But when inflation and rising prices come again, as come I think they will if present trends continue, it is doubtful if rising interest rates will be permitted to correct the situation. It is more than likely that at such a time another attempt will be made at price control. As someone has so aptly said, we apparently learn nothing from history except that we learn nothing from history.

Has Nature No Remedy For "Dollar Shortages"?

"There have been talks among the leading statesmen of France, Belgium, Italy, the Netherlands and Allied authorities in Western Germany, over recent weeks. . . .

"These conversations have all had to do with working out some plan for a customs union in Europe and for the pooling of resources of the countries for the purpose of conducting an intensive export drive for dollars. . . .

"Before the year is out, the first concrete moves for a European export program will be in evidence. France, with the aid of her colonies, is in a position to offer luxuries as well as raw materials which will be of interest to the United States. Recently diamonds and gold have been discovered in our African colonies and we plan to exploit these discoveries to the full.

"Belgium has come forward with the offer of pooling her uranium, copper and other deposits in the Belgian Congo in the export bloc. Italy is to contribute her textile output and Western Germany her steel, chemical and other industrial output to the success of the scheme."—Robert Bollack, President of the Syndicate of the Economic Press of France.

One begins to suspect that recent currency devaluations have created as many problems as they solved.

Not much evidence of vigorous attack on the real impediments to international trade is yet to be seen.

Currency changes alone will in the nature of the case solve nothing. What this latest "movement"—unquestionably an outgrowth of precipitate currency devaluation—will or can accomplish remains to be seen.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Delmar W. Griffith and Woodrow W. Parrent have been added to the staff of Hamilton Management Corporation, Boston Building.

With Adams, Sloan & Co.

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, FLA.—Morris Adler has become affiliated with Adams, Sloan & Co., Inc., Colonial Hotel Building. He was previously with Shields & Co.

Securities Salesman's Corner

By JOHN DUTTON

You have no doubt often wished that you could take some of your customers by the hand and say to them, "Look here Mister, just why is it that you don't want to buy stocks when they are cheap?" J. P. O'Rourke & Co., of Chicago, recently said this to a selected list of clients and prospects, by using an effective mailing which incorporated past opportunities that have been lost, along with the present opportunities which are now available. In our opinion the following is a very excellent letter—note the lack of stiltedness, the informality, the way this letter talks right out of the page.

Dear Friend,

Enclosed please find considerable information on the action of stocks.

Keep this data together and sometime when you have a quiet evening at home, sit down in the old easy chair and examine same carefully. I am sure you will be surprised at the results. We should call this "Money at Work."

When stocks are down and should be bought we have our poorest business. When thing are way up our phones are ringing constantly, answering inquiries to buy stocks. When days like those come again, as I am sure they will, we have trouble giving our people the consideration and righteous opinions they deserve.

In 1932 and 1933, when Zenith Radio was selling for 50c per share you couldn't sell 100 shares to your grandmother.

Money in the bank, or in the box, has lost 41% of its purchasing power since 1939.

Money in conservative dividend stocks since 1939 has more than made up the loss of 41%.

Idle money today is on the losing side. Money in well managed stocks is on the winning side.

Along with the letter a circular was enclosed which went like this. "Buy Dividend Paying Stocks, Yield Most Attractive, Your Money Should Work for You." "Stockk Prices Near Low for Some Years, Yields From 5% to 10% Obtainable on Good Stocks."

Then the circular explained that money in the bank earns only 1½% to 2%, U. S. Government bonds, Industrial and Public Utility bonds only 1% to 3%, and Home Loan Associations only 2% to 3%. While Mortgages pay about 5% they are not always readily salable. A copy of an article by Howard F. Vultee, Vice-Pres. of The Marine Midland Trust Co. of New York, which recently appeared in the "Commercial & Financial Chronicle," was offered free on request, wherein Mr. Vultee recommended selected stocks as a hedge against further depreciation in the value and purchasing power of the United States dollar.

In addition the circular stated. "We can recommend stocks with prospects of stock dividends in the near future. So that our customers may receive all available information on our list of future stock splits we suggest a call at our office." Several loose leaf sheets of the past records of certain of the firm's recommendations were also enclosed. These showed price in 1940, cash dividends paid each year since then, present price and appreciation. All were actual case histories taken from the firm's files showing when customers made the purchases and the excellent profits received.

The only way you can capture the attention of your public is to do something original, something different; yet it must be in good taste and factually correct. This type of mailing presents a sound sales idea skillfully. It says, "Why stick to your depreciating dollars—look what others have been doing WHILE YOU HAVE BEEN ASLEEP?" And then it says, "There is still time to do something for yourself, we can show you the way, we can help you." That is just about all any good price of advertising or sales promotion material can do. The idea is soundly conceived—possibly you can work out a variation of your own around it.

Television—A Challange To Investment Thinking

(Continued from page 2)

totaled 178,571 sets. By the end of 1948 the industry was producing at a monthly rate nearly equal to the 1947 yearly total. December of 1948 marked 161,179 sets. For the year 1948 output totaled 866,832 sets. This year, output has established a new monthly peak at 185,806 sets in August, a total of 1,178,308 sets for the first eight months.

These figures of the Radio Manufacturers' Association do not include output of non-members, one of which is Admiral Corporation, and industry observers usually add 15% to give a more realistic appraisal of the total output of all companies. Widely predicted for 1949 is output of 2,000,000 sets. Looking back that's a steep climb from 6,476 sets in 1946.

The growth climb has been so steep that the Department of Commerce commented that "consumer demand for television sets has exceeded even the most optimistic prediction of the industry." This consumer demand has resulted in a highly competitive situation. Inevitably competition meant lower prices. Normal processes of improvement in production methods, the vital factory of a sustained high level of production have helped lower prices. This last summer the price picture was highly disturbed, but it now appears to have settled down at a lower level and with many manufacturers guaranteeing prices over a period of several months. Prices are now low enough so that television sets are truly in the mass market.

This early period of television competition has been an acid test for management. Varying degrees of success have been shown by companies in making the transition from being primarily a radio manufacturer to being a television manufacturer. You have all seen evidence of the difficulties companies have encountered in meeting the competition when the throttle on television was really opened up. Any growth industry should be expected to have its problems and even its fatalities, and when the industry moves at the terrifying pace of television the inherent problems of growth become even more severe. A situation like this is one that calls for skillful and specialized investment management.

While we have seen the difficulties of several companies, we also have seen companies rushing to expand their facilities and successfully meeting competition. Some companies have done a remarkable job in both production and merchandising. Today a number of the top manufacturers are on an allocation basis with their distributors, which means despite their stepped-up production facilities they can't satisfy all the demand.

Ramifications of Television Boom

This boom in television sets has produced ramifications throughout the economy. Note for instance that the average television set has some 1100 component parts, some 10 times more than ordinary radio. The television manufacturers make use of hundreds of component and subassembly manufacturers, plus thousands of indirect suppliers.

Television means demand for raw materials in many directions. The receiver and antenna take some 40 pounds of steel. Each receiver uses 9½ pounds of copper, a pound of rubber. There is a vast quantity of wood going into television receiver cabinets. At one point there was a shortage of television tubes. Now facilities have been expanded, new methods introduced, new types perfected, new materials adapted and the shortage is over—but television has placed its mark on another important branch of the electronics industry, with cross-currents of effect sweeping back as far as the glass industry which supplies the glass blanks to the tube makers. When you consider all the materials, parts and components that go into one television set and then consider that the industry total this year will probably be 2,000,000 units you get some idea of the fact that television is being felt throughout the economy.

You also have to consider, when you look at television as part of the economy, that here is an important factor in retail trade. Television has been termed a billion dollar retail business in 1949, which means that it's pretty important business for a large number of stores and dealers in every city and town in range of a television station.

Television in Advertising Field

What has television been doing in the advertising field? One of the best summaries of what has happened is this: In 1947 television advertising expenditures totaled $1,000,000, in 1948 $18,000,000 and for 1949 they are placed at $28,000,000. Relative to some of the other forms or media of advertising, television has a very long way to go, but that kind of money, and that kind of growth certainly shows an endorsement, an arrival of television as an advertising forde. In August the total number of sponsors on television, local, spot and national, rose to 1,415 from a mere 337 a year earlier, and it was only two years ago that the number of sponsors first went over 100. To show you the growth this year, there were 80 sponsors of network shows on the books as of Sept. 15, against 48 in January.

The potential in television as an advertising and sales force is just being realized. Earlier this year one of the networks called television a sales force, not just another advertising medium, and a few months later the Department of Commerce came along and said this:

"Television can employ the visual impact of newspapers and magazines, the oral persuasion and personal immediacy of radio, and, in addition by combining sight and sound with motion make product demonstration possible. Thus, television is lifted out of the confines of an advertising medium and extended into the realm of a sales medium." Television does everything every other medium can do, and what's more brings its power of demonstration right into the home.

As to the significance of television in advertising, the Department of Commerce has this to say:

"Television, as an advertising medium will create new desires and needs and together with all other advertising media, will help industry move a far greater volume of goods than ever before. As a result advertising budgets should increase all along the line." Television is going to go to work like no other sales force in our history; it is going to be a potent force in stimulating consumer demand, which in turn will enable the national product to increase.

At the same time that television stimulates demand it also affects social patterns and habits. Pollsters and researchers have been having a field day trying to measure the effect of television on social patterns. It appears that the Model T Ford took the people out of their living rooms and the television set is bringing them back. But, it's doing other things too. It may be killing off conversation. It may be affecting the magazine and book businesses. And, it is being careful about what it shows for children. One of the puppets in a popular program quite innocently blew his nose on the stage curtain in one show and the station for days afterwards received hundreds of letters from mothers protesting that their children were going around the house using the curtains or drapes for handkerchiefs.

But anyone who thinks of television only in terms of home entertainment is not getting a perspective of what television really is. There are many other uses of television such as in the theatre, in education, in mass communications and in industry and national defense.

Theatre television is one of the most important developments right now. The first contracts for permanent large-screen installation in a theatre were signed in July by the Fabian-Fox Theatre in Brooklyn. The theatre will show sporting events, major affairs of public interest, and charge admission. The motion picture industry has naturally been concerned about television and what it would do to movie going; the major producers have been keeping a wary eye on television, with some investing substantial amounts to actually get into television.

Television promises to make education more interesting and more effective. In biology classes in the past each student had to go individually to the microscope for a dull and slow process of learning. In surgery, each students must stand at the doctors elbow for observation. With television the whole biology class can see at once on a large screen exactly what is happening in the teacher's microscope and this summer thousands of doctors at the American Medical Association convention in Atlantic City saw an operation performed on a television screen which afforded each onlooker an unobstructed view of every minute move of the surgeon. The surgical telecast, which went over a closed-circuit and was not telecast to the public, was in color and the doctors in attendance were lavish in their praise of color television as a means of teaching surgery.

In mass communications, television already is playing a significant role. It is aiding immeasurably in making air and sea navigation safer. Teleran is one of the new devices which aids airplane navigators in landing. Ultrafax is another amazing device, demonstrated in Washington within the year. It sends visual material such as blueprints, checks, letters, through space at a speed representing a million words a minute.

New industrial applications of television are constantly being developed. One of the most recent is a night watchman who never falls asleep or even lets his head nod for an instant. This development uses a television camera focussed on the critical area which is illuminated with infra-red light invisible to the human eye. When any one enters the area the television camera picks up the image and instantaneously transmits it to a central control screen.

Several of the utility companies are using television installations to observe remote boiler gauges. Television has been experimented with in the controlling of tin plating processes. The Army is using television in the dangerous job of deactivating wartime shells and bombs. The air corps has found color television invaluable in testing jet engines, enabling observation not possible in other ways. Television is in use in controlling rockets, sending back to the ground continuous readings of instruments. Intra-store demonstrations are expected to become a valuable application of television.

Television has been used effectively in business conferences and promotions. Hoffman Radio in Los Angeles recently had directors of the Chamber of Commerce for lunch and took them on a chairside tour of the Hoffman factory by means of roving television cameras which picked up scenes throughout the plant which were shown on a screen in the dining room.

Monsanto Chemical Company this last summer set up a television tour of its St. Louis plant for delegates to the convention of the American Wood Preservers convention.

Canada Dry utilized an eight-city closed-circuit hookup last March for a sales conference. Sales personnel witnessed the presentation and discussion without having to leave their own offices.

Other Electronic Uses

Television, significant as it is, is only one part of the vast field of electronics. Electronic devices other than television, perform human actions with greater than human speed and sensitivity. Such devices are in use in production control and product inspection in such industries as chemicals, paper and can manufacturers. In the realm of electronic devices are such developments as:

A color measuring device which can distinguish more than 100 million colors.

An electron gun to sterilize food inside cans by a bombardment of germ molecules.

The electron microscope which using a beam of electrons instead of light, has 50 times the magnification of light microscopes.

Devices which detect smoke, dispel fog and call bowling fouls.

Also in this area are the so-called "electronic brains" which read, write and do arithmetic from a thousand to a million times faster than the human eye, ear and mind. Machines under development can multiply ten digit numbers in approximately 1/1000 of a second. This is some 300,000 times faster than the five minutes it would take a man with paper and pencil to do the same calculation. These "electronic brains" also have a memory, so that they can "store" numbers and data to bring into use at a later time.

We are going through a process which is the equivalent of the mechanization and electrification of brains, in contrast to the early industrial revolution which mechanized and then electrified brawn.

Television, plus this almost incalculable field of electronics, is affecting our ways of doing things, is influencing the entire economy. Yet, television is just getting started. As one observer recently said "five or ten years from now its stature should be truly breathtaking." Right now it is a far-flung challenge to every investment-conscious individual to consider carefully the investment and growth potential of television and electronics and the best approach to participating in this growth. It is also a challenge requiring a re-appraisement of thinking on every other industry and how it and its individual managers are going to be affected or participate in this new industrial revolution.

Griswold Nominated For President of Exchange Firm Ass'n

ATLANTIC CITY, N. J.—Benjamin H. Griswold, III, partner Alex. Brown & Sons, Baltimore, members New York Stock Exchange, was nominated for the Presidency of the Association of Stock Exchange Firms for 1950 by the Nominating Committee of the Association's Board of Governors. The election will take place at the annual meeting of the Board in New York on Nov. 16 next. Mr. Griswold will be the second President of this national Association from outside New York City. The other was Wymond Cabell of Richmond, Va., who served from 1944-1946.

B. H. Griswold, III

Other officers nominated are: Hans A. Widenmann, New York, partner Carl M. Loeb, Rhoades & Co., First Vice-President; James E. Hogle, partner J. A. Hogle & Co., Salt Lake City, Second Vice-President; and Eugene M. Geddes, New York, partner Clark, Dodge & Co., Treasurer.

Mr. Griswold will succeed Harold P. Goodbody, Goodbody & Co., New York, who has been President the past year.

Mr. Griswold is a native of Baltimore, having been born there Oct. 29, 1911. Following graduation from Princeton University in 1933 he became associated with Alex. Brown & Sons, becoming a partner in 1935. In 1937 he and his brother Alexander B. Griswold became principal owners of the firm.

Mr. Griswold saw active service in the last war. As a naval officer, he participated in the Allied landings at Casablanca, Sicily, Salerno, Anzio, Elba and Southern France. He was awarded the Legion of Merit, Gold Star in lieu of a second Legion of Merit, Commendation Ribbon, British D. S. C. and French Croix de Guerre.

Upon his release from the Navy as Lt. Commander in October, 1945, he resumed active participation with his firm.

Mr. Griswold is a director of Sharp & Dohme, Inc., Canton Co., Fidelity and Deposit Co. of Maryland, and the Baltimore Life Insurance Co.

He has been a Governor of the Association of Stock Exchange Firms since 1945 and has been Chairman of its important Federal Taxation Committee the past two years.

Mr. Griswold is a member of the Maryland, Merchants & Elkridge Clubs, Baltimore; the Metropolitan, Washington; and the Links, New York.

Clark, Landstreet Firm Opens in Nashville

NASHVILLE, TENN. — Clark, Landstreet & Kirkpatrick, Inc., is being formed in Nashville to engage in the securities business. H. W. Clark is a principal in the firm.

What to Expect From Currency Devaluation

(Continued from page 3)

and the other countries came to the realization that only drastic measures can solve their dollar problem.

European Exports Impeded

The lag in European exports was due in part to the high artificial exchange rates maintained by European governments. British, French, Dutch and other European manufacturers were not anxious to sell to the United States because they received less for the dollars which they were compelled to surrender to their governments than they could realize by selling their goods in their own country or in other countries in Europe. The downward adjustment in the values of currencies is a device to remedy this situation and to stimulate exports to the United States.

On Sept. 18th the British Government reduced the value of the pound from $4.03 to $2.80. As of Oct. 5th, 29 countries followed suit.

Country—	Old Rate $ for 100	New Rate $ for 100
Argentina	$20.82	$11.11
Australia	322.75	224.25
Belgium	2.28	2.00
Burma	30.00	21.00
Canada	100.00	90.00
Ceylon	30.00	21.00
Denmark	20.90	14.50
Egypt	418.00	287.00
England	402.50	280.00
Finland	.62	.45
France	.303	.285
Germany	30.00	23.81
Greece	.010	.0066
Hongkong	24.00	17.75
Ireland	403.00	280.00
Israel	303.00	280.00
Iraq	403.00	280.00
Italy	.175	.158
India	30.23	21.15
Iceland	15.30	10.60
Jordan	403.00	280.00
Luxembourg	2.30	2.00
Malaya	47.00	32.50
Netherlands	37.70	26.40
New Zealand	403.00	280.00
Norway	20.15	14.10
Portugal	4.02	3.50
South Africa	403.00	280.00
Sweden	27.83	19.40
Switzerland	25.15	23.25

What Will Be Effects?

It is too early to appraise the full effect of the devaluation. It may be expected that American imports will increase and American exports will decrease. Many imported products will cost less abroad than they did prior to Sept. 20th and the tariff costs which are based upon the purchasing price of the merchandise will be correspondingly reduced. American importers will be able to buy British, Australian, Irish, Indian, Dutch and Swedish goods for 30% less. Similarly the goods of other countries that have depreciated their monies will cost less in terms of American dollars. British manufacturers who received £1 for $4 worth of goods sold in the United States will now receive the same £1 for each $2.80. Consequently exporters in these countries will be able and willing to sell in American markets.

Should prices, however, advance in those countries, the benefits of the measure will be nullified. There are already indications that certaian prices have increased in Great Britain and elsewhere. The wholesale price index in England advanced last week by approximately 17%.

On the other hand, foreign buyers will have to pay more for American goods. In the case of Britain, Australia, India, Netherlands, etc., the increased cost will amount to over 44%. The British importer who paid approximately 5 shillings for the dollar will now have to pay over 7 shillings, and this will tend to curtail purchases in the United States.

American enterprises engaged in the transportation of goods by land, air or sea are in the fortunate position of being engaged simultaneously in exports and in imports, and the loss in export trade may be compensated by the increase in import business. Our transportation industry has been benefiting from our increased foreign trade. Our foreign trade volume expressed in dollars is now about three times greater than prewar level. While the actual tonnage has not increased in the same ratio, the traffic is much larger than before the war. It is estimated that about 10% of our railroad traffic constitutes shipments to and from ports and destinations across our borders.

Our ocean-borne traffic may, however, be adversely affected by devaluation of foreign monies. Exporters and importers in European and other countries will have to pay more for ocean-freight on American flag steamers and there will be a tendency to switch to foreign flag ships. I understand that the Maritime Commission is undertaking a complete survey of how the currency devaluation will affect ocean shipping rates. The study will give particular attention to the question of whether devaluation will give foreign lines any undue advantage over American shipping. The study will also cover conference agreements. American exporters who will now have to compete with cheaper European prices will feel the effect of lower European ocean freight rates. These exporters may seek freight rate adjustments.

Since the end of the war, the United States embarked upon a policy of helping and strengthening other nations. We expended huge sums in lend-lease and other military assistance and our post-war aid has so far exceeded $33 billion. We contemplate additional aid through our Eureopean Aid Program, Military Assistance Program, etc. We are, therefore, vitally interested in the measures adopted by the European nations to solve their monetary and trade problems. If devaluation will enable European countries to sell more goods to us and to earn the dollars for their needed purchases in the United States, it will eventually benefit American business. If the measure succeeds, we may eventually be relieved of the burden of foreign aid expenditures which are taxing our economy.

Normal Trade Still Hampered

Normal trade between nations will, however, not be restored while such trade is still hampered by a maze of government restrictions and controls, while a merchant in a foreign country must obtain his government's permission to buy or sell abroad, to receive or to pay money, or to enter into any transaction with a merchant in another country. The devaluation of monies will be of little help if government controls and barriers will continue to stifle international commerce.

Chicago Exch. Member

CHICAGO, ILL.—The Executive Committee of The Chicago Stock Exchange have announced the election to membership of Don W. Miller, partner of Titus-Miller & Company, Detroit, Mich.

J. N. Whitehouse Dead

J. Norman de R. Whitehouse, formerly head of Whitehouse & Company, one of the oldest investment firms in the country, died Oct. 7 in his 91st year.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has a firm tone with a somewhat larger interest being shown in certain Treasury issues. . . . Money is easier because the income tax pinch is passing but (over investment) by New York City banks and the outflow of funds from urban centers is keeping the money markets on the defensive. . . . There still is nonetheless a certain amount of professionalism in the government market, but this seems to be giving way gradually to the more permanent type of buying. . . .

Price changes have not been very sizable in either direction, although there has been a buoyant tone in the more distant tap-issues which hang close to their highs for the year. . . . It is believed in certain quarters that the market is improving its technical position which could lead to an upward move in the higher income obligations, particularly the ineligible issues. . . . Non-bank investors seem to be taking a more active interest in the restricted bonds than in the recent past. . . . Activity in the eligibles has been spotty with most of the buying confined to the longer 2s and the September 1967/72s. . . .

INSIDE THE MARKET

The restricted obligations seem to be getting greater attention than the bank issues, because non-commercial bank investors appear to be feeling more pressure to put funds to work in the government market. . . . After quite a lapse, small life insurance companies have again become buyers of the ineligibles, with purchases being concentrated largely in the last two issues. . . . Savings banks have been more aggressive in making commitments in the tap bonds, with the entire list coming in for fairly sizable purchases, except for the 1959/62s. . . . It is indicated that the shortest of the ineligibles are being let out by certain savings banks and other institutional holders in order to go into the higher yielding issues. . . . These new money purchases of the tap bonds, along with switches, have created a better tone in the restricted segment of the list, especially in the more distant maturities. . . . Although the demand is still good for the earlier eligible taps recent buying has been more vigorous in the longer-term higher-income obligations. . . . Because of the apparently improved interest in the Victory bonds, it would not be surprising to some money market followers if these securities would lead the market for the tap issues into new high ground, when, as and if a break-through takes place. . . .

Savings banks have also been shifting from corporate bonds into the tap issues and it is reported this operation will continue. . . . The one thing that appears to be hampering this switch is the lack of breadth in the corporate market. . . . The longest maturities of corporates are being eliminated first, with the not-so-distant obligations being let out only when fancy prices are available for these securities. . . . Some savings banks are likewise switching not too sizable amounts so far of the 2¼s due 1959/62. into the longer taps with the 2½s due June and December 1967/72 seemingly the favored issues in this swap. . . .

ACTIVITY BY COMMERCIAL BANKS

The short-term market is getting the play from the commercial banks, because these institutions are putting funds into near-term securities until the time they will be needed for other purposes. . . . Borrowings are rising and it is believed in some quarters this trend will continue to expand which would take more bank funds. . . . Because of this belief, many commercial banks are not extending maturities in the government market, but are putting surplus funds into bills and certificates. . . .

Commercial banks which are more rightly classed as savings institutions have been making commitments in the 2½s due 9/15/67/72, because of the need for income. . . . These purchases have not been too large, but nonetheless sizable enough at times to make an impression on the quotations of the longest eligible obligation. . . . The thinness of the market in this bond has also contributed somewhat to the price changes. . . . The 2% taxable group have been under fairly substantial accumulation by some of the larger commercial banks. . . .

CAUSE AND EFFECT

Economic conditions continue to dominate the near-term course of the government market, and are being watched very closely by all money market followers. . . . The government deficit will no doubt be very large, and the cost of financing it will be more important and get greater attention as we move along into 1950. . . . Because of the cost-consciousness of the monetary authorities, about the debt service, it is believed in many quarters the government market will have to absorb sizable amounts of short-term securities. . . . These obligations will be used, in the opinion of some, almost exclusively to take care of future maturities. . . . The powers that be appear to have enough control over the money markets to take whatever measures they feel are necessary in order to keep debt cost as low as possible. . . .

Will not increased supplies of shorts eventually move the longs up to new high levels?

Alonzo Sherow With F. P. Ristine & Co.

Alonzo B. Sherow, a former partner of Hilbert & Co., is now associated with F. P. Ristine & Co. in the firm's New York office, 15 Broad Street, New York City.

$10,000,000 Revolving Credit for South Africa

Dillon, Read & Co. Inc. announced on Oct. 7 that negotiations with the Government of the Union of South Africa have been successfully concluded for a three year revolving credit of $10,000,000. It is anticipated that the South African Cabinet will formally approve the proposed banking arrangement in the next few days and that the signing of the loan agreement will take place in New York shortly thereafter. The banks participating in the credit are Bank of America National Trust and Savings Association of California, The National City Bank of New York, Central Hanover Bank and Trust Company, and Chemical Bank & Trust Company.

Selling Organization and Administration

(Continued from page 4)

year, or less this year, than you did last year.

That will provide some measurement with which to gauge your intensity of selling concentration on that account. These cards will be a running record for you of your past and current selling, and also a future indication of how much selling effort is going to be called for on these accounts.

Suppose you are selling a particular bank and your records show that you are 25% off this year over the same period of time last year. Having that record, you know how you stand with the account and you know what kind of action is called for.

You will probably go in to that account and ask them why you are not receiving as much business this year as last year. That will be done in a diplomatic way, but you will find out for yourself, somehow, whether they are buying less this year, or whether they are giving that 25% to somebody else and, if you are losing 25% of an account's business, you certainly want to find out why you're losing it and try to get it back again, so that in this way you have a cumulative record.

Next, you have a record of calls made, on that customer card. You are not going to remember the last time you were in there. You must have that record to refer to. You put down the date of the last call and when you put down that date on a customer card you should put some indication down of when you should call on them again. The time to determine when you are going to make your next call on an account is right after you have made a call. Then you know what's going on there and you say to yourself, "This account is okay. I won't need to come back and see them for three weeks."

On the other hand you may say, "Well, now, this buyer is right at the point where I have to see him again within two days. Now, I can't depend upon my memory. I may forget this," so you set up a tickler system in your customer card file where that card is going to come up within two days and remind you that you have to go and see that fellow at that time.

Here is one instance of what I mean by saying that you can't carry all this information in your head. If you try to, you forget a lot of it. You won't make calls that are supposed to be made and the first thing you know you'll be losing business just because of neglect, neglect only from failure of your own memory.

What to Place on Customers' Cards

You should include on your customer card a memorandum of some of the particular things that were discussed, or are under discussion at the present time. I was out with a salesman a while ago and after every call he would write down everything that happened during the call. Then, before he went back in to see the account again he would review what happened during the last two or three calls. After that review, when he went in to see the account he had something to talk about. He could pick up the conversation just where it left off the last time he was there.

Now, lots of times we go in to see customers whom we have been calling on for quite some time and we are at a loss to know what to say. We have run dry. If you can just refer to a card and find out what he was interested in at the time of your last call, what he was asking about, then you can pick up and start your conversation from that point.

Of course, another thing to have on your customer cards is the full name of your contact man and the full name of the man next in line to him. You are going to go back there someday and that customer is not going to be there any more. Someone else will be sitting at his desk, and you should know, ahead of time, who that is going to be, and you should have been doing some selling on him already.

Also on the contact card you will have the names, the full names of anyone else in that account whom you should be acquainted with and with whom you may have any business dealings. That would be the name of a secretary, the name of some other person there that in some way or other will have a bearing on the business you get from the account.

Some salesmen keep a record of the customer's hobbies, or his family's names, birthday dates, and that sort of thing. If you operate that way, then keep them all together on a customer card.

Another thing is to have your complete addresses and complete telephone numbers on that card. There is a lot of other information you may want to include in your customer cards, where there is a diversification of commitments, or any other special facts that have to do with their business.

How are you going to keep these cards? You will have some customers that you will have to call every day. Those daily contacts should be filed together in one spot. Probably there is a time rotation when you are supposed to contact those accounts. File them in such a way that you will hit them at the right time during the day.

There will be other cards that should be contacted on a weekly basis. File them according to the day of the week you want to contact those accounts. There are other cards that you don't see so often. You might put them all together and list them according to alphabet, or according to the month you next want to contact them, in a rotating fashion.

Those are just a few suggestions on a system set up to operate your customers' cards. Your prospect cards are somewhat similar. As soon as you have contacted a new account, set up a prospect card on them and put all the information down on that card that you think you will need in order to get business from them.

What to Put on Prospect's Card

We will just go over briefly what you might put on a prospect card: The full company name and address and the telephone number, so you don't have to look it up constantly; the name of the right man to contact and his position. Get his title down there. Sometime you may have to write a letter quickly and you don't want to have to scramble and call his office to find out what his title is.

You may indicate, on this prospect card, what the competitive situation is, who you are selling against and, again, any special interesting data on the account. In this case also you must keep a meticulous record of when you have made calls upon the prospect.

I advise against one thing. You're going out Wednesday morning and you would call on some of these prospects, so you go to the prospect file and take out 10 cards and put them into your pocket. You go around and make those calls. If you don't return those 10 cards to your prospect file, then you don't have one. You have to centralize all your prospect cards. If you fail to do this, pretty soon they will be all over the place.

Some salesmen will never take a prospect card from the file. They get a special card and anything they need during the day they'll just copy down from the prospect card. Then, when they get back at night, or come into the office the next morning, any data they want to transfer from this daily card goes back onto the prospect card, and the prospect cards are never removed from the file because there is the danger of losing them.

Drawing Up a Work Schedule

All that is long-range planning. You should also draw up a work schedule for yourself for every week. If you are really serious about getting ahead in this business, you should plan your week sometime during the weekend. Take an hour out of your own time and write up your schedule of what you are going to do so that when you come into the office at nine o'clock Monday morning, you don't take an hour from your productive selling time to do your planning. When you hit there, first thing in the morning, you know exactly what you are going to do.

Now, a lot of salesmen come in and they are full of enthusiasm and vigor, and the first thing they do in the morning, they come in and grab their brief case and they're all set to go, and they run out the door all set to do a wonderful selling job.

Well, where are they going? They hadn't thought of that. They don't know where they're going.

That is hit-or-miss selling that misses. You have to have a definite assignment made for yourself for every hour of your working day and you have to keep yourself to that schedule.

All this pertains to the subject of efficient selling. After you have made out your weekly program, you have to reduce that to a daily program, know just exactly what you are going to do every day. Now, you already know that you have to get so much business from present accounts and so much business from new accounts.

Your immediate question is, "Where am I going to get that business?", and when you route your calls you route them solely on that basis—of where you are going to write that amount of business.

The other day we talked about doing the overhead, non-productive type of work. You do the necessary things in the correct order. First things come first, and the first thing in this case is productive selling, according to this plan that you lay out.

Say that you are going to make eight calls on Monday. You've got those calls routed correctly, four downtown here, that you intend to make in the morning, and then you have four calls up on Madison Avenue near 50th Street and around that district, that you are going to make in the afternoon.

Certainly, you aren't going to make the first call down here and then go uptown and make the second call, and then come down here and make the third call. Obviously, nobody would do that.

But without such a great difference in distance, a lot of salesmen are doing that kind of backtracking every day in their work. Plan your calls so that you can go from one to the next with the least amount of effort on your own part, with this one exception, that you've got to call on your best prospects at the best times.

You have a really good prospect, and the best time of the day to see him is right after lunch. Now, if you think you are going to get an order from him, that should be the point that has the priority in that call list regardless of the backtracking or the poorer routing. The element of the correct time for making the call, because that is the right place at the right time to get an order, comes first.

In planning your daily calls—and let's say you have planned eight—you should start off that morning with about 12 calls in your pocket. Suppose you call on these eight accounts and fail to see five of them. You tried to hedge against that, but it just so happened that the World Series was being played that day and a lot of your customers were out. Now, if you ran out of calls to make because you took only eight cards with you, then what would you do with the rest of your time? Always plan more calls, or rather, always plan extra calls to make in case the regular calls that you plan can not be made. In that case you won't find yourself in the middle of the day with nothing to do.

Of course, if that should happen, you could always do cold-turkey selling, which we'll talk about later on.

Let me emphasize for just a moment that it is not necessarily the number of calls you make that is important, it is the importance of the calls you make. It is going to the right places, doing a good prospecting job, a really good prospecting job, so that when you arrive somewhere you've got an opportunity, at least, of making a sale.

I don't know whether or not you gentlemen make out call reports, but there are a lot of salesmen in this country who work from the point of view of putting in a nice call report to the boss. The call report looks beautiful because they have made a lot of calls. But their business is not good because the calls were incorrectly selected. Make your calls on the basis of where you can get business.

There is such a thing as fatigue, as far as salesmen are concerned. You should try to plan your work with the least amount of fatigue for yourself. If you become too worn out you can't make a good solicitation, so save yourself as much as you can in doing this planning.

Instead of racing out the first thing on Monday morning with your briefcase, as the man did that we were talking about a moment ago, calm down, sit down at your desk for a minute and just say to yourself, "Where can I go and get an order?". Don't simply rush off. "What can I do to sell that $10,000 worth today?"

Orient Yourself

The next point in organizing yourself in selling is to orient yourself in the district in which you are selling. Establish yourself and become better known. Remember that orders come from people. Promotions come from people, and advancements; calls to jobs of more responsibility all come from people, from connections.

A salesman, in organizing himself, or in organizing his work, must pay attention to that principle, that he gets ahead because of people, somewhere, making decisions that are favorable to him. So the more people you get to know, the more people you influence to regard you with admiration and respect for your ability, the better chance you have of getting ahead. A lot of men neglect that one point in not becoming known in their industry, and known by the right people, and because of that when something comes up that could be very favorable for them if they were selected, they are not even considered because they are not known.

If the person who is going to place that great big order doesn't know you, you don't have a chance for the order, so join organizations, get on these trade associations, get in this investment association, become a joiner, become an officer in different associations, get yourself appointed to committees, do as much of that as you can, in order to publicize yourself, to become known.

You can't do the job all by yourself. You can not become a huge success in any industry simply through your own individual effort. You have to spread yourself. You must have other people working for you, other people interested in you, other people who are going to get you in on the nice things that come up and in order to be considered by all these other people, you have to take the initiative and go out and meet them and do such a selling job on them, such a fine piece of contact work and self-promotion with them that you ingratiate yourself into their influence and regard.

You can not be the introverted person who moves on silently all by himself and still become successful. You have to spread your self and the way to spread yourself is with these other people—influential people. If you have graduated from a college that has a club here in New York, join that club. If you are a veteran, join your local veterans' organization. If there is some religious organization that you belong to, get in with them, join them.

If you don't want to take part in all that activity you don't have to, but you won't sell so many securities. That is the way to sell. That is the way to organize. That is how you may become known, and that is the way to meet this quota of $2,400,000.

I do not recommend that you go and push yourself, undiplomatically, into any group, but I do recommend that you do advance your own cause in a tactful way and get in with as many influential groups of people as you can, because there will be a direct benefit to you and to your sales volume from such connections, especially in your business.

The great American public likes the popular man. They like to do business with the popular person. I am not here to argue as to whether the popular person is any more intelligent or more worthy than the other introverted type of individual. We don't have to say which is the better. I simply say that the popular person gets more business, the extroverted type of person is the successful salesman.

Superintend Your Own Work

The independent nature of selling demands that you supervise your own work. If you have set up a plan, a program of annual sales work, then it is up to you to have the strength and willpower to supervise yourself in that program that you have set up, because if you don't do it, nobody else will do it for you.

Sometime, you should analyze how much time you are actually spending in productive selling per week. The actual, productive selling is when you are in front of a potential buyer discussing the possibility of his buying something from you, or when you are doing the same sort of thing over the telephone. That is the actual selling time, and one objective of all your administrative planning is to get yourself as much of that time during the week as you can.

The next point in this business of organizing your work is being sure that you sell the right man in a bank or a hospital or an insurance company, or any place that you go to get business. This is very important. If you don't get to the right man you are not going to fare as well and you are making it very difficult for yourself.

Who Is the Right Man to See?

Well, you say, "Who is the right man?". The right man is the one who has the authority to make the purchase decision and who can spend the money. Those two things, the man who can say, "Yes, I'll take it," and who can say, "We can spend the money."

If you don't get to that kind of a person you are not going to make the sale and there is no use in fooling around with people who can not buy from you.

You gentlemen who have been selling for some time, you know very well that when that situation has arisen you have all lost business by giving in and not holding out to see the right person.

Here is what happens: Usually a big buyer has some kind of a man working for him who screens a lot of the details for him. Now, in the first place, unless that particular individual is a young person working up in the organization, he is often somebody who easily got sidetracked into an overhead job.

That kind of person, because he is not in a position to go up himself, because he's been pulled off the road and is not selling, himself, any more, who has been shunted into this kind of a job, he is the kind of a person who might very well kill a salesman's effort purely from spite, and I think you have seen this kind of underling that I'm speaking about.

They don't have the right perspective in the first place to judge your proposition properly, and if you go in and spend all your selling effort on that individual you probably won't sell anything.

Here is what will happen. You will be the victim of a relayed solicitation, which is no good. You tell this underling your whole story and he says, "I'll take it up with the boss." The boss is very busy and also this other fellow has a lot of work on his desk, but three or four days after that he may have a session with the boss and your proposition may come up.

Just what kind of a selling job do you think he is going to do for you? He isn't going to do any kind of a selling job. I have seen it happen time and time again. They say, "You don't want to buy any of this stuff, do you?".

"No."

That is your sales solicitation right there and if you depend upon that for your $10,000 sales per day, you surely won't hit it.

Don't give your sales solicitation to him. Don't do it! You get in there and you talk to the receptionist and she gives you to this understudy and he comes out and starts talking to you. You introduce yourself to him, tell him the investment house you represent and say that you have dropped in to make an appointment to see Mr. So-and-so, the person you want to see, and ask for the appointment.

Well, then he will try to get you to tell him your story, but don't do it, because you might as well pick up your hat and walk out. It won't do you any good. Just insist that if Mr. So-and-so is busy at that time, well, naturally you can't see him, but "you would like to have an interview arranged," and use him only to get the interview.

If he bucks you and won't give the interview, then try it again on the telephone, sometime, because the big man's secretary, in answering the telephone, probably neither she nor the boss has ever heard of you, because this underling didn't mention you, so you have another route in, through the secretary, to make a definite appointment to see that person.

If that doesn't work, you can write him a letter and try to get an appointment that way. Have your promotion department send him two or three pieces of literature. If that doesn't work, maybe you know someone else, one of your customers, who will get you an interview, whose name you can use to get an interview.

So watch these buffers who want to carry in a relayed solicitation for you that will never in this world sell what you are trying to sell.

Devoting Time to Non-Buyers

On the other hand, there are certain non-buying people that you have to devote some time to. There are some subordinates who have some influence on the purchase commitments. Those people you have to devote some time to. Not too much, because you don't have it, but at least you can be polite to them.

You have to get in pretty strong with the secretary of the person you are doing business with. You realize that if you don't fit in pretty well with her then you are not going to find it easy to make appointments. There are a lot of career girls in this town who do a lot of the thinking for their bosses, and if you don't fit in right with them, then the thinking they are going to do as far as you are concerned isn't going to be favorable to you.

I don't mean that you should become too over-solicitous with these girls, but I do mean that you should pay some attention to them and get yourself at least favorably regarded so that when you call up and she comes on the telephone, she knows who you are right off the bat, and is inclined to make an appointment for you with her boss. That is the non-buying type of person that you have to do some missionary work with in order to protect your interests with the client.

We have a few more points on this subject of organization and then we will go on to the analysis of the interview and the approach. There is the principle of selective selling that every salesman has to be aware of. You don't just try to sell everyone. You try to sell the people that are natural prospects for you. We don't have the time to discuss this in greater detail, but I would like you to just make a note of that point.

There are a lot of young people and people with relatively small incomes who are complaining about account executives because they don't pay the slightest bit of attention to them. The young fellow is not making very much money today. Ten years from now he may be very wealthy and it is up to you to screen these small accounts and gauge them according to their future possibilities of being really good sources of business for you, so don't neglect these small accounts without measuring them against some standards relative to your future business.

You should always be ready for any kind of sales action at any time during your regular working hours. If you go into a place to make a call, be ready to take care of any subject that may come up during that call. Have your sales literature with you. Have a pencil or pen with you. This sounds like very childish instruction, but there are many, many salesmen who don't go in equipped to write orders. They don't have order pads; they don't have their literature with them. It's out in the car, parked about four blocks away, and when you go in to make a call and you are not ready to pick up an order, then in your own mind you have said to yourself, "Well, I'm not going to get any business here," because if you thought you were going to get business there you would certainly be ready to take an order.

That does not mean, necessarily, that you have to take an order pad with you, but there are certain things every salesman uses, and if they are of some value to you, take them with you.

Proper Use of Telephone

One other subject here is the proper use of the telephone. It is a very difficult subject and we could spend a long time on it. We haven't enough time to devote to it, but just a few things:

You can get killed very quickly on an original solicitation over the telephone. Very, very quickly! It is easy for somebody to say, "I'm sorry, I'm not interested in investments."

So, if you have a prospect, I would advise that your first contact not be via the telephone at all. That goes into this "cold turkey" canvass business. That is rather an odd expression, but there is nothing cheap about doing "cold turkey" selling work.

You call this prospect up and you get him on the wire. You are going to introduce yourself and your firm, and your next statement is going to tell him what you called him for. You can't get around that, and you have to tell him in such a way that you hope to arouse his interest.

He is going to find out that you are calling him for the express purpose of eventually selling him some stocks and bonds, even though you might say it in a very nice way that you want to discuss his investment program with him, or something on that order, but you may call at a very bad time and it is terribly easy for him to say, "I'm not interested, sorry, all taken care of," in that line, and get rid of you.

Now, in New York City, especially, if you go up into the gentlemen's office and you ask for an interview, you've got a much better chance of having the opportunity to discuss your investment proposition with him. I have learned from experience here in New York, versus other cities, that if you walk into an office and ask for an interview, that more often than not you will either be granted an interview by the executive at that time or given an appointment to see him at some later date.

So don't use the telephone for an initial contact if you can avoid it. When you do use the telephone, you've got to be very definite in what you say. You can not simply call up and ask a question and put the whole burden on the other person and hope that they will take the initiative and do the thinking on this subject for you. Don't do that.

You have been sitting in your office and you have been thinking about the investment business for a whole hour before you called him up. They are not interested in your subject. They're thinking of something else entirely. So if you put a fast question to them and they have not been thinking about it at all, you certainly are not going to get much of an answer from them.

You have to say very positive, definite statements over the telephone. As an example, a friend of mine in the advertising business and I had lunch the other day and he said, "There's a young fellow working in an agency that is doing the space buying for a concern. I have had the account for 10 years, but there's just been a switch in the agency and this is a new agency. I certainly don't want to lose the account. I want to get it through this agency and I can't get to see this young fellow."

I said, "Call up that young fellow and say something like this to him: 'This is Mr. Smith calling again. As you know, I want to get together with you about this "X" account. Now, would it be more convenient to see me at 10:45 tomorrow morning—I can make it then—or at 3:15 the next day? Which would be better for you?'"

There you have not given him a chance to say yes or no. You have only provided him with the chance to select between two different appointments. And it worked! He got his appointment.

Now, that's a little bit of fast talking, it's a little bit slick, but some of these people are hard to see, so you call up and give them an option and they decide: "Well, at least I'm making the decision here," and they're making a decision that can't help but favor you. That's just one little trick over the telephone.

Another point you may notice is that the appointment asked for was not on the hour, or on the half-hour, but it was on the quarter-hour, at "10:45 or 3:15."

The fellow said to himself, "10:45?" "Well," he thinks, "he only wants to see me for about 10 or 15 minutes. That will leave me free at 11 o'clock for another appointment," or "He isn't asking to see me at 3:00 but 3:15, so he only wants to see me for a very short time," and he is more inclined to accept your suggestion.

That is also a little slick, but it helps to get you your appointment, so if you have some prospect who is hard to see, you may just try that and see how it works.

After you get your original order and have your account established, then the telephone saves you an awful lot of time. You can handle it for the details and for servicing, and that is the time to use it, but never let it supplant all of your personal contact with the account. Every once in a while go and see them in person.

I have gone over "organization" pretty fast, but there are some points in there that if you take the trouble to observe will save you a lot of time in your selling work.

Analysis of the Interview

Now, to come to a very earthy subject, the analysis of the interview, what happens when you go in to see a buyer. We have talked about the background and about the adjustment of a man's mental conceptions of what selling is, and we have found out about organizing our work so it may be approached with some degree of efficiency.

But now you are on the threshold, about to go in and talk to your prospect. At this point, I would like to offer one more definition, if I may: An interview is a meeting of two or more people to accomplish a specific purpose.

You don't simply bump into this person on the street, accidentally and pass the time of day with him, and just engage in a social conversation, an interview that has no purpose in mind. That is not what we're talking about. We are talking about a sales interview that has a definite purpose for being held.

Now, you both know that. No salesman may kid himself into believing that when he comes into contact with his prospect the prospect has no idea of what the interview is all about. You go in to see an account, or a brand new prospect. You have introduced yourself. They know who you are, and you get in there in the office and that man knows very well that you have come in there to try to sell him some investments, so don't try to kid yourself that the purpose of the interview is not understood by both sides.

There are some salesmen selling some products that have a round-about, indirect approach, men who try to do a fancy, high-pressure job of selling something so that the person won't know they are really buying anything. That is not the kind of selling we are discussing here at all. We are discussing interviews granted to permit a salesman to come in and try to sell his investments and his securities.

So, when you come into contact with your prospect you can assume that you have been given permission to do a complete selling job on him. You don't have to pussyfoot around at all. By allowing you to come into his office, or into his home, to come into contact with him, he gives you express permission to try to sell him what you have to sell.

If a contact should be made where the purpose of the interview is not thoroughly understood by the person you are talking with, then it is up to you to acquaint him with what you are doing there.

There are certain factors involved in an interview to which we are going to give a little attention:

The first one, of course, is the human element. The second is the physical setting of your interview. Next is "Time." Another concerns the circumstances leading to the interview. Then "the subject of the interview," and next is the "immediate pre-conditioning."

These are certain factors that you have to be aware of when you come in and start your sales canvass. Along with that list of subjects that we are going to discuss in more detail, I want to mention also a list of accomplishments that you are going to try to make as soon as you come into contact with your prospect.

Let's try to develop a clear picture of the situation here. Imagine we are standing in an elevated spot objectively looking down upon this scene with the salesman and the buyer. A sales solicitation is going on here and we are going to try to find out what it is all about, try to find out what happens there so that you, as a seller, can appreciate more fully what a sales interview should consist of, in order to make a sale.

Here is that list of accomplishments:

One: Arrange the physical setting of the interview in a manner favorable to yourself

Two: Size up your prospect.

Three: Balance the social situation.

Four Manipulate the prospect's attitude toward acceptance.

Five: Establish a friendly atmosphere; and

Six: Get yourself accepted by the prospect.

These are the things you are going to try to accomplish.

I'll talk first about the "immediate pre-conditioning." You are outside the door. You've got an appointment for 11:15 and you get there at eight minutes after eleven. The girl takes your name and sends it in and you take a seat. As you sit there you are feeling your finest, it's a fine day outside, good prospect inside, business going pretty good. This transpired at exactly 11:15.

Eleven-twenty: Still a nice day outside. Things are, well, okay.

Eleven-thirty: You are still sitting out there. It's beginning to cloud up a bit. You don't feel quite so fine now. "Getting fidgety hanging around here. I smoked eight cigarettes since I've been here. Shouldn't be smoking so much. What the devil is that guy doing in there, keeping me waiting so long! Who does he think I am!"

Well, it becomes progressively worse. The longer you wait the worse you feel. The salesman is not supposed to wait. He isn't that kind of a person. He is the kind of a man who wants to be up and talking with people, doing things. He is not the calm, reserved, introverted, unrestless person for that kind of a spot, he wants to go in and talk to that fellow. He's got something to sell. "What am I doing, sitting out here wasting all this time! I had a nice day planned and here I am parking myself out here for 30 mintues. Now, just wait until I get in and see that guy."

Well, if you allow yourself to deteriorate in that fashion, mentally, when you do get in to see the man, it isn't going to be too good for you.

Many sales are lost just outside the door. When you cross that threshold and come into the prospect's office, he is going to look at you and the first thing he's going to judge is your attitude.

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Selling Organization and Administration

(Continued from page 23)

If you walk in with a wry face and a half-angry attitude, you aren't going to sell a thing because he's going to back right up on you.

So the first thing to remember in any interview is that before you get in there prepare yourself, mentally, to make a good solicitation. to have the right attitude, to be in the right mood.

Most of the time, of course, you won't have such a prolonged period of waiting as I have described, but sometimes you will wait for quite a while there. If that happens, don't allow yourself just to sit there and feel concerned about the length of time you're waiting. No, you do something.

There are lots of things you can do while you wait that will preserve your good mental attitude. Don't simply sit there idle, because doing nothing leads to weakness. All of a sudden the door opens and you are inside the office feeling rather lost. You feel a little bit sleepy. You are at a lower level of effort.

Approaching the Prospect

But the prospect has been very busy in there. He feels stimulated and has the jump on you. So while you wait outside, do something constructive for yourself. Best thing to do is to plan what you'll say when you get inside. Go over your interview. Go over your sales literature. Think of the best way to make your approach. If you have all that fixed in mind already, fine. Then read something. Read the paper or in some way occupy your mind so it doesn't become a vacuum. Then when the door opens for you, you have been active. You are mentally aggressive and all set to go in there and give him a good talk.

There is another thing you can do. If you are tired from rushing about you can use those few minutes to relax and catch up with yourself. If you enter the prospect's office feeling too tuned-up and nervous, there again you might not make out so well.

Keep your attitude ready for that first impression and even if he kept you waiting for quite some time you can go in there with the attitude that, "I was glad to wait because what I have to tell you is of great interest to you."

The first thing you do when you cross the threshold is to be sure to identify yourself correctly. Your card preceded you, but if he is a new man introduce yourself. Make him know what your company is, and try to make a favorable impression the first thing you do.

It is your opening remarks that sets the attitude of that whole interview. I'm not going into detal on "attitude" at this point because we have an hour of it coming up a little later on.

It is my own personal recommendation that your opening be of a social nature, some short bit of conversation of an extraneous nature, about the baseball game, about some current event in the headlines, some incident you noticed coming in that would be of particular interest in that company, just some little thing that serves to break the ice and helps to relax your prospect a bit and allows him to think, "Well, this fellow's going to be all right to talk to," and before you start out just put him at ease a little bit with some kind of social chatter for a little time.

Now, don't keep that up. Make it short. He is busy. You came in there on a business call. Get down to business very soon.

These long, chatty conversations at the start are a waste of time. Make that social business short and snappy, setting a nice atmosphere, and then go right into your business conversation.

Now, suppose he keeps on working. The thing to do is to approach the desk, but don't sit down. And don't get too near his desk. Simply stand there and wait. He knows you're there because he's requested that you be shown in. Just wait a while. Usually, he's just putting his signature to a letter, or just finishing a letter, and he'll fold it and put it away and then turn to you and greet you.

But if he doesn't, if he keeps right on working, then you have a little problem on your hands. You have stood there for a while and he hasn't said anything to you. Well, that is a challenge to you to do something.

In the first place, he is not playing his part right. He's a tough customer. If he asked you in there he should be polite enough to greet you, and polite enough to ask you to sit down or say, "Would you mind waiting?"

But once in a while there are these tough prospects who want to beat you down a little bit. You have stood there too long. You may say, "Mr. Brown, I wonder if you're going to have a few minutes for our interview at this time, or would you want me to come back later, if you're too busy now to see me," and try to open him up like that.

Or, just say, "Mr. Brown, I understood that I would be allowed to discuss this subject with you now. Is it all right for me to sit down?"

If you ask him, he can't very well ignore that. You've got to receive some kind of response from him with that kind of a challenge. You must be tactful and polite about it but at the same time you have to show a little firmness because he isn't treating you right.

He may say, "Sit down." Well, you sit down. Then he may go on with, "You don't mind if I go on working while you talk to me."

Sure you mind. Never try to sell him while he's doing something else because you won't be able to do it. You may say, "Well, Mr. Brown, I'll tell you, I'd like to say yes to that but I'm not a good enough salesman to sell you when you are only half-interested." Or, "I really need your attention because I'm not that good," or just say, point blank, "Well, I think, Mr. Brown, what I have here is of real interest to you and I believe you might find that to be true if you'll give me your attention." Again, you might say, "Well, Mr. Brown, you have salesmen out on the road for you. Do you instruct them to sell when the customer keeps on working? How about it?" Surely, that will rouse him.

You've got to take the reins into your own hands and really hit him when he wants to keep on working. Remember that what you have to do is to stimulate that fellow to the point where he is going to take a serious action, a buying action, and you certainly aren't going to stimulate him to that kind of activity if he is allowed to divert his attention somewhere else.

Sizing Up the Buyer

Now, I am going to get back to this "human element" I've been talking about, that "immediate pre-conditioning" which takes place just ouside the prospect's office. Here are certain things you must consider about that buyer:

In the first place, you size him up. What kind of a person is he? Is he a highly introverted type of person, or is he an extroverted type of person? Because the answer to that question determines how you are going to talk to him. If he is very introverted, you are going to discuss everything purely in relation to him. You will lean your topics as closely as you can down his own alley, because the introvert sees everything external strictly in relation to himself. He views everything in a very subjective way.

However, if he happens to be an extroverted type of person he will think objectively. In that case you can talk about the investment, for itself. You can talk of matters in an "external" way and not necessarily relate them too closely to him, because he will appreciate what you say for itself, regardless of his immediate relationship to it.

You must also decide whether he is a thinking type of a person, a feeling type of person, an intuitive type of person, or a sensational type.

Those are functional types of persons that we will discuss when we get into the psychology elements. We won't go farther into that at this point.

But you have to size this person up, because the type of person he is determines how he will buy, and also how you will appeal to him.

Next thing, you figure out how intelligent this man is. This, in turn, will determine at which level of intelligence you will talk. If he's very smart, you'll go right ahead and let him have it. If he doesn't know very much about stocks and bonds, if he hasn't had much of an education, then you must really slow down and pace out your interview very slowly for him.

So, you must judge the man. Judge his intelligence, the amount of education he's had, and level your delivery to him accordingly.

You have to figure out his purchasing power. "Am I going to talk about $100,000 commitments. or about $5,000 commitments?" "What is this fellow worth?", and "What level should I be talking about?"

It would be well to determine this information prior to your actual interview. You don't know —maybe he might be thinking of buying $1,000 worth, or $5,000 worth, and you have to have some gauge of what he is thinking about in order to know what kind of investment to discuss with him.

You should also try to find out if he is a positive kind of person, or a negative person. Is his whole approach to life a positive one, or a negative one? There again, you have to know in what way to hold your conversation.

Here are some other things to consider:

How tired is he? You just arrived there and you're looking this man over, sizing him up, and among the things you will consider is this: How tired is he? Is he able to take my complete solicitation or not?

If he seems to be on the ball, healthy and vigorous, you can let him have it. If he's tired, you must slow up and perhaps even split you solicitation into two calls because you can not risk tiring him to the point where he isn't going to listen to you any more.

About the angle of the man's health, here again we are attempting to analyze selling from a very technical point of view. The healthy person does not make his purchases in the same way that an unhealthy person buys. If you go in to call on widows and older people who are not strong, people who may in fact be sick or weak, then your whole approach and solicitation must be entirely different.

You must become a comfort to those people, a source of strength and authority whom they can lean on with confidence, and you've got to give them more quiet talk so you don't tire them out or rough them up. Approach them like a doctor with a good bedside manner so they lean towards you and you don't rebuff them by being too brusque. Never bounce in on an unhealthy person and show off all your vigor and energy, either, because it may make them a little bit jealous and they may unconsciously dislike you because of that. Approach them in a more quiet manner and you'll get along better.

All right, still sizing up this prospect whose office you have just entered, how much pressure is he under? Look at his desk. Is it all piled up? You must determine immediately how much work-pressure that person is under in order to find out how much time you think he can give you before he starts edging you out of the office so he can get at all that work again.

You gauge the length of you canvass according to how much time you estimate he may give you. He may not seem too busy, and his desk may be fairly clear, and then you can take more time with him.

Also, how about that person's economic security? You can figure out for yourselves that a person economically secure will buy in a manner very different from that of the man who is not so secure.

Other factors are entertainment habits. How good are you as an entertainer? If you have a really big customer and you have to take him out, you had better consider the type of person he is, what his likes and dislikes might be. One man would enjoy going to the ball game and stopping in for a lot of drinks afterwards, while another type of person is not a bit interested in that and would prefer an entirely different kind of entertainment.

So you select the entertainment according to what they want and not necessarily what you would like to be doing.

"Don't Try to Sell a Hungry Man"

Don't try to sell a hungry man, either. That's too difficult. If he's hungry, take him out and feed him. Then go back to his office and talk to him, because if he's really hungry you've got too much competition to work against.

Now. the real hard-boiled person, don't allow him to frighten you. There's a real hard guy who is usually okay, who just uses that pose for a surface veneer; a tough, tough person may often act that way simply because he knows he is easy with salesmen, that he buys very readily. So if you can crack that first shell you may have a very good customer on your hands.

We have already discussed the memory factor, about repeating points already made and gauging how much you believe he can remember between your visits of what you have said.

Still sizing up this person, remember that there is a variability between two different times. You go in to see him one time and he isn't a bit receptive. Next time he may be entirely different. Don't put him down in your mind irrevocably as being a certain type of person just because he was unresponsive on one occasion.

Everybody likes to think that he bought something and not that he was sold. Don't run your end of this affair in such a manner that when it is concluded the person feels that you have unloaded on them a bill of goods. Run your interview in such a way that they can feel they are exercising their good judgment in selecting from your offer just what would be good for them. Make them think that they are buying in a discriminating manner and that you are only helping them.

The Buyer Rules the Interview

Now, throughout any interview, who do you think it is that rules the interview, ultimately? It is, naturally, the prospect, the buyer. And no matter how dominating may be the personality of some particular salesman, regardless of how successful or how strong he is, in any interview his prospect, in the long run, rules that interview.

You know that. You are in his office. He can kill that interview, stop it at any time he wishes and, in a nice way, of course, simply get rid of you. Or if he happens to be in your Board Room, on your property he is still the one who controls the interview in the final analysis because he can always just get up and walk out.

It is always the buyer who holds the end of the reins in any interview, so don't step over the line and try to dominate completely both the buyer and the interview because it is not your place to do that. You may find that if you attempt to take over part of his role that he will resent it and you won't make your sale.

One final point. You have already judged how smart the man is and how much he can take, but take care during your solicitation that you don't overload him. Be careful that you don't talk at the man so hard and so fast that your presentation has the effect of overloading his mind.

You must remember that he is going to do some deliberation and in order for him to deliberate, you have to give him some time.

FIC Banks Place Debs.

A successful offering of an issue of debentures of the Federal Intermediate Credit Banks was made Sept. 20 by M. G. Newcomb, New York fiscal agent for the banks. The financing consisted of $35,015,000 1.30% consolidated debentures dated Oct. 3, 1949, due July 3, 1950. The issue was placed at par. The proceeds, together with $1,630,000 cash in treasury, were used to retire $36,645,000 debentures maturing Oct. 1. As of the close of business Oct. 3, 1949, the total amount of debentures outstanding was $562,130,000.

New York IBA Group To Hold Annual Dinner

The New York Group of the Investment Bankers Association will hold its annual dinner at the Hotel Pierre, Oct. 27. Guest speakers will be General William J. ("Wild Bill") Donovan. The annual meeting and election of the group will be held just prior to the dinner.

Arrangements for the event are being handled by Duncan R. Linsley, First Boston Corporation, Chairman of the New York group.

Frederick C. Soder With Gross, Rogers & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Frederick C. Soder has become affiliated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Sodar was formerly with G. Brashears & Co. and Walston, Hoffman & Goodwin.

James P. Alles With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—James P. Alles has become associated with Harris, Upham & Co. Mr. Alles was formerly San Diego representative for Conrad, Bruce & Co.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA. — Rose Maisel is with Bache & Co., 235 Lincoln Road.

With Gordon Michie

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Lloyd A. Van Eaton is now with Gordon Miche, 582 Market Street.

Factors Maintaining Our Prosperity

(Continued from page 7)

from sales at home or to other areas he decides where to market his products. Similarly, our own producers measure the advantage of foreign trade by converting into dollars at the current exchange rate, their proceeds in sterling, francs or other foreign currencies. When it is profitable to sell abroad they do so.

Most of the exchange rates against the dollar have, until recently, remained unchanged since shortly after the end of the war. In the meantime, prices and costs have risen in many foreign countries to a greater extent than in the United States. As a result it became increasingly less attractive to sell goods for dollars, than for the so-called soft currencies. Moreover, the relatively high prices of goods abroad made them unattractive to American importers. At the same time, these exchange rates, which were considered by many people as "overvalued," made American goods appear cheap in terms of the foreign currencies. Hence, the public in the foreign countries had a strong preference for dollar goods which were restricted by direct rationing of dollars through import licenses and other measures.

The adjustments of exchange rates which have been made during September by a number of foreign countries tend to remove many of these artificial price relationships which previously existed. These adjustments bring the prices of dollar goods back into a more appropriate relationship with the prices of other goods in foreign countries. They increase the incentive to foreign businessmen to expand their efforts to earn dollars through foreign trade. At the same time they reduce the excessive demands for dollar exchange in foreign countries and ease the pressure on the foreign exchange control systems of these countries. They point to a higher level of trade in both directions, for only by expanding their dollar earnings can foreign countries continue to purchase, by their own means, the American goods which they require, thus reducing the need for assistance from the United States.

To put this matter in concrete terms, we now export goods at the rate of about $12 billion a year to foreign countries. Our imports of goods are running at a level of about 6 to 6½ billion a year. It is desirable to maintain a high level of American exports, for this is beneficial both to us and to the rest of the world. It provides employment and incomes to our people, and makes available needed goods to foreign countries.

Foreign trade is also advantageous to the American people, because it enables us to obtain goods which we cannot produce here, or which other countries can produce more cheaply.

It is clear that foreign countries cannot continue to spend $12 billion a year in our markets unless they can earn the dollars. That means that we must import more, spend more on tourism and other services, and make sound capital investments abroad if we are to maintain the level of our own export trade. At the present time a large part of the gap between our exports and our imports is covered by American foreign aid programs. The bare and simple logic of arithmetic makes it apparent that the gap must be closed as this assistance is reduced.

Devaluation Will Improve Dollar Position

The recent adjustments in exchange rates should help to improve the dollar position of foreign countries. However, this action does not constitute a cure-all for the difficult and complex problems currently faced in international payments. Exchange adjustment is merely a step which helps to clear the way by removing some handicaps to the effective and fluid functioning of a world price system in accordance with the economic incentives to free enterprise. It does provide an environment in which friendly governments and business enterprises may work more hopefully toward the common objective of expanding world trade.

We Americans face many difficult problems, both domestic and international. We are meeting these problems squarely, and I believe we are making real progress in helping to solve them. But I do want to leave with you members of the life insurance industry — an industry which has played such an important part in the growth and development of this country — the reminder that these problems will continue to require full energies and efforts of all our citizens. For it will take all the ingenuity, courage, and steadfastness of purpose that we can individually and collectively muster to insure a prosperous and peaceful world.

Opportunities for Expanding Business

(Continued from page 6)

will come from the rising trend of living standards.

Great Variation

And this means, in turn, that distribution as a whole must keep pace with scientific development, on the one hand, and the growing desires and changing position of the consumer, on the other.

Naturally, great opportunity implies new problems. For example:

In the old days, when we traveled by horse and buggy, the man who sold the horse was free forever of any question of further maintenance. But when the distributor now sells an automobile, or a refrigerator, or a washing machine, or a television set, he has to provide continuing services in the way of repairs and upkeep. In some cases installation is an important question.

To use the same example, the horse would ultimately die, and automatically be off the market. But very few people who buy an automobile, or a refrigerator, or a washing machine, or a television set will keep on using it until it falls to pieces.

Improved living standards, consequently, have brought new problems for distributors. They must not only be retailers, they must also be technicians and repair men and second-hand dealers. Installation, maintenance and trade-ins are a plain, though not entirely pleasant, reminder of the extent to which living standards have increased in the last half century.

Rising standards bring other questions, as well as opportunities, for distribution. For example:

(1) The home owner lives a different life than the apartment dweller. His location is suburban; he spends his money differently and in different stores; even his children have different requirements in the way of toys, clothing, etc.

(2) The autmobile, the shorter work week and the longer vacation, all the products of technical advance and the mark of higher living standards, also influence family spending. The shopping radius is lengthened; the family has time for sports and hobbies, and it travels.

(3) Television will have an impact on the lives of children and grownups alike. The first impact shows up on your cash register when you sell the set. The later impacts will be less obvious but perhaps more important.

A high standard society, in short, is a volatile, changing society. Although it raises your level of opportunity, it also requires a higher level of foresight and planning on your part.

The Near Future

You know, as well as I do, what the immediate past history has been in the field of distribution. During the war consumers couldn't buy as much as they wanted to because the supplies in many cases were not there.

Once the war ended, there was a tremendous impetus to production, despite the sharp increase in prices. For a time it seemed as if supplies would never catch up. However, for one item after another, a balance has been reached.

Does this mean that all accumulated demands have been satisfied?

Certainly it means that the most pressing of these demands have been satisfied, at current prices. But it does not mean that there is not a big volume of latent demand, waiting for prices to come down.

We have merely come to the real problem, to get prices down to a point where new levels of demand will be tapped, without doing too much damage to employment and income in the process.

Cost Problems Vitally Important

This problem is not an easy one. Some industries find it more difficult than others. There are two factors present, in fact, which I believe have never been quite as important in any similar period in the past.

One of these is government support of farm prices.

I will not attempt to argue the merits of this program. Most businessmen found out after the last war that a bankrupt farm economy was a drag on the economy as a whole. Certainly the Federal program of helping agriculture will prevent this condition from developing again. But perhaps we have gone to the other extreme. The farmer's income, to a very important extent, is the urban worker's cost of living. We would not want to see an impoverished and destitute farm economy. But urban workers greatly outnumber farmers, and if urban workers are squeezed too seriously between declining payrolls and high living costs, our economy will not be very prosperous.

The second factor is the increased strength of labor unions. I have no doubt that I could precipitate a hot debate if I took one side or the other of this question. Let me merely point out that improvement in the position of working people as a group is neither new nor solely a product of union activity. It has been a part of the established trend, in which the benefits of rising productivity have been largely passed on to workers and the consuming public.

What are the dangers then if labor is successful in its continuing rounds of wage demands?

I believe the answer is one of degree rather than direction. Unionized factory workers, like farmers, are only one group in the population. If their own position is improved rapidly enough to drive prices up, what is gained by them is lost by others. If the improvement in their position, on the other hand, follows along with technical advance and rising productivity, then the entire population shares in the benefits.

We all know of cases, fortunately isolated, where entrenched unions have either held back technical advance or claimed its benefits solely for themselves. If such isolated cases became general, then no one could become too optimistic about the future.

But we know of other cases where union leadership, because it was well established and in no danger of losing its position, could take a broader viewpoint, sharing in the benefits of technical advance rather than making exclusive claims.

I do not feel that I am too optimistic, therefore, in expressing the belief that all consumers, over the longer term, will continue to share in the benefits of technical progress.

Costs of Distribution

This is a subject about which a great deal has been written. There has been a lot of loose talk about distribution costs. In the political sphere, there have been conflicting policies. Congressional groups interested in the farmer have criticized retailers for high costs, while other groups interested in the small businessman have legislated against chain store distribution.

I believe too few people realize that distributors face an entirely different cost problem than the one encountered by manufacturers.

If I am producing an article, I can diagram exactly the steps that are necessary. These steps can be divided up. If one operation takes ten times as long as another, ten times the number of machines can be put in that operation. Individual steps can be timed. It is easy to calculate how much a new machine will speed up production, and to offset this saving against the cost of the machine.

The retailer's position is entirely different. How different it is can be revealed dramatically by a very simple question—**How long does it take to make a sale?**

This is a foolish question as you know. It takes longer to sell a refrigerator than it does a tube of toothpaste. On the other hand, it may take longer to sell a woman's $3 hat than it does a $300 refrigerator.

One salesperson will make a sale in nothing flat, while another will fumble and stumble and perhaps miss the sale altogether.

Two salespeople of equal ability will show different results in different stores, if the stock is fresher in one than in the other, if storage and display facilitate the sale, or for many other reasons.

All this, of course, merely says what you know already, that there is no single solution to your cost problem.

I know from my friends in distribution, however, that every one of them is working hard on this problem. No single aspect of their operation is escaping examination. In many cases special personnel has been assigned to this problem.

I will not venture a prediction that there will be early and tremendous declines in the cost of distribution. I do believe, however, that for distribution as a whole there will be a rising trend of efficiency.

The relative importance of national distributors has been increasing steadily and I believe that these gains will continue. This has a slow but steady effect on the cost structure of distribution as a whole.

But single-store units are not unaware of this challenge. As you know, some of the new store buildings erected since the war have made cost factors one of the most important considerations of design.

Conclusions

In summing up, I would like to impress a few points strongly on your minds.

First, your big opportunities arise from the fact that living standards are steadily rising.

For a long period of years, the rate of increase in the physical output of all goods and services has been constant. But population growth has declined and a rising proportion of this growth in national product has stemmed from the advance in living standards.

Because this has brought new and complex items to the consumer, the retailer has had to broaden his services.

He has also had to sharpen his wits. The high-standard family can and does vary its spending much more rapidly and drastically than the family living at a subsistence level. Foresight, recognition of basic trends and continual alertness to the changing demands of the public, have become essential.

When the retailer sells a television set, for example, he knows that he is creating a later demand for tubes and parts. But I wonder whether he stops to think that he may also be reducing the later demand for toys and games.

For the near future, I doubt that we are quite ready for a broad and vigorous revival of business activity. There are some serious price and cost problems still to be settled. Until they are settled, I would not want to predict that we are ready to begin a protracted period of high level activity, such as developed in the twenties.

But I am also convinced (1) that there is still a large volume of accumulated demand, and (2) that there is tremendous room for technological improvement, which as it develops, will make many cost problems look less desperate than they now appear.

Distribution in this country serves a high-standard society. Its opportunities, already great, are still growing. It has the challenging and very exciting job of making the most of them.

Business Man's Bookshelf

Major Problems of United States Foreign Policy 1949-1950—The Brookings Institute, 722 Jackson Place, N. W., Washington 6, D. C.—cloth

World Tour in Oil, A — Illustrated with maps—Dr. Alfred M. Leeston—published by the author, Continental Building, Dallas, Tex. —paper—50c

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF. — Jerome A. Moore and George Yerkes are now connected with Waddell & Reed, Inc., 8943 Wilshire Boulevard. Mr. Moore was previously with C. E. Abbett & Co.

Two With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Joseph A. Dragon and Ralph R. Garrow are now affiliated with First California Company, 300 Montgomery Street.

Business Leadership Can Save Free Enterprise

(Continued from first page)

the country to absorb or adjust to. Certainly the lack of economic sanity in so many of the things being done, contains the possibilities of eventual disaster.

Just the same, and conceding that the restrictions on free choice have limited the means by which business can develop and grow, the key essentials of freedom still remain in the hands of businessmen. These can expand and flourish again if we exercise the leadership which is inherent in the operation of business.

In these conditions, the demand for leadership is heard on every side. The only question is the shape leadership is to take, and how it may be exercised effectively.

The demand is stated many ways. Some people would make this a call for business participation in political affairs. Some would add the exercise of organized power on the part of business, to meet power marshaled by other economic blocs which are so influential today.

Demand is a poor word for what we hear. At times we almost sense it as a fervent prayer on the part of people, not only in business but in all walks of life, who know our country is on a dangerous path. They sense, in the ability of industrial and commercial management, an organizing force capable of doing things with competence, and one which will not make promises without being prepared to fulfill them.

If we are to meet this demand for leadership we need to think a bit about the nature of business itself, and also to think of the structure of our political institutions.

Business Not Built on Master Plan

Industry and commerce do not exist for themselves. In the first instance all industry is people individuals. Business exists only because people have wants and needs that business sets out to fill. Business is just the organization of men, money, materials, machinery and communication to furnish goods and render services which people will buy and use. It is not an organization built to a master plan. It is just a channel through which many diverse plans, ideas, methods and abilities find individual expressions. They meet an infinitely varied range of demands.

Business will exist anywhere, under almost any conditions. It is crude and yields little benefit under despotic and arbitrary rule; it is bountiful under conditions that allow it to grow and flourish vigorously. Competition, if operating strongly, prunes its deadwood, encourages good growth, and stimulates vitality. But, as I said, business is a process that will always go on, and some people will be found to operate it under any conditions.

What businessmen do is to learn to swim in the currents as they find them. They put to practical uses the forces of the stream. That is the way by which, in this country, we have made continual progress.

Business is without one distinctive voice, just because it has so many individual voices. These are backed by different thoughts in different situations, by different judgments and by conflicting interests. Out of successes in many different endeavors comes leadership, but it still is leadership by individuals, speaking with individual voices.

The particular genius of the American form of representative government was its foundation on the rights of individuals, and on the exercise of responsibilities by individuals. From the town meeting to the national Congress, it was intended that the voices heard should be the voices of individuals. Their votes were not to be segregated according to economic interest. Men were not to be classified by occupation, or by condition. Only geographically.

We see this cardinal principle often violated today. Political institutions are changing so as to encourage our division into castes and blocs. We see the manipulation of these blocs, so as to silence the voices of individuals.

We have come to see formation of monopoly power encouraged in other organizations. These exceed in scope the greatest combinations ever set up in the field of business. These speak, not with the voices of individual members, but with those of self-perpetuating leaderships.

Seek No "Business Bloc"!

Were business to seek to make its voice heard by following the bloc example, it would by that act surrender in the battle for freedom. It would yield up the rights of individuals, and substitute instead the fascist idea. It was the fascist plan which perfected the modern way of silencing people, to manage them in blocs, and finally push them into disaster against their wills.

There is no future for American business in the political power play. Nothing can be won by submerging the individuality of men and institutions into an attempt at bloc acting and speaking. Fortunately, great organizations such as this one of yours have understood this fact well. They have kept to those things on which there is broad community of interest. They have not sought to regiment membership into business-political blocs.

The businessman as an individual has the same rights, duties, responsibilities, and opportunities for registering his voice in political affairs as any other man. As a good citizen he should participate on the scale suited to his talents and opportunities. He can take to public affairs the special skills he has learned and practiced in business: organization, management, salesmanship.

Some contend that having these skills imposes a special obligation to offer them for community service. That is a point individuals have to decide for themselves. They have to weigh their responsibilities, and their own sense of public duty. We applaud those who take on real opportunities to be of service. We know these seldom come without personal sacrifice.

Distinct from the individual, however, the normal business firm cannot leave its own channels. But are there not things it can do, in addition to its regular operations, to exercise a beneficial influence on affairs?

We find today many things being tried.

We see efforts to create increased popular understanding of the ABC's of economics. Efforts are made to encourage men to appraise state activities in the same terms they apply to an individual's doings, financial and personal.

There is no basic difference between private and public morality, between the integrity of individuals and that of institutions.

Yet the size and complexity of big things does offer huge obstacles to understanding, and even to interest. So this educational field is one that may well be stimulated until the normal facilities for education have measured the problem and developed their own capacity for carrying the load.

Many efforts are aimed at developing greater appreciation of what business means to people, and how it operates. There is no doubt that the business which is soundly run should be known as a good citizen in its community and have the respect of its neighbors.

But these educational efforts, no matter how brilliantly carried out, are likely to remain only partly effective.

The central fact remains that people are little interested in business as a participant in a popularity contest. From industry they want things. From business they want service. They also want jobs; they want opportunity to advance themselves.

Whether in terms of goods, or of jobs, people are interested in a business that is successful. That is a prime test. Does the business sell a real value? Does the public go for its products year after year? Does the business show the elements of a real future?

If that reputation is secure, then other efforts may make some impression. But the advancing quality of the product, its value, availability and popularity are first essentials. Without these all other appeals fall flat.

The Ability to Give Value

The ability to give value is far from an automatic thing. It probably is harder to deliver today. It requires more concentrated attention to all phases of a business, than has been the case for a long time. The hurdles imposed by government are stiffer to take. The long period of war-created shortages is growing shorter or ending, for every line of business. A systematic rebuilding of competitive effectiveness in every line of business is called for.

When a fully normal buyers' market has developed in all lines of business, we shall see for the first time since the war, whether the business community as a whole has retained the drive and elasticity to perform the dynamic function which business has contributed in the past. The extraordinary war record of American industry was matched by the rapid reconversion and by the quick attainment of record levels of employment and activity. But the task ahead is in many ways a greater one still.

We expect confidently that the vigor and zest of enterprise will show strongly as ever. But it will require harder work than most people realize.

If we are going to measure the position of American business in the public mind today we might at least entertain the idea that it rates very high. I believe it does rate high, not only with consumers, but with employees as well.

It is possible, in fact, that a great deal of the difficulty created by current political programs, actually flows from public overconfidence in industry's capacity to yield, indefinitely, more and more of the benefits desired.

If there is such over-confidence, how easy to believe that business is simply unwilling to go as far as it can, and so should be pushed and pushed again.

People have seen business withstand a huge burden of taxation without yet going under; it has rolled with and adjusted itself to one regulatory program after another; it has experienced revolutionary changes in many of its relationships; it has held up under things that some people said would destroy it.

Industry is afloat still. It still is generally profitable, though I am sure not in adequate degree, when we consider the extent of the continuing inflation, and the grave future problems that inflation poses.

Friends have pictured industry correctly enough, as the source of a steadily increasing general standard of living, but wrongly as a producer of miracles.

Is it not logical to suppose then that many of our good citizens are unwilling to believe that this is not a tree permanently bearing ripe fruit? Ready to be picked for any purpose, at all times, without fresh nourishment or cultivation?

How many people in such a country as ours would willingly give up their present open choice of things to buy? How many would give up the right to spend their money as they wish?

Who would really exchange this for a complete system of government allotted houses, automobiles, television sets, washing machines, trips to the barbershop and nights at the movie?

It cannot be more than a handful, and those must be either mentally weak, or actively traitorous to the country.

Oversold on Magic of Management

Many of the rest may be oversold on the modern magic of management, technology and advancing productive ability.

We may all share in the blame for this. In trying for understanding and respect for business, we have not been able to get across clearly the fact that even the best managed businesses face constant risk from uncertainties. Nothing we know how to do, will eliminate this risk.

In the age of atomic energy and other wonders, it is easier to glamorize achievement than to explain it, or to understand it. It must be very easy for those who don't know, to assume that with enough effort, we can solve any problem whatsoever.

Big business particularly is assumed to have among its tools fact-finding means of such great accuracy and delicacy, that future demand can be forecast, and future operations projected with great certainty. What is forgotten is that there never can be certainty that all factors have been considered and measured. When the best facts are in, all decisions rest finally on judgment and experience. With experience we can calculate many possible eventualities. With judgment we can lay a course which seems to have the most chance of success and the least of failure. Still a risk remains—always.

Every day thousands of different businesses are making their own decisions and setting their own courses. The errors of some may be offset by the correct decisions of others. Many more enterprises led by responsible, able owners and directors are flexible enough to make rapid changes when unexpected situations develop.

The unexpected develops regularly so long as the changing desires of millions of customers set the pace. There can be no guaranteed security for business.

If this were well understood and there were less blind worship of modern techniques and knowledge, perhaps the rash of economic planning from Washington would let up. Business would benefit from a healthy general respect for the enormous remaining unknown; from respect for the ignorance that always must beset the best informed and most able; for the lack of knowledge that still makes success uncertain.

Business Must Have Capacity to Take Risks

The outstanding quality of the good businessman, greater even than his talents for organizing creative effort, is the capacity to take risks. The man who goes in business for himself, or as manager for a group, is volunteering for a lifetime of making his own decisions. On each of these decisions turns the possibility of mistake and serious loss. The courage and clear thinking required successfully to calculate the risks, and to set an aggressive course, is his special talent.

So long as the businessman performs this function squarely and intelligently and honestly, the community as a whole cannot fail to get real dividends from his activity. Whatever return he obtains should be begrudged by none. The decisions of his customers, and the pressure of his rivals will automatically limit it. They will do so with much greater fairness to all than any conceivable regulatory method.

Naturally enough the directors of anti-bigness campaigns deliberately ignore this one point, which should be a cardinal principle of any fairly conducted and squarely enforced anti-trust policy.

We have seen over and over again the public benefits brought about by the efficiency of large operations.

We know that bigness, whether in business or elsewhere, only starts becoming dangerous if it misuses power to escape competition. We know that manipulations to handicap a competitor injure the business interest as well as that of the public. Reaching out with the influence of size to rig other lines of trade against a less influential competitor is as bad as a conspiracy among supposedly competing concerns. Once such primary rules are enforced, not a hundred thousand public agents can be as effective policemen of business as a handful of lively competitors, full of ambition and free from arbitrary restraints.

Washington Economic Doctors on Wrong Track

But of course the economic doctors of Washington are practicing their arts with no more true science than medical men could exercise in the days when blood-letting was the sovereign remedy. They are getting about the same results.

It is natural that we find these activities injuring the supposed beneficiaries more than the advertised victims.

If over the last 16 years there had been a conspiracy to worsen the position of small companies it is hard to conceive how it could have been managed more effectively, and largely under the banner of befriending small business. These are the ones hardest hit by anti-investment taxation; by arbitrary rules on pricing; by imposition of uniform wage levels without regard to the health of the business; by limiting the right to sell a business; and by the long list of economic controls whose interpretations change the rules almost day by day.

Against this background we now see a Congressional Committee summarizing its proceedings in such a sentence as this:

"The majority of the witnesses expressed the opinion that business concentration is politically dangerous, leading inevitably to increasing government control."

How much more exact would have been the statement had it been turned around to say: "Increasing government control leads inevitably to business concentration."

That is the end objective of socialist programs anyway. Concentration under government rule, with all the absurdities that distant and unresponsible management is bound to bring.

These are the facts and attitudes of today which business leadership must overcome and have reversed. While they exist, and while we strive for more ideal conditions, we must redouble our efforts to advance our operations along the road of business integrity.

Business Integrity Essential

Integrity of institutions, as I said is fundamentally the same as the integrity of individuals. Men are expected to strive hard to advance themselves, but nobody respects a man who presses others unduly, and to their injury, for the last ounce of advantage. The stronger and more able the individual, the greater the moral obligation upon him to set an example of fair conduct.

There is a comparable moral obligation, it has always seemed to me, on the part of large concerns, or strong associated groups, to refrain from taking extreme advantage of situations where for small additional gain, less powerful units can be injured.

The self-discipline is not philanthropy. It is entirely consistent with vigorous competition, and fearless guarding of a company's position. It is not a matter of shaping a business course in a way that seeks to be popular, rather it is a basic part of good business citizenship, and particularly good leadership.

Integrity demands fearlessness.

We can obtain guidance from the record of military leadership. Every great general at one time or another has been forced to make unpopular decisions which he would have avoided at all costs if there had been any alternative. Those who won acclaim for their achievements never wavered, never sought the popular course; they risked and bore criticism.

In far less exposed and dramatic situations, we cannot any the less shirk the fulfillment of responsibility in business. The vitality and health of a business must be preserved if it is to render the benefits expected of it. Whether the actions needed to achieve this end are popular or not is secondary. A dead business profits nobody. A sick one cannot even exist for long in the interest of anybody, be he stockholder, customer or employee.

The business in which I have spent 40 years of my life, has been the making of automobiles. At the start few saw a future for it; later a multitude of people formed companies and pitched into it. There have been very nearly 1,000 attempts made to enter and stay in the production end of the business.

Disregarding the ill-advised attempts, there were still dozens of companies making extraordinarily good cars which now no longer survive.

The common factor about the companies that went under was that in general they worked their plants and machines right out of business, drawing out so much of the earnings that there was insufficient left to modernize and improve facilities. Obsolescent plants could not easily meet the competition of modern ones. When opportunities came to exploit new ideas in engineering the product, the means were not there to meet the great cost of retooling. So the product lost out to competitors who had taken better care of their business.

Not all the winners were big. The company which proudly carries Walter Chrysler's name was a small one. When it began it ranked 32nd in volume of production. Now selling one-fifth of the nation's vehicles, it still represents only 6% of the investment in automotive manufacturing.

This means that its growth has profited many independent companies which contribute to the products it makes. All were small businesses once. They have grown and prospered too.

Type of Business Self-Liquidation

While this growth was taking place, others were pursuing policies that weakened them and finally closed them down. It has happened in many lines of business.

It has been suggested that this type of business self-liquidation has been a factor in the reduction of Great Britain from her once high rank as an industrial and commercial nation to the present stern hardships under socialist rule. Malcolm Muir, publisher of "News Week" magazine, recently reported such an opinion voiced among conservatives in England:

"We failed to reinvest as you have done in modern plants and equipment. We failed to invest in new markets for our products and resorted to the cartel system of dividing the markets we already had. Management took to the five-day week and long holidays long before labor, and it was during this period that our downfall began.

"For 30 years we have been liquidating the assets of the British Empire, the two wars accelerated the pace, the socialist government completed the job, and now we have got to start all over."

Despite the pressure of government efforts that point us that way, we need not go down that road here.

No current problems should be allowed to push us into setting the stage for destruction of free business. This is the one great activity which our history has shown is the underlying creator of genuine welfare for the country's entire people.

The great advances in making man's lot a better one, which stemmed from this country in the short period of its existence, sprang in one way or another from the successful pursuit of business.

We are given to measuring our American standard of living in terms of the things we have: More automobiles; more bathtubs; telephones; radios; milk and meat; more fuel; more light; better shelter and better health. But we also have seen in this country more education, more opportunity to gain culture, more concern with the difficulties of others, greater development of the humane spirit.

Enrichment Generated by Business Activity

It is inconceivable that this growth of generosity, and this exposure of the whole population to opportunities for self-improvement, could have occurred without the widely spread enrichment generated by business activity.

The gifts of Rockefellers and Carnegies have done enormous public good, but even their sum total has been exceeded many times by the piling up of countless gifts made by millions of people, and still more by the general wealth of communities which has permitted expansion and improvement of schools and hospitals and churches and institutions of all kinds.

The opportunity for these public benefits stemmed from the prosperity created by business. Yet their creation and support was not the objective of business. Were they to be made a direct charge on business operation, as some people seem to want today, there is no question but that the total available for beneficent and cultural purposes would shrink enormously.

Business enterprises in a broad way never were and are not now created for the purpose of endowing education and research, or to finance eradication of disease, or any of the other beneficent purposes which prosperity has sustained. Actually business enterprises are not even created to supply jobs or furnish a living to a major part of the population. But they do yield just these results.

These things come inevitably and naturally, as the by-products of successful operation. They cannot even be prevented if enterprise is free, any more than they can be forced if enterprise is controlled. The most selfish men cannot prevent some good from flowing from their business activity, and the most generous cannot sustain benevolence if they fail to conduct their operations in businesslike fashion.

A parallel comparison existed in industry's performance during the last great war. The American success in arms, which depended so greatly on production, did not rest on the desire of industry to engage in a munitions business. It was based on the ability of enterprising management to mobilize resources, manage effort, set high goals and attain them.

This detracts not a bit from the obvious patriotism of the business community, but it points up again that the vital area for business leadership is on the business job.

First of all, business management is a full-time occupation. Whoever runs a business with any intention of having it succeed, must live it.

Secondly, no true and lasting social advance can be achieved without successful business to support it.

Third, good citizenship and integrity are essential elements of real business success.

Finally, the man in the street is going to be vigilantly pro-business only when he can identify its interest fully with his own.

For those who are businessmen, this is the field in which they can most effectively increase their usefulness to the community.

Business leadership can make itself felt, if it is leadership on the job—in the shop, in the experimental lab, on the sales floor, and the doorstep of the prospect himself, with a process that is honest, and a product that is sound.

Success in the business stream alone can evidence industry's great capacity to adjust to all that is sound in social change. Only if well run, can business demonstrate its ability and willingness to bear its part of responsibility to society.

Only prosperous and efficient business can convince the millions of good citizens that business works for the advancement of the nation.

1950 Can Be A Better Year

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that great modern wars are followed by similar economic changes. The usual sequence is: (1) a brief period of uncertainty immediately following the peace; (2) a replacement boom; (3) a readjustment period during which the excesses of the boom are corrected; (4) a renewed period of expansion; and finally, (5) grave economic disturbance. But these broad changes are never alike in duration nor in magnitude.

Better Prospects for Orderly Adjustments

While there are good reasons for believing that the main outlines of this familiar pattern may be repeated, it is by no means certain that we face economic disturbances as serious as those of prior postwar periods. There is now much wider understanding of the historic sequence of postwar economic changes. Undoubtedly, this knowledge helped to restrain our enthusiasm during the postwar boom. It caused us to plan more carefully. Inventories at factory and distributive levels were more closely controlled. It tempered our speculation along a broad economic front. We know vastly more today than in prior periods about the signals of impending economic dangers. We have developed new techniques of various kinds that offer promise of softening the impact of economic changes. Deep-seated economic and psychological factors produce business expansion and contraction. We cannot eliminate them by government fiat, but it is a fair guess that intelligent joint use of public and private controls are likely to restrain unsound expansion and mitigate the extreme fears that in the past have so often produced severe economic depression. There is more hope now than ever before for orderly economic progress. Recent developments seem to lend some support to this point of view.

Beginning of Current Readjustment

In the closing months of last year, it was evident that the long expected postwar readjustment was getting under way. Some correction of the excesses of the boom was obviously overdue. Business confidence ebbed rapidly. There were worries about prospective increases in tax burdens, higher labor costs, disturbing changes in our national labor laws, distorted price relationships, unsettled foreign conditions and continued extension of Federal control over the economic life of the nation. It was then apparent that several months must elapse before the more pressing fears were allayed and a new basis of confidence established. It is well now to review briefly some of the major readjustments that followed and to make a fresh appraisal of the business outlook.

Extent of Readjustment

Last November, the Federal Reserve index of industrial production stood at 195 and by July it had dropped to 162. Due to difficulties in making seasonal adjustments, the July figure may not be too dependable, but the August index of 170 was about 12% below the previous peak. Wholesale prices moved downward and by September they had declined about 9%. Between October, 1948 and July, 1949, our dubious figures on unemployment rose from 1,600,000 to 4,100,000, but the September figure was 3,351,000. During the first-half of 1949, there was relatively little change in the apparent flow of national income. There was a very minor downtrend in total retail trade. The department store trade suffered some sharp set-backs in sales as the year progressed, but for the year to date the sales decline has been about 5%. Moreover, most of this decline was due to lower prices and not sharply falling transactions. Between last October and June, 1949, stock prices declined about 15%, but recovery began in June and carried prices back to the levels of last January. Sharp curtailment of production occurred in many soft goods lines, but production of iron and steel, automobiles and new construction was well maintained.

Recent Improvement of Business

Toward the middle of June, there were scattered indications that the readjustment was flattening out. Some revival was obviously in the making. It appeared early in some branches of the textile industries where there had been drastic declines in output and prices. Recently, the signs of more general improvement have been growing although they are currently beclouded by labor difficulties. The $64 question now is whether this is merely a temporary reversal of trend or the beginning of more lasting improvement.

Earlier Contraction Too Severe

It is reasonably clear now that the improvement has occurred because the preceding contraction was more drastic than the rate of consumption justified. Lower prices and more vigorous selling effort depleted stocks rapidly. In late summer. Dun's "Review" subtly hinted the reason for improvement by running a cover lithograph showing a peddler merchant of earlier years with a loaded wagon and bearing the title, "You Can't Do Business from an Empty Wagon." Improved business sentiment and production increases, particularly in consumer goods, can be ascribed mainly to the urgent need for replacing depleted stocks and the usual seasonal expansion.

Other Reasons for Better Sentiment

Other factors of considerable importance may also be noted. Manufacturers generally had geared production closely to sales and had not manufactured goods for stock in any large amount. When it became apparent that the high level of government spending could not be maintained without resort to deficit financing, investors and speculators reasoned that stocks were a good purchase and technical conditions also favored higher prices. Successive steps were undertaken by the monetary authorities to make credit conditions even more easy. Moreover, it was difficult to believe that any major decline was likely as long as the automobile, steel and building industries were doing so well. The readjustment during the first half of 1949 was moderate and orderly.

Readjustment not Complete

It is prudent to regard the recent improvement as an interruption of a longer readjustment that proceeded too fast in its early stages. Much of the current revival has occurred in the soft goods industries where the liquidation of stocks was very rapid and price declines severe. The automobile industry has skimmed the cream from its replacement markets and it is doubtful if the current rate of output can be sustained in 1950. Similarly, the steel industry, after its labor difficulties have been adjusted, may find it difficult to maintain its recent high rate of operations. A large part of the postwar expansion of production facilities has been completed and resumption will probably be at a slower pace. Moderate reduction in the rate of residential building may lie ahead. Some of the worst distortions in commodity price relationships have been corrected, but moderate further downward readjustments are likely after a brief continuation of curent firmness. The cost of living has declined only about 3% from the recent peak, and a greater decline is needed. The stock market has encountered technical corrections and resumption of a broad advance appears somewhat dubious. After inventories have been restored and seasonal demands met, it is reasonable to expect that the postwar readjustment will continue at a very moderate rate and in a piece-meal manner.

Government Spending and Artificial Supports

No careful student of economic conditions can be unmindful of the tremendous burden of public expenditure. It represents nearly one fourth of the gross value of all goods and services that we produce. We are now threatened with agricultural surpluses that will require new billions of the people's money if price supports are to be maintained at or near current levels. While artificial supports may not wisely be suddenly withdrawn, there are limits to the willingness of our people to be taxed heavily to support artificially the prices of the food and other things they must buy. Efforts to obtain some rational economy in public expenditures have made no significant headway.

Tax Reduction and Reform Imperative Need

The continuance of heavy wartime taxation is a powerful barrier to any long sustained revival. Tax reduction and tax reform are not yet in sight. We gravely need both to make it possible for the initiative, imagination and energy of free people to create new production and new jobs for an expanding population. Under our

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system there is no political substitute for private job making with private funds. Our political servants cannot take our money and spend it as productively as we can. The world's strongest and richest nation cannot afford extravagant government. There is no general wage increase, direct or indirect, that can mean so much for our economic future as intelligent tax reduction.

Nearby Prospects Good

While these and other considerations becloud the longer term outlook, the near term prospects for business, despite our current labor difficulties, are more promising. For the fourth quarter and well into 1950, industrial production seems likely to be maintained at a high level. Our best available estimates of disposable income for the fourth quarter indicate a decline of about 5% from the corresponding quarter of 1948. For the first half of 1950, due in part to veterans' insurance dividends, income payments promise to be fairly close to the levels of the first half of 1949.

Small Decline in 1950

Large economic aggregates tend to move slowly. It is probably good judgment to plan sales for 1950 at levels moderately lower than in 1949. This now appears to be a fair guess about the general prospects, but individual businesses will, of course, adapt plans to fit the special conditions that prevail in their respective fields.

Improved Turnover and Business Stability

We may expect that in 1950 most merchants will continue to follow cautious inventory policies. They have no need to worry about prospective shortages of merchandise. That day has passed. While stocks have often been starved in the recent past, there are no indications that there will be any abandonment of high turn-over policies as an operating goal. Such policies are often carried to extremes, but there is a middle ground that produces the best results. Manufacturers who adapt their operations to facilitate retail turnover will have a decided edge on competition that does not give adequate attention to the merchant's need for turnover. The more we can do in both production and distribution to shorten the time from cash to cash, the less likely we are to face unpleasant business disturbances in the future. We cannot solve the difficult problems of peaks and valleys and high seasonality overnight, but if we give this problem of increased tempo in production and distribution more consideration, we will reduce our risks and contribute measurably to greater economic stability.

Public Attitude on Prices

There is no basis for believing that the general public is in any mood to tolerate higher prices. Wholesale prices for many lines of consumer goods have recently shown marked firmness, but it is doubtful if this firmness will persist for the simple reason that merchants know that the customer will not pay more. Customers will continue to be very price-conscious for a long period ahead. During the past year they have been cautious and discriminating buyers. They are not so much interested in mere lowness of price as they are in sound values. Their liquid resources are large, but they want their money's worth to much greater degree than in the past. The relatively modest price declines in numerous lines of consumer goods during the past several months have caused goods to move rapidly into consumption. Broad new markets will open up if prices and qualities are right.

Need for Better Selling

We have seldom faced better opportunities for expansion of markets along sound lines, but it will require much better selling and merchandising techniques than we used during the lush years of the replacement boom. If one were to attempt to summarize in a few words an ideal selling theme for 1950, the closest approximation could probably be expressed in the phrase, "Better living for less." We can stand a little less emphasis of product specification and somewhat greater stress on what our products will do for the buyer in terms of better living. To sell that idea, it is not enough to present the right qualities at the right prices. Goods no longer sell themselves. Competition is keen and it promises to be more severe as the months pass. That means we will gain competitive position by better dramatization of selling themes to fit the times in which we live. There is need for new and fresh approaches and restudy of the type of copy that "clicked" under similar conditions in the long ago. We need all the aid that good advertising and intelligent market research can give us. It is well within our power to make 1950 a far better year than most of the business forecasters believe it will be.

ITO Charter Fosters Economic Nationalism

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pared intellectually. Mr. Bernard Baruch wrote a few months ago that "in Washington everyone is too busy to think." This is also true of other capitals of the world.

These preliminary remarks are made because I cannot explain otherwise how, in the face of the blinding lesson of the British crisis, our President continues to recommend the ratification of the ITO Charter.

On June 15, 1948, Mr. Wilcox, one of the negotiators of the Havana Charter, made the following statement before the U. S. Chamber of Commerce:

"One serious weakness is this: The ITO will have no authority to intervene in the domestic policy of any country in any way. This means that a country may remain in balance-of-payment difficulty through bad domestic economic measures and the ITO will have no power to correct the situation. This is serious, since it means that the period during which import quotas are permitted may be prolonged. But no nation on earth is ready to surrender its economic sovereignty, least of all the United States. This country would not have agreed to a provision which would have given the ITO power to interfere with our domestic policies."

The difficult British situation has its roots deep in the British and world history. However, her incapacity to extricate herself from balance of payment difficulties has its immediate cause in her socialistic and nationalistic economic policies. Great Britain has just been forced to do by devaluation what her controls have proved incapable of accomplishing. And yet, despite a drastic readjustment of her exchange rate, Great Britain decided to maintain exchange controls and import quotas. Why? The answer is very simple. No economy planned on socialistic or Keynesian ideas can possibly remove exchange controls. Now Article 21,4(b) of the Havana Charter permits and encourages nationalistic economic planning in the name of the modern myth of full employment. Article 21,4(b) not only encourages and makes possible the perpetuation of import quotas but it also permits discrimination between nations. Only a few days ago the Belgian Ambassador in London was instructed to ask Britain for an explanation of the discrimination against Belgian goods because the British Government, by removing some import restrictions, excluded imports from hard currency countries.

Two Main Criticisms

Two of the main criticisms directed against the Havana Charter are that it would perpetuate import quotas and permit discrimination. For the time being we are free to protest against policies which make impossible the restoration of free multilateral trade, and we are also free to defend ourselves against such policies. However, incredible as this may sound, once we have signed the Charter we shall not even be able to protest, for the simple and good reason that we shall have approved in advance policies which permit the maintenance of quotas and discrimination.

In the statement by Mr. Wilcox which I quoted, you may remember that there was the following excuse to justify an unjustifiable agreement on our part. I quote again, that "no nation on earth is ready to surrender its economic sovereignty, least of all the United States." Now, I don't know who is the original author of the specious argument that the request that a nation should remove persistent balance of payments deficits is, in fact, "a request for the surrender of economic sovereignty." This argument is a hoax. The history of the world is full of crimes against international cooperation and peace in the name of national sovereignty. Nobody has proposed to interfere with the domestic implementation of full-employment policies of a country. A country should be free to adopt whatever domestic policies it chooses, **provided, however, it does not hurt other countries.** This proviso is sound and reasonable. It is our right to ask from any country that whatever action it takes to implement a "full employment" policy, such action should not hurt other nations. By asking a country to remove persistent balance of payments deficits, exchange controls and quotas, we are simply asking a country not to hurt other countries, not to adopt beggar-my-neighbor policies and to help the expansion of free international trade. This is the only request we make, which is just and reasonable, to which in fact all the countries have already subscribed to in the IMF and which obligation would be undermined by Article 21,4(b).

A Complex Document

As you probably already know, the Charter is one of the most difficult and complex documents one can read. It is impossible in the time allotted to me to discuss all the reasons for which I, together with a great majority of American businessmen, recommend the rejection of the Havana Charter. Let me, however, give you one piece of advice. To understand why we should reject the ITO Charter do not read the guide to the Havana ITO Charter published by the State Department. The best thing you can read on this subject is the report by the New Zealand delegation at Havana to its government, and ever more so, the Australian Parliamentary Debates on the Havana ITO Charter which were held during the 18th session of the Australian Parliament in 1948. These two documents will substantiate our reasons for opposing the ratification of the Charter.

The purported objective of the ITO Charter is to remove all shackles on international commerce and permit the restoration of free multilateral trade. Therefore I submit that it is a relevant question to ask the defenders of the Charter how, by what means, will the ITO Charter permit the expansion of international trade. I submit that it is easy to show how it will perpetuate quotas, how it will permit discrimination and restriction of international trade, but no one has yet been able to indicate how the ITO Charter would help the expansion of international trade. Most of the time, when you pin down the defenders of the ITO Charter on this pointed question, the main answer is that the Charter will make possible an easing of customs procedures. It seems to me a pretty weak argument to favor the adoption of such a dangerous charter as the ITO Charter is to peace and to the individual free competitive system.

Let's see what other claims the defenders of the Charter make in favor of its adoption.

One is that it will provide a meeting-place to discuss problems of international trade with which one or another country may be confronted. The idea of such a meeting-place has the support of all businessmen.

A second claim made is that it is better to have a bad charter than no charter at all. This argument seems to me so absurb that I will not even discuss it.

The third defense of the Charter is that it will make possible trade between free enterprise nations and socialistic nations. However, the price we have to pay for this presumed compromise of irreconcilable factors is the restriction of international trade and damage to the interest of the individual free enterprise system. The defenders of the Charter like to call it a compromise. The fact is that the Charter is not a compromise but a surrender to economic nationalism.

The defenders of the Charter also like to point out that the Charter enunciates as objectives the reduction of tariffs, the removal of restrictionism and discrimination, all principles dear to Americans. In a recent issue, "Fortune" magazine, in discussing the ITO Charter, called it "one of the most hypocritical state documents of modern times." As you know, gentlemen, the French writer, La Rochefoucald once said that hypocrisy is the homage which vice pays to virtue. It is true that the Havana Charter enunciates virtuous principles, but in its operative stipulations it sacrifices internationalism to economic nationalism.

Another defense presented in favor of the Charter is that we ourselves do not have our hands clean, inasmuch as some provisions in the Charter which are detrimental to expansion of international trade have been adopted at our request. I submit that for us to be part of a conspiracy against free trade, international cooperation, and peace, adds one more reason for rejecting a bad hypocritical and dishonest document. If this is true the right attitude for this country should be to amend our own condemnable policies rather than accept through the Charter doctrines destructive of the free enterprise system and peace.

Summary of Objections

Let us now summarize my main objections against the Havana Charter:

(1) The Havana ITO Charter is a complex, ambiguously written document so that everyone should be able to find in it what he desires while making believe to the Americans that they are not requested to make big sacrifices to get the Charter. As you know, the Havana Charter has a provision whereby all countries undertake to maintain full employment. I feel confident that the Charter will secure full employment for lawyers. The ambiguity of the language of the Charter is bound to create strife between nations.

(2) The Charter purports to reconcile the conflict between countries which indulge in socialism and nationalistic planning and seek solutions to their economic problems in restrictions of trade and controls, and others which favor expansion of international trade and internationalism.

It's about time that we stopped ducking the real issues. The truth is that we cannot have free multilateral trade without free convertibility of currencies. The socialistic governments cannot have free convertible currencies because they are living beyond their means, and very soon, I am afraid, beyond our means. The truth is that we cannot have free multilateral trade without free convertible currencies. The truth is that the very policies of socialistic governments make impossible the removal of exchange controls, the diabolical weapon of economic nationalism. It will never be stressed enough that exchange controls and their alternatives, import quotas, are the main economic weapons of totalitarianism and of socialistic countries. Besides, let us not forget that exchange control is a tyrannic weapon in the hands of a government, it creates black-markets, and is a source of fraud and moral corruption which permeates the entire social body of a country. The test whether the ITO Charter will help or prevent the expansion of international trade is whether it will help us get rid of exchange controls and quotas. The Havana Charter not only fails to remove import quotas which are an effective barrier to world trade, but it condones and perpetuates import quotas. Article 21,4(b), which explicitly condones and permits the perpetuation of import quotas, entails the surrender to economic nationalism. Article 21,4(b) does even more. It undermines the obligation already subscribed to in the IMF to remove persistent balance of payments deficits.

The blunt truth is that a country cannot have socialism and economic planning at home and free trade internationally. Russia is the only socialistic country which can boast of the relative success of its policies because it does not pretend to reconcile irreconcilable facts and ideologies. There is no democratic process in Russia and no liberty. The method they use is the method of the stick. It is simply a groundless illusion to think that a country can have socialistic policies as practiced by Great Britain and free convertible currencies. The defenders of the Charter are usually very discreet on this paramount issue, and prefer not to discuss it.

(3) A third reason for opposing the Charter has been clearly formulated recently by Mr. Piquet at a symposium organized by the Rubber Manufacturers Association. He stated: "I have been impressed by the argument that, because of the exceptions in the Charter, which are so numerous as perhaps to negate part of the

Charter itself, the United States will be the only economically important country that will find itself living up to the expressed principles. This question deserves deep and realistic study."

In summary, I am recommending the rejection of the Charter because it will foster economic nationalism; it will restrict international trade; it will create strife between nations and it will therefore undermine peace.

One cannot help wondering why our government has accepted to sign the Charter, subject, of course, to the ratification by Congress. I am convinced that the negotiators of the Charter meant well and wish the preservation of our individual competitive system. Why, then, have they accepted the Charter? This question has bothered me for a long time. I believe that the explanation is probably one of the following or a combination of all three:

(1) As I said already, the Charter is complicated and ambiguous. It may well be that the intellectual framers of the Charter have minimized to the head of the delegation, who was a businessman, the dangers inherent in some of its provisions.

(2) We wanted the Charter by hook or crook. All the negotiating nations knew it. Because we refused to face the British issues squarely and courageously we thought that the Havana Charter might provide an answer to the British problem. This is why I have defined the Charter thusly: an international agreement for the restriction of international trade in the name of full employment for the sake of providing a wrong solution to the British problem. According to witnesses at the ITO conferences, our delegates never dared antagonize our British friends. There is an illuminating article published in the September issue of "Fortune" by Michael Heilperin, economist for Bristol-Myers, which explains clearly how it came that the American delegates signed the Havana document, which denies rather than confirms the basic objectives of American economic policy.

(3) A third explanation which I come to consider more and more valid is the following: The modern malady, the dollar shortage, is attributed mainly to the great power and efficiency of American industry. The foreign countries are presumed not to be able to compete with American industry. This theory is supplemented by the idea that our country is highly self-sufficient, as if most of the people had forgotten that the basis of international trade is comparative advantage in costs. Many theorists argue and preach that above all what is required is an improvement in the competitive position of the rest of the world, vis a vis, the United States, through discrimination against American exports. And this view has apparently been adopted by the American negotiators of the Charter.

I know that the British problem is a special case, the solution of which requires and deserves our greatest attention and help, provided the British people are willing to help themselves. However, I still believe that in most cases the dollar shortage of a country is the result of unbalanced budgets, abuses of credit, and economically unjustifiable exchange rates maintained by controls. The well-known British professor, D. H. Robertson, in an article published in the "Economic Journal," had the following pertinent remarks to make regarding the modern bogey of balance of payments difficulties: "What are politely called 'balance-of-payments difficulties' do not necessarily drop like a murrain from heaven . . . any nation which gives its mind to it can create them for itself in half an hour with the aid of the printing press and a strong trade union movement."

It is a fact that the Havana Charter hampers the exports of countries which do not need exchange controls and import quotas, like the United States and Switzerland. As I said above, the Charter encourages rather than discourages practices which hamper free international trade. For instance, instead of providing sanctions against countries that have persistent balance of payments deficits, it accepts these kinds of difficulties as an excuse for a country to obtain exceptions to the Charter.

* * *

Because I am rejecting the Charter I do not wish to finish my address without making a few constructive suggestions:

(1) Provided Great Britain can rid herself of the fear of competition and free convertibility of currency which can be done only if she changes radically her policies, we should help her remove exchange controls and resume free multilateral trade.

(2) We should slash our tariffs even if it has to be done unilaterally.

(3) We should invite such nations as are willing to cooperate with us to work together for the establishment of a simpler document than the present Charter. Mr. Piquet made the following pertinent remark:

"If, by its very nature, an international trade organization can be nothing more than consultative and advisory, why would not a simple statement of such principles as can be genuinely agreed to be preferable. . . .The question is a natural one, therefore, regarding the Havana Charter. Would it be a stronger document if; (a) it set forth the basic objectives clearly and simply, (b) it then committed the signatories to these principles to the extent of requiring that they not take any unilateral, or bilateral, action in violation thereof without first discussing such action with other interested nations through the good offices of the ITO, and (c) it provided for a small, but competent, technical and economic staff with power to make recommendations, as experts, without the intervention of any government or other political body? If this is too extreme, the experts could be given the right to publish their findings for the whole world to read. . . .If such a document could be agreed to, the hope would be that in years to come a body of principles and precedents would be built up. Experience would thus implement the stated principles."

Gentlemen, if we wish to preserve our free enterprise system and human liberty we should fight with all our strength for the rejection of the Havana Charter by Congress. Then we should fight for really good international economic agreement, by which I mean a Charter which will help the expansion of free multilateral trade and the maintenance of peace between nations.

As We See It

(Continued from first page)

upon whose basic principles of economics and upon their counterpart in the field of political science the United States of America was founded and grew to unprecedented greatness in this world of ours. It was in 1776—a year fraught with great significance for this country in more ways than one—that this admirable statement of Adam Smith was first published:

"The annual labor of every nation (the word 'labor' to be taken in its broadest sense to include all sorts of productive effort) is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labor, or in what is purchased with that produce from other nations.

"According therefore as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniences for which it has occasion."

This analysis is certainly elementary enough and its conclusions are obvious enough, it would seem, for any and all purposes. Yet the fact is that collectively we, and the peoples of many other nations, often appear to be seeking to have and to enjoy more than we produce or apparently are willing to produce.

But let the old master continue:

"But this proportion must in every nation be regulated by two different circumstances; first, by the skill, dexterity, and judgment with which its labor is generally applied; and, secondly, by the proportion between the number of those who are employed in useful labor, and that of those who are not employed. Whatever the soil, climate, or extent of territory of any particular nation, the abundance or scantiness of its annual supply must, in that particular situation, depend upon those two circumstances.

"The abundance or scantiness of this supply, too, seems to depend more upon the former of those two circumstances than upon the latter."

Nearly a century and three-quarters have passed since these phrases first appeared in print. Conditions of life, in their more superficial aspects at any rate, have undergone immense change in the interim, and so has the meaning of many of our more common words. Yet almost nothing need be added to these sentences to make them apply to the world of economics today. The word "labor" is used in a broader sense than is common today, as already indicated, and without doubt the author if writing today would include the energy with which labor is performed, and the number of hours commonly worked among the factors which govern the abundance with which any given people are able to live.

Mr. Smith's subject, it may well be noted to avoid any misunderstanding, was the "wealth of nations," or in these sentences the wealth (or as we should say today, the welfare) of any particular nation, whose resources and possibly some other aspects of its position in the world are fixed and are beyond the control of its citizens.

Simple Rules Applied

With such limited commentary as this (made for the sake of clarity) let us apply these notions to the world situation by which we are surrounded today, and see for ourselves what conclusions must be drawn about much that is being done today. First of all, let it be carefully observed that it is the total output in a natural interval of time (not some selected period such as an hour of work) related to the total population (not to that part of the population which is working) which serves as the benchmark of the economic welfare of the people. So much is now-a-days heard of the statistical figure "productivity" of labor, which is simply the amount of produce, as Adam Smith would express it, resulting from one man working one hour, that it would appear that considerable danger exists of serious misunderstanding.

The output of one man working one hour is an important factor in all this, but first, it should not be called labor productivity since it is dependent upon many things other than the behavior or the skill of the man who is doing the hour's work; and, in the second place, if the figure is to have any well-defined meaning of the nature suggested by the name, factors such as the labor involved in making the equipment used must not be ignored as is the case today. Again, obviously, whether or not the people have more of the good things of life corresponding to any improvement in what is commonly termed productivity of labor depends upon how many hours are worked. A 10% increase in output per-man per-hour would, of course, be wholly offset by a reduction of roughly the same proportional amount in the number of hours worked in any period of time.

Must Produce the Right Goods

And now to Mr. Smith's idea of "judgment" with which the labor is applied. Obviously, a nation is no better off by reason of an increase in the volume of any particular commodity if the public does not want any more of it. Production must be of things people want—either people in the country producing it or people in other countries willing and able to pay for it with something that is wanted. This is certainly a simple and obvious truth. Is there no way of making it clear to the politicians who insist upon stimulating production of many, many more potatoes than any one wants—and much more of the same order? The fact could also be absorbed with profit by a good many others who would directly or indirectly interfere with the business process in such a way as to alter the relative amounts of this or that type of goods produced. And our money manipulators would do well to give it long and serious thought—to say nothing of the advocates of "functional finance."

And finally, how would all this collective and competitive currency devaluation, now the order of the day, meet such requirements or tests?

With Wilson-Trinkle

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, KY.—John B. Lessenberry has been added to the staff of Wilson-Trinkle Co., Inc., Louisville Trust Bldg.

With Prescott, Wright Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Leon H. Denison, Jr., has been added to the staff of Prescott, Wright, Snider Co., 916 Baltimore Avenue.

Joins Stix Co. Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Frederic A. Arnstein, Jr., is with Stix & Co., 509 Olive Street, members of the St. Louis Stock Exchange.

Henkle Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB.—Keith F. Manning has been added to the staff of E. E. Henkle Investment Co., Federal Securities Bldg.

James A. Kanter Opens

James A. Kanter will engage in a securities business from offices at 54 Riverside Drive, New York City.

With B. C. Christopher

LINCOLN, NEB.—Alonzo B. Ellis has become affiliated with B. C. Christopher & Co., 1034 South 33rd Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Even though signs point to eventual higher prices, immediate indications show lower prices.

Last week potential market participants, and those already in it, seemed more concerned with the World's Series than the action of stocks. This week the Columbus Day holiday has served to slow things down. It seems if it isn't one thing it's another. In the midst of all these cross currents the market has held most of its recent gains, and, latent optimism, always just beneath the surface, is slowly but surely rising to the top.

* * *

Any commission broker will tell you there is nothing nicer than an optimistic public, unless it is a rising market, on volume, that accompanies it. Such a public has its ears alert for what is called bargains and is ready to buy. Such buying generates commissions and commissions are the life blood of the brokerage business.

* * *

Now, I'm all for having brokers making some money. Goodness knows they have not been exactly rolling in profits these past few dreary months. At the same time, however, I see little percentage in swimming with the tide just because it seems easier.

* * *

A few weeks ago I said here that the then penetration of the 180 figure would eventually be more significant than was generally realized. At the same time, however, I saw a reaction ahead that would carry the familiar averages down to around 175. Well, the reaction came and I recommended a list of stocks to be bought at specific prices. The setback, however, never exceeded the approximate 177 level, so most of the stocks suggested here didn't get low enough to come into the list.

* * *

Instead, the significant penetration of the 180 figure, mentioned before, began to make its influence felt. So after a shake out down to the 177 range, stocks picked up and moved to about the 185 point. And it is about there that they're at today.

* * *

In the meantime strike news has increased. The initial effect of labor troubles was almost completely disregarded by the market. I doubt if it will continue to be ignored. I think the cumulative effect of the steel strike, coal strike and possibly the aluminum stoppage will gradually seep into the market with commensurate effects.

* * *

But despite this I still don't regard strike news as bearish. What I do regard as dangerous is the public reaction to such news. There is no point in repeating here that market movements are often exaggerated by an anxious or an eager public. Once the public has the bit in its teeth it is sheer folly to fight it.

* * *

From what I can see of the market a set-back that occurred two weeks ago was not enough to restore a solid base under prices. The subsequent recovery came on bad news, which theoretically gave rise to the widespread philosophy that a market that goes up on bad news, will tear the roof off on good news. I differed with that reasoning, though hardly on logical grounds. Long ago I learned that logic and stock markets have little in common. I threw in a belief that a market which won't go down on bad news, will go down on good news.

* * *

This isn't as paradoxical as it seems. Markets form familiar patterns. These are sometimes exaggerated by outside influences. Basically, however, the patterns remain the same. When I recommended buying a list of stocks the pattern, so far as I could see it, called for more reaction than was subsequently seen. Obviously this has not been seen. I think it has been postponed rather than entirely averted.

* * *

I realize this seems a long way around to tell you that I think stocks are going lower. Perhaps it is. I'm always trying to buy stocks as cheaply as I can and sell them as high as I can. Obviously I seldom succeed in getting the absolute tops and bottoms. But in trying for it, I come closer to the ultimate. Any advice given here has the same objectives in mind.

* * *

When a reaction, carrying prices low enough to permit you to buy the stocks suggested here, will come, is problematical. Some indications point to almost an immediate set-back; other signs cancel these indications. Which all means we'll have to wait.

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.]

Illinois Brevities

(Continued from page 10)

Central Republic Co. (Inc.), Harris, Hall & Co. (Inc.), Bacon, Whipple & Co., Kebbon, McCormick & Co. and Mullaney, Wells & Co., were among the group of investment dealers who on Sept. 27 publicly offered 100,000 shares of Texas Gas Transmission Co. 4.65% cumulative preferred stock (par $100) at $103.50 per share and dividends, and 400,000 shares of common stock (par $5) of the same company at $30.25 per share.

* * *

Retail sales of Jewel Tea Co. for the four weeks ended Sept. 10, 1949, totaled $12,501,369, which compares with $11,494,134 for the corresponding period last year and $12,130,937 for the four weeks ended Aug. 13, 1949. Accumulated sales for the 36 weeks ended Sept. 10, 1949 were $113,815,716, a 10.9% increase over the $102,602,408 for the same period in 1948.

National Tea Co. for the four weeks ended Sept. 10, 1949 reported sales of $20,437,124, compared with $19,706,020 for the corresponding period last year and $19,943,769 for the four weeks ended Aug. 13, 1949. For the 36 weeks ended Sept. 10, 1949 accumulated sales were $185,855,398, compared with $184,068,128 for the corresponding 36 weeks of last year.

* * *

United Air Lines, Inc. maintained its high level of Summer traffic volume by flying an estimated 139,130,500 revenue passenger miles in Aug., 1949, 6% above the same month last year and ½ of 1% above July, 1949, it was reported by Harold Crary, Vice-President in charge of traffic and sales. He said the gains were made despite an 8½% reduction in revenue airplane miles flown from Aug., 1948. During Aug., 1949, United also flew an estimated 2,181,700 air freight ton miles, up 35½% from Aug., 1948, and 29% from July, 1949; 878,500 air mail ton miles, up 9½% from August a year ago and 6% from July, 1949; and 543,200 air express ton miles, off ½ of 1% from Aug., 1948, but up 17% from July, this year.

* * *

Net income of the Illinois Power Co. for the 12 months ended Aug. 31, 1949 amounted to $6,734,937, after fixed charges and Federal income taxes. This was equal to $3.42 per share on the common stock, and compares with a net of $5,674,128, or $2.96 per common share, for the previous 12 months' period. Earnings per share of common stock are based on the 1,916,805 shares outstanding since Sept. 17, 1948.

* * *

The net income of Union Tank Car Co. and its wholly-owned subsidiaries for the six months ended June 30, 1949, amounted to $1,508,263, or $1.40 per share, after all charges and Federal income taxes, against $2,269,109, or $2.11 per share, for the the corresponding period of last year. Current assets amounted to $8,711.990 and current liabilities to $4,597,200 as at June 30, 1949. There are 1,076,797 no par shares outstanding.

Pertinent Questions on Pennsylvania Railroad

(Continued from page 8)

too many lemons to provide for.

THIRD: Has the Railroad Been Modernized?

Has the Pennsylvania Railroad modernized its plant and equipment to the fullest possible extent to increase efficiency and reduce costs?

Answer: Keeping modern is a never-ending job. Research is continually bringing new things to the industry designed to improve service, increase efficiency and reduce costs. As a matter of fact, there are proven developments for which we could spend many millions of dollars upon which we could realize a very satisfactory return, and these things are definitely on our short-range program of capital expenditures.

FOURTH: Controlling Costs

Business is now at a low ebb. To what extent can costs be controlled in keeping with a further sharp decline in traffic?

Answer: It is extremely difficult to reduce costs in keeping with the decrease in traffic, although the Pennsylvania Railroad has had a noteworthy reputation for doing so. I would call your attention to some figures for the first seven months of this year — when we have gone into one of the greatest traffic declines in our history. not excepting the plunge of late 1929 into the first-half of 1930. Gross revenues in seven months of this year are down $39,000,000, or 7%, compared with a year ago. Operating expenses for the same period are down $38,000,000, or 8%. My specific answer to the question is — we have perhaps the heaviest freight and passenger density of any railroad in the United States. Depression business with us is equivalent to boom business for many others. We ought to be able, and I think will be able, to cut expenses on falling traffic in keeping with past performance.

FIFTH: Diesel Locomotives

The Pennsylvania Railroad has gone into the use of Diesel locomotives on a rather large scale. Have they proven to be an efficient and economical instrument of transportation? If so, why did it take so long to get started on it?

Answer: The Pennsylvania Railroad has been accused of moving off too slowly into Diesel locomotive usage, and perhaps hindsight would indicate some slight delay on our part; but ours was a momentous decision to make, and we just had to be right. After the war we were faced with a motive power program that was going to cost more than one hundred million dollars. Naturally, we preferred the coal-burning steam locomotive, and developments of that type power were progressing rapidly and we were hopeful as to the results.

Before the war the economics of the power situation did not point, with any degree of clarity, to the Diesel. During 1939 we could have acquired the most modern heavy-duty steam locomotives at a cost of approximately $150,000. We could have extended our electrification west from Harrisburg to Altoona, including the required electric locomotives, for approximately $47,000,000. A 6,000-horsepower Diesel locomotive at that time cost something like $550,000. The price of coal was $2 a ton and, by reason of its abundant supply on our railroad, the hauls to consuming points were not excessive. To place the higher initial cost of Diesels against the lower initial cost of steam locomotives, or the $47,000,000 electrification project on the Middle Division between Harrisburg and Altoona, at that time would have shown a doubtful 5% or 6% annual saving.

We came out of the war, and the economics were greatly altered. The cost of the $150,000 steam locomotive progressively increased to a $300,000 figure. The $47,000,000 cost of the electrification between Harrisburg and Altoona progressively increased to a $105,000,000 figure. The cost of the $550,000 Diesel progressively increased to a little over $600,000. The price of coal increased from $2 to $4.60 a ton. Wage rates increased 47.9% from 1939 to 1946, and to 74.5% as of today, on the Pennsylvania Railroad. The doubtful 5% or 6% return on the Diesel against the other forms of motive power at the beginning of the war moved into a definite return of about 30% at the end of the war; and, inasmuch as a large motive power program was required on our railroad to take care of obsolescence and increase operating efficiency, that is when we moved into the Diesel field—and in a big way. I would say we were deliberate in going into the Diesels but, by reason of the surrounding conditions cited, not necessarily slow.

SIXTH: Steam Locomotive

Do you think the development of the steam locomotive that is now taking place will eventually develop efficiency to challenge the Diesel locomotive?

Answer: There are still a number of locomotive developments going on both oil and coal-burning. Progress has been such as to indicate that eventually there may be an efficient and economical unit developed that may challenge the Diesel; at least, the progress is such that experimentation should not be stopped. My own views are that a real challenge to the Diesel is pretty far off. The steam locomotive represents a development of more than one hundred years, but the Diesel is comparatively new. As the Diesel has developed during the past ten years, and as it will, no doubt, during the next ten years, I do not yet visualize the steam locomotive closing in. I might also add that the manufacturers of Diesel locomotives have wisely designed their product so that the betterments that come from continuing research and experimentation can be incorporated in existing Diesel units without necessarily involving expensive or radical changes in the basic structure of the locomotive.

SEVENTH: Deferred Maintenance

To what extent do you have deferred maintenance in the property?

Answer: Deferred maintenance in the railroad industry is perhaps the most controversial issue among railroad men. One railroad may say it has none, practically none, and, at the same time, have a poor dividend record. Such railroads may be accused of forgetting the owners. Others may say they have a large amount of deferred maintenance, and they may have good dividend records. Such railroads may be accused of milking the property for the benefit of the owners. In my opinion, there is considerable deferred maintenance in railroad properties as a result of war and post-war conditions I have cited—not to the extent of effecting safety of operation, because that is the most sacred thing there is in the minds of railroad operating officers and employees. Deferred maintenance on the same railroad fluctuates considerably. For example, just a short time back I could have proven about $50,000,000 of deferred maintenance in equipment. With more bad order cars and locomotives today than we had then, it would be difficult to prove any large amount of deferred maintenance. Why? Because a short time ago we were actually short of cars and locomotives, with a heavy shop backlog. Today, due to the recession in business, we have many locomotives and cars stored in good condition. To operate the shops for the purpose of adding equipment to the stored goods order listed beyond the foreseeable requirements of the future could be called over-maintenance. However, if traffic took a sharp upturn so as to again produce a car or locomotive shortage, deferred maintenance could creep into the equipment awfully fast. The same is not so with respect to what we call maintenance of way—that is, tracks, signals, bridges, buildings, and so on. We know pretty generally the materials and man-hours that should be assigned these various items, and we know definitely that during the war and since the war we have not been able to keep abreast of current wear and deterioration of our track structure and wayside facilities. It is sizable in amount, but with satisfactory earnings during the next five years we could wipe out much of this maintenance deficiency.

EIGHTH: Highway Competition

What is being done to effectively combat highway competition?

Answer: Since the war the railroads have been compelled to seek increased freight rates. Most of these applications have been granted in part and on the basis of percentagewise or blanket increase. This may result in rates for certain commodities between given points being in excess of truck competitive rates. The railroads are watching this situation and, where necessary, are preparing to adjust the tariffs.

The public and public officials are gradually coming to realize that the average citizen is being imposed upon by the heavy trucking industry. The heavy trucks not only usurp the highways, making driving unpleasant and hazardous, but the motorist and other taxpayers are overtaxed so as to compensate in part for the under-assessment of the heavy trucks. Governor Duff says that it costs $4,900 a year to maintain a mile of truck highway, against only $350 to maintain a highway for automobiles. Last year $3 billion were spent on our highways, of which only 62% was furnished by the users. The remaining 38% was Federal or local funds furnished by the taxpayer.

Every state has laws limiting the weight, dimensions and speed of trucks. Not all of these are enforced. The State Highway Departments and the railroads whose taxes support the highways have vigorously opposed the passage of new laws which would permit still larger and heavier trucks on the public highways. Public opinion is in favor of this position.

The public is beginning to insist that states enforce their own laws with respect to big overloaded trucks, and increasingly good results are being obtained in this field.

The Eastern Railroad Presidents Conference, in the interest of railroads as taxpayers, has organized a special Presidents' Committee to examine the extent to which the cost of highways is borne inequitably by private motorists and by the taxpayers in general, so that there will be factual information available to the public upon which sound conclusions can be reached. We are a transportation agency experienced in both rail and truck movements, and to us the economics of transportation clearly indicate trucks for the short hauls and rail for the long hauls. Eventually that will come to pass.

NINTH: Traffic Changes

Has there been, or is there in the foreseeable future, any change in the traffic flow of commerce of the United States that will adversely or favorably affect certain carriers or territories?

Answer: There has been a change in the movement of freight traffic, particularly in the last decade. This has been brought about by a 42% increase in the population of the three Pacific Coast states, plus the results of a wartime policy of diffusing industry into the agricultural and grazing areas, and the migration of certain industries into the south in quest, among other things, of cheaper labor.

Comparing the prosperous prewar year of 1929 with 1948, and using as yardsticks the three largest railroads in the east, the three largest in the south, and the three largest in the west, we find that the net ton miles of freight handled in the east has increased 19%, in the south 51%, and in the west 102%.

The western railroads take manufactured products at the Mississippi gateways and haul them over, 2,000 miles to the now more populous Pacific Coast. This long haul on a very fine volume of business accounts for the relatively higher net incomes earned by some of the western railroads. The heavy cost in operating a railroad is in the terminals—switching crews, freight and passenger stations, pick-up and delivery. Western roads have a long haul that enables them better to absorb their terminal costs. The eastern roads have only short hauls in which to absorb their terminal expense.

There is no indication that this industrial emphasis on the west and south will continue. Aside from oil, these are basically agricultural areas, and oil production may have approached the peak. A major industry remains close to its market and to its sources of raw material. Coal and ore are in the east, and whether the future lies in the direction of foreign ores in the development of the low grade ores in the Mesabi, the indications are that the eastern railroads will continue to haul basic materials and products of the basic industry, which, of course, is mainly steel.

TENTH: The 40-Hour Week

The 40-hour week for non-operating employes in the railroad industry took effect Sept. 1. It has been noted that at least some railroads have indicated that the added cost of the 40-hour week is below the original estimate made by the carriers. Has this been your experience?

Answer: The 40-hour week for non-operating employees provided that these employees would receive the same "take home" pay as they had been getting for the 48-hour week —meaning a 20% increase in their hourly rate of pay. 93,000 employees benefited by this award on the Pennsylvania Railroad. The man-hours lost are the equivalent of 17,000 full-time employees. To start with, we were not so inefficient to absorb these enormous lost man-hours by increased efficiency. It is true we did not add to the total employees on Sept. 1. We did add thousands of jobs to take care of the operation of the Railroad, such as mail and baggage handlers, ticket sellers, train dispatchers, block operators, patrolmen, and people of that sort. These jobs were offset by reductions in other groups, such as those working on the tracks, in repair shops, and jobs of that kind. Also, by reason of the present light volume of traffic, fewer operating employees are required. At the beginning of the year, with the volume of traffic at that time, and based upon lost man-hours, providing identical service, and continuing the same level of maintenance, we estimated it would cost us around $44,000,000 annually. It is true that we have spent nothing like that amount, but is is only so because, as I have stated, we are postponing maintenance work and moving a much lesser volume of traffic than when our original estimate was made. The original estimate was approximately correct under the conditions then obtaining.

ELEVENTH: Today's Railroad Problem

Briefly, what is today's railroad problem, and what are the railroad objectives to meet that problem, so that the industry will survive under our free enterprise system?

Answer: The railroads are a public service industry, and probably require regulation to a degree, but regulation demands modernization and flexibility to meet the ever-changing conditions of the industry. As a public service industry, we should continue to encourage a better understanding of our problems by the public. If we are to remain a free enterprise transportation agency, we should receive fair treatment in competing with subsidized transportation agencies. There is a large volume of traffic available for all forms of transportation, and those that can provide demanded service at the lowest **full** cost are those that should move the traffic. Rates and costs should be so related that adequate money will be available from earnings to maintain the property in a healthy state and maintain its credit. There should be money available from earnings and depreciation reserves, and perhaps to some extent borrowed, to take care of modernization and obsolescence, in order to provide the kind of efficent low cost rail service this country needs in times of peace, and so absolutely essential in times of war.

N. Y. Bar Ass'n Meeting October 21

A regional meeting of the Banking Law Section of the New York State Bar Association will be held at the Hotel Sheraton, Rochester, N. Y., on Oct. 21, it was announced Oct. 11. Edward I. Cristy of Rochester, Chairman of the Banking Law Section, will preside.

Harry W. Davis, President of the New York State Bankers Association; Neil G. Harrison, President of New York State Bar Association, and Congressman James W. Wadsworth of New York will be special guests at a luncheon at which Lester A. Pratt of Washington, D. C., will make an address on "Bank Embezzlements."

With V. C. Weber Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—William A. Fogarty has become connected with V. C. Weber & Co., 411 North Seventh Street.

Railroad Securities

The rumor mills have been unusually quiet for this season of the year. There have only been two or three so far in the rail field. There had been reports that Atchison, Topeka & Santa Fe was finally going to announce a split of the common stock at the September meeting of the board of directors. This perennial died rather quickly. There are current reports that Western Maryland will soon come out with a plan for extending the large non-callable 1952 bond maturity. This, presumably will turn out to be more than an idle rumor.

It is known that considerable work has already been done on the plan. Announcement of the terms of the proposal could well come shortly after settlement of the bituminous coal strike. The road is heavily dependent on bituminous coal so that presentation of the plan while coal mines are closed and traffic is at a low ebb would obviously not be too wise psychologically. However, those who have been hoping that the bond plan would be accompanied by a stock recapitalization to eliminate large dividend arrears on the senior preferred stock issue (largely owned by Baltimore & Ohio) will apparently be doomed to disappointment.

A third current rumor, and the one that has excited the greatest interest among railroad analysts, is the possibility of a major refunding operation by Chicago, Rock Island & Pacific. This one has been around from time to time in the past and it is possible that this time it will again prove to be false. Practically everyone is in agreement that a refunding of the road's entire non-equipment debt is feasible. Currently it is merely a question of timing. The 1st 4s are callable on interest dates only on not less than 60 days' notice. The next interest date is Jan. 1, 1950. Public sale of a new refunding issue, and approval of the new issue by the Interstate Commerce Commission, would have to be done by the end of this month. That is a tight schedule for such an operation.

Rumors, aside, railroad stocks generally have been acting unusually well in the past few weeks. As measured by the Dow-Jones averages they have more than kept pace with the industrials on the up side. In scattered periods of profit taking they have acted better on the downside then have the industrial stocks. There are a number of reasons for anticipating a continuation of this better-than-average performance. For one thing, many technicians are convinced that there is little hope for any further significant rise in other sections of the list until, and unless, the rail stocks show considerable more buoyancy. With signs of underlying strength in the general market, then, the rails percentagewise are viwed as holding the most dynamic potentialities.

More important than technical considerations, however, is the fact that stocks of at least the fundamentally sound railroads are unreasonably low priced in relation to both earnings and dividend returns. In this connection it is generally conceded that, with possibly one exception, there is little danger of any important dividend cuts or omissions over the visible future. In recent markets many of these stocks have been selling at from three to five times indicated 1949 earnings and affording income returns of 10%, or more, on well protected dividends. It is unreasonable to expect that such opportunities will remain with us permanently.

One thing is counted on heavily by bulls in railroad securities to support further strength in this part of the list. That is the September earnings reports which will begin to appear around the end of next week or the early part of the week following. For a long time one of the most unfavorable aspects of the rail picture has been the supposition that earnings would suffer seriously from institution of the 40-hour week for non-operating employees on Sept. 1. Recent management statements indicate that to a large extent the shorter week will be offset by the closing of stations and shops on Saturdays, changes in operating procedure, etc. Also it seems almost certain that maintenance outlays were pared drastically last month. The September reports, then, are likely to prove an agreeable surprise to the public generally.

American Gas Awards Common Issue to Union Securities Group

American Gas & Electric Co. accepted a proposal submitted by Union Securities Corp. and associates Oct. 6 for the underwriting of its offering of 498,081 shares additional common stock. The banking group proposed an underwriting compensation of $116,000.

The additional shares are being first offered for subscription by shareholders in A. G. & E. of record as of Oct. 7. The offering price is $44¾ a share and stockholders' subscription rights are in the ratio of one additional share for each nine shares held. Rights will expire 3 p.m. (EST) Oct. 24. Any shares not taken by stockholders will be purchased by the underwriters.

Irish Free State 5% Gold Bonds Drawn For Redemption

Holders of Irish Free State (Saorstat Eireann) external loan sinking fund 5% gold bonds, due Nov. 1, 1960 are being notified that $17.000 principal amount of these bonds have been drawn by lot for redemption through the sinking fund on Nov. 1, 1949 at 100%. The bonds will be redeemed at the head office of The National City Bank of New York, American fiscal agent.

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. 16	9.3	8.2	86.6	98.5
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 16	172,000	151,000	1,596,500	1,775,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Oct. 1	4,890,800	4,875,400	4,761,500	5,452,750
Crude runs to stills—daily average (bbls.)	Oct. 1	¶5,493,000	5,377,000	5,233,000	5,687,000
Gasoline output (bbls.)	Oct. 1	18,381,000	18,152,000	17,891,000	17,107,000
Kerosene output (bbls.)	Oct. 1	1,812,000	1,910,000	1,560,000	2,351,000
Gas, oil, and distillate fuel oil output (bbls.)	Oct. 1	6,962,000	6,555,000	6,724,000	7,235,000
Residual fuel oil output (bbls.)	Oct. 1	7,514,000	7,419,000	7,226,000	8,271,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 1	103,895,000	103,262,000	104,834,000	90,453,000
Kerosene (bbls.) at	Oct. 1	27,196,000	26,615,000	25,560,000	25,735,000
Gas, oil, and distillate fuel oil (bbls.) at	Oct. 1	83,495,000	81,414,000	76,430,000	73,119,000
Residual fuel oil (bbls.) at	Oct. 1	67,955,000	68,143,000	67,997,000	57,992,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 1	§658,128	§661,472	703,930	908,866
Revenue freight received from connections (number of cars)	Oct. 1	§541,204	§562,510	570,894	729,855
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 6	$152,400,000	$163,897,000	$146,541,000	$170,200,000
Private construction	Oct. 6	78,779,000	94,216,000	88,400,000	101,031,000
Public construction	Oct. 6	73,621,000	69,681,000	58,141,000	69,169,000
State and municipal	Oct. 6	58,537,000	63,388,000	48,984,000	61,253,000
Federal	Oct. 6	15,084,000	6,293,000	9,157,000	7,916,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 1	1,825,000	*2,025,000	8,050,000	12,055,000
Pennsylvania anthracite (tons)	Oct. 1	68,000	37,000	887,000	1,235,000
Beehive coke (tons)	Oct. 1	4,500	*5,000	11,700	148,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Oct. 1	301	292	295	327
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 8	5,449,897	5,521,233	5,253,090	5,481,632
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Oct. 6	182	181	148	107
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 4	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Oct. 4	$45.88	$45.88	$45.88	$46.16
Scrap steel (per gross ton)	Oct. 4	$26.92	$27.92	$23.92	$43.16
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 5	17.325c	17.325c	17.225c	23.200c
Export refinery at	Oct. 5	17.550c	17.550c	17.550c	23.425c
Straits tin (New York) at	Oct. 5	96.000c	96.000c	103.000c	103.000c
Lead (New York) at	Oct. 5	14.250c	14.750c	15.125c	19.500c
Lead (St. Louis) at	Oct. 5	14.050c	14.550c	14.925c	19.300c
Zinc (East St. Louis) at	Oct. 5	9.250c	10.000c	10.000c	15.000c
MOODY'S BOND PRCES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 11	103.99	103.97	103.93	100.69
Average corporate	Oct. 11	115.04	114.85	115.04	111.25
Aaa	Oct. 11	120.84	120.84	121.25	116.41
Aa	Oct. 11	119.00	119.00	119.20	114.27
A	Oct. 11	114.27	114.27	114.08	110.52
Baa	Oct. 11	106.56	106.39	106.39	104.31
Railroad Group	Oct. 11	109.42	109.42	109.60	106.74
Public Utilities Group	Oct. 11	116.41	116.41	116.22	112.00
Industrials Group	Oct. 11	119.41	119.41	119.61	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 11	2.21	2.21	2.23	2.45
Average corporate	Oct. 11	2.90	2.91	2.90	3.10
Aaa	Oct. 11	2.61	2.61	2.59	2.83
Aa	Oct. 11	2.70	2.70	2.69	2.94
A	Oct. 11	2.94	2.94	2.95	3.14
Baa	Oct. 11	3.36	3.37	3.37	3.49
Railroad Group	Oct. 11	3.20	3.20	3.19	3.35
Public Utilities Group	Oct. 11	2.83	2.83	2.84	3.05
Industrials Group	Oct. 11	2.68	2.68	2.67	2.89
MOODY'S COMMODITY INDEX	Oct. 11	336.6	341.4	347.4	406.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 1	214,133	192,289	262,601	209,094
Production (tons)	Oct. 1	206,834	202,374	193,515	191,033
Percentage of activity	Oct. 1	94	91	89	96
Unfilled orders (tons) at	Oct. 1	360,397	356,741	355,609	375,884
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Oct. 7	127.4	128.0	129.3	144.4
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. 24	18,841	20,147	13,608	34,751
Number of shares	Sept. 24	555,001	595,563	386,415	1,035,773
Dollar value	Sept. 24	$21,200,032	$23,482,936	$14,970,710	$38,803,504
Odd-lot purchases by dealers (customers' sales)					
Number of orders—Customers' total sales	Sept. 24	24,446	23,865	16,197	29,716
Customers' short sales	Sept. 24	241	218	161	212
Customers' other sales	Sept. 24	24,205	23,647	16,036	29,504
Number of shares—Customers' total sales	Sept. 24	668,105	661,842	424,659	894,510
Customers' short sales	Sept. 24	9,024	7,754	6,510	8,694
Customers' other sales	Sept. 24	659,081	654,088	418,149	885,816
Dollar value	Sept. 24	$21,092,564	$22,057,937	$13,991,111	$31,873,918
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 24	331,540	247,300	173,960	307,410
Short sales	Sept. 24	------	------	------	------
Other sales	Sept. 24	331,540	247,300	173,960	307,410
Round-lot purchases by dealers—					
Number of shares	Sept. 24	188,010	219,630	127,720	359,200
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Oct. 4	152.5	152.4	153.0	166.1
Farm products	Oct. 4	161.3	*159.8	162.1	181.5
Foods	Oct. 4	159.6	*158.9	161.0	181.4
All commodities other than farm and foods	Oct. 4	145.3	*145.3	144.9	153.5
Textile products	Oct. 4	138.4	*138.1	139.4	148.6
Fuel and lighting materials	Oct. 4	131.2	*131.1	130.0	137.3
Metals and metal products	Oct. 4	170.1	*170.3	169.2	172.3
Building materials	Oct. 4	189.5	*189.5	187.8	204.0
All other	Oct. 4	116.7	*116.7	119.1	136.1
Special indexes—					
Grains	Oct. 4	159.0	158.4	154.1	169.8
Livestock	Oct. 4	202.8	199.1	208.6	245.2
Meats	Oct. 4	218.4	220.8	226.8	265.3
Hides and skins	Oct. 4	199.9	198.9	198.9	207.5

*Revised figure. ¶Includes 437,000 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
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of May	56,909	54,076	55,450
Stocks of aluminum—short tons—end of May	24,634	11,746	13,868
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of August (in millions):			
Total new construction	$1,902	*$1,853	$1,934
Private construction	1,336	*1,309	1,454
Residential building (nonfarm)	660	*650	720
Nonresidential building (nonfarm)	264	*269	329
Industrial	71	*72	113
Commercial	85	*91	123
Warehouses, office and loft buildings	24	24	31
Stores, restaurants and garages	61	*67	92
Other nonresidential buildings	108	106	93
Religious	31	30	23
Educational	22	21	23
Social and recreational	23	23	22
Hospital and Institutional	18	17	10
Remaining types	14	15	15
Farm construction	75	60	82
Public utilities	337	*330	323
Railroad	36	37	36
Telephone and Telegraph	55	*56	63
Other public utilities	246	237	224
Public construction	566	*544	480
Residential building	21	*19	7
Nonresidential building (other than military or naval facilities)	152	*148	103
Educational	74	72	53
Hospital and institutional	43	40	23
All other nonresidential	35	*36	27
Military and naval facilities	9	9	12
Highways	225	210	220
Sewer and water	51	51	47
Miscellaneous public service enterprises	8	9	10
Conservation and development	81	*79	65
All other public	19	*19	16
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of August:			
New England	$18,591,131	$13,207,159	$19,541,669
Middle Atlantic	75,053,692	54,302,982	79,447,404
South Atlantic	31,569,172	34,741,205	29,000,958
East Central	82,925,164	66,580,063	78,650,851
South Central	53,695,921	57,816,490	41,396,220
West Central	23,193,921	25,681,059	20,812,364
Mountain	7,639,760	11,383,426	12,126,964
Pacific	54,741,047	51,523,780	94,356,501
Total United States	$347,409,808	$315,236,164	$375,332,931
New York City	41,341,128	26,941,739	49,784,960
Outside of New York City	306,068,680	288,294,425	325,547,971
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of August:			
Manufacturing number	221	188	109
Wholesale number	96	77	61
Retail number	385	344	194
Construction number	55	61	40
Commercial service number	53	49	35
Total number	810	719	439
Manufacturing liabilities	$16,008,000	$10,183,000	$5,580,000
Wholesale liabilities	5,284,000	2,754,000	1,931,000
Retail liabilities	6,424,000	5,629,000	3,036,000
Construction liabilities	2,272,000	1,845,000	1,861,000
Commercial service liabilities	1,187,000	1,393,000	9,034,000
Total liabilities	$31,175,000	$21,804,000	$21,442,000
BUSINESS INCORPORATIONS, NEW IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of August	6,823	6,424	6,723
CARBON BLACK (BUREAU OF MINES) — Month of August:			
Production (lbs.)	99,874,000	99,423,000	103,596,000
Shipments (lbs.)	93,899,000	84,048,000	106,843,000
Producers' stocks (lbs.)	199,995,000	194,020,000	102,297,000
Exports (lbs.)	Not Avail.	*27,082,000	21,809,000
COKE (BUREAU OF MINES)—Month of Aug:			
Production (net tons)	5,187,654	*4,934,687	6,513,900
Oven coke (net tons)	5,142,392	4,910,614	5,873,800
Beehive coke (net tons)	45,262	*24,073	640,100
Oven coke stocks at end of month (net tons)	2,026,812	1,906,417	1,123,055
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL (CONSTRUCTION)—Month of August:			
Contracts closed (tonnage)—estimated	97,503	*125,601	172,485
Shipments (tonnage)—estimated	172,165	*143,561	176,303
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of July:			
Shipments (short tons)	696,915	905,573	914,464
For sale (short tons)	341,657	455,442	490,359
For producers own use (short tons)	355,258	450,131	424,105
Unfilled orders for sale at end of month (short tons)	1,031,963	1,086,989	2,601,084
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOC.)—Month of August:			
Total number of vehicles	657,664	579,043	461,353
Number of passenger cars	557,370	483,261	348,822
Number of motor trucks	99,850	95,343	111,760
Number of motor coaches	444	439	771
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of July:			
Production (M sq. ft. ⅜-in. equivalent)	96,538	151,386	123,517
Shipments and consumption (M sq. feet, ⅜-in. equivalent)	102,578	160,856	119,353
Stocks (M sq. ft. ⅜-in. equivalent) at end of month	62,947	68,742	45,137
Consumption of logs (M ft. log scale)	46,582	67,100	56,104
Stocks (M ft., log scale) at end of month	239,450	225,116	205,271
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of July:			
Shipments (short tons)	78,710	116,052	120,445
For sale (short tons)	50,124	84,112	87,927
For producers own use (short tons)	28,586	31,940	32,518
Unfilled orders for sale at end of month (short tons)	155,494	173,237	497,410
TRUCK TRAILERS (DEPT. OF COMMERCE)—Month of July:			
Production (number of units)	2,197	2,817	3,437
Shipments (number of units)	2,139	2,711	3,773
Shipments (value in dollars)	$7,778,601	*$9,362,366	$11,037,752

*Revised figure.

Sentiment and Fact in Business Picture

(Continued from first page)

ments, it is of the utmost importance to separate business sentiment from basic economic factors. The swings in business sentiment have a tendency to go further than the swings in the basic factors. People have a habit of feeling that things are either wonderful or terrible.

Economic history tells us about how violent some of the swings in public psychology have been. It may amuse you to hear of an extreme example of optimism in a boom in England more than two centuries ago. In this case, an unknown character offered stock for sale in a venture which was described as "a company for carrying on an undertaking of great advantage, but nobody to know what it is."

The wizard behind this enterprise stated in his prospectus that the required capital would consist of 5,000 shares to be sold at £100 each, with 2% to be paid in cash on subscription. Stockholders were to be entitled to a return of 100% per year. It was promised that full particulars would be announced in a month when it was expected that the remaining 98% would be called for payment.

When this offering was announced, crowds of people congregated and tried to get in on the deal. Offices opened at 9:00 a.m. and when they closed at 3:00 p.m. no less than 1,000 shares were subscribed for with the 2% deposit paid in cash. The promoter thus took in £2,000 in a few hours. Needless to say, he was an expert in timing; he left immediately for the Continent and was never heard of again.

Contagious Sentiment Today

In the current scene, the greatest need is to stand at a little distance to avoid catching the very contagious sentiment of the day. This is not to deny in any way that sentiment itself is of the greatest importance. But sentiment is volatile. It is up today and down tomorrow. Basic economic factors seldom move as violently as sentiment.

The year 1949 is a nice example of the extremes of sentiment as compared with actual economic developments. Coming after the boom year of 1948, this year opened with an air of suspicious pessimism. Some business indexes began to turn down early in the year, but others kept rising to set new peaks. Still others held steady.

The Federal Reserve index of industrial production dropped from a peacetime high of 195 a year ago to a level of 162 in July this year. This was a decline of more than 15% within a period of eight months. Meanwhile, unemployment increased from less than two million a year ago to more than four million in July.

The prices of some important raw materials dropped suddenly and sharply in the spring. Copper fell 32% in a few weeks. Lead fell 44%, zinc 46%, and steel scrap of some grades fell more than 50%.

Textiles also were very weak and print cloth fell 21% in the first half of the year.

With these developments, it was easy to conclude that the long advertised recession was finally starting with a vengeance. But there was another side to the story, which needed to be followed to keep a balanced point of view. This was that actual consumption of the products off our economic machine was continuing unabated throughout this period.

Income of individuals continued at a remarkably stable level, with the latest figure only about 3% below the peak rate last December. Wages and salaries held up firmly. Payroll reductions due to layoffs and lower work-weeks were approximately offset by payroll increases due to higher wage rates and greater payroll disbursements in such categories as trade and service, utilities, and government. Moreover, unemployment benefits began to flow at a rate of about $2 billion a year to bolster the position of the unemployed.

With this strength in the income of individuals, retail sales in the aggregate were virtually unchanged from 1948. Sensational declines in sales of some kinds of stores were highly publicized, but the corresponding increases in other kinds of stores were not so much talked about. The heat wave distorted the figures this summer and aided the pessimistic school. As it stands, total retail sales in the first 8 months of 1949 were within 1% of the corresponding period of 1948. Since prices were lower this year, it seems probable that consumers were buying at least as many physical units of goods this year as last year, in the aggregate.

Is There a Buyers' Market?

In spite of this remarkable record, there was much talk about the return to a buyers' market. I often wonder if this term is not misleading. Strictly speaking, we have broad sellers' markets and broad buyers' markets only a few times in the course of a lifetime. I am thinking of those times when there is an overwhelming lack of balance between supply and demand. Thus, in 1933, we had a real buyers' market. But as supply and demand have come into balance recently in one industry after another. I do not think that the situation is accurately described as a buyers' market. It would be more accurate to say that we have gone from a sellers' market to a competitive market. After all, a competitive market is the normal market in our free enterprise system. It means competition, not only between sellers of one product, but between sellers of all products. From the buying point of view, it means sufficient aggregate income, moreover, to maintain total purchases at a very high level though the particular choices by each person are made only after a competitive search for the best place to spend.

So much for the consumer situation. The continued strength of retail sales in 1949 soon meant that production, at declining levels, was running below consumption. Inventories then began to come down all along the line.

By early summer, the 1949 difficulties began to come into perspective as a matter of inventory and price adjustments. The strength of retail sales put a squeeze on inventories and hasty orders frequently became necessary. In August, production turned upward. The Federal Reserve index went back up to 170 from the 162 in July. September improved further by a few points although we do not have the official figure as yet.

Unemployment has turned downward and in mid-September was estimated at 3⅓ million as compared with the 4.1 million figure in July. Unemployment was thus back to 5.2% of the total labor force, which I would consider as well within the "normal" range.

Is Current Optimism Excessive?

Business sentiment turned rather swiftly from what seems to have been extreme pessimism in the spring to a rather buoyant optimism. I have wondered whether the optimism might not be destined to be as excessive as the earlier pessimism had been. This would be the old story again of sentiment swinging too far. We have probably had somewhat of a doubled-up impact on production from the scramble to correct the excessive draw-down on inventories, as well as from extra orders due to anticipation of the steel strike.

Looking ahead somewhat, I would like to make a number of observations.

(1) As to strikes, I agree with the old Wall Street adage to "never sell on strike news." This is appropriate when thinking of general economic developments. Sooner or later we will work ourselves out of the present strike situation in spite of the difficulties that are presented.

(2) There is the matter of devaluation. On this I do not see that we are likely to have any major difficulties so far as our own broad economic position is concerned. Some industries and some companies may be affected a good deal, but I think that the national effects will be moderate. It must be remembered that some part of the competitive gain of the sterling area will be lost by the increases in costs and prices over there. A report I was reading the other day pointed out that English prices of important raw materials have gone up as follows: Copper, 30%; lead, 40%, zinc, 38%; aluminum, 20%; American middling cotton, 20%; wool tops, 20%; rubber, 14½%.

I am dubious that devaluation will accomplish much in the way of solving the dollar problem for England and the other European countries. The British problem seems to me to be something like an iceberg. Only one-eighth shows above the surface, with seven-eighths hidden. My guess is that devaluation is hacking at the surface one-eighth rather than the basis seven-eighths of the British problem.

I am convinced that the major part of the British problem has to do with productivity rather than monetary difficulties. I am using the word "productivity" in a broad sense to cover the whole economic process from beginning to end—from the first stages of production to the very last stages of selling, and including of course the role of Government.

(3) There is a possibility that business plant and equipment expenditures are turning downward. As you know, such expenditures have been running at peak rates and have constituted one of the strongest spots in our postwar prosperity.

Now. Government surveys suggest that the peak has been passed. A new survey by the Department of Commerce and the SEC shows that businessmen expect to spend a little less on plant and equipment in the fourth quarter this year than in the third quarter. For background, plant and equipment expenditures aggregated $4.5 billion in the first quarter, $4.7 billion in the second quarter, and were expected to run $4.6 billion in the third quarter. The estimate for the fourth quarter is $4.3 billion.

Allowing for price declines during the year, this may represent about as much physical volume of plant and equipment as in the earlier part of the year. Yet, in each of the last three years the fourth quarter was the high quarter of the year. The fourth quarter of 1948 hit $5.4 billion of plant and equipment expenditures. Hence, the fourth quarter estimate for this year is down about 21% from the fourth quarter last year. Surely, prices have not come down by any such a percentage.

Watch Figures of Capital Expenditures

Now, it is possible that the present survey will turn out to have been too pessimistic. Perhaps the fourth quarter will work out better than it now looks. I hope so. But I advise you to watch the figures on plant and equipment expenditures closely. If they should turn steadily downward, it will be a pessimistic sign for 1950.

(4) The strength of the consumer seems destined to remain for some time and this will provide a firm foundation for retail sales. An additional shot in the arm will be provided early next year when the dividend on military insurance begins to be distributed. Retail sales are likely to be relatively strong all through this period. But I am referring to sales in the aggregate. Some kinds of stores are going to lose ground while others gain. My suggestion is that you do your own thinking in terms of two distinct levels, namely, (1) the broad background, or the national aggregate level for all sales, and (2) the particularized situation in which you are interested. Major mistakes may be made in confusing these levels.

(5) The government has become a very important factor in the business picture. In the present fiscal year, Federal expenditures will exceed receipts by a substantial amount perhaps $3 to $5 billion — which, of course, is an inflationary factor. Besides the dollar impact, government influences economic events in a wide variety of ways. One of the major objectives of government is now the smoothing out of the business cycle. A whole system of props and supports has been adopted to this end. No one is satisfied with the whole program, but it exists and exerts great influence. It is important to study these activities to the fullest extent, even when opposed to them. We cannot be like the fellow who didn't pay his income tax because he didn't believe in it.

(6) The construction industry has confounded the pessimists by continuing to operate at boom levels, and a tremendous housing market is being tapped by pushing into the lower priced brackets. The number of new houses and apartment units started in recent months has been running ahead of the same months last year. Time has shown that the stories of unsold houses earlier this year were exaggerated. I think the housing industry is going to remain a bright spot in 1950, by shooting harder than ever at the lower income market. The construction industry will also benefit from the steady growth of expenditures by government, both Federal and State and local.

Auto Industry—A Big Question Mark

(7) The automobile industry stands as a big question mark. The pessimists contend that the bloom is off, but there are arguments on the other side which have considerable merit. We have probably not yet adjusted our automobile consumption to our present level of high national income with expanded employment. Moreover, we have yet to replace a large volume of over-age cars, particularly the six million cars over 12 years old. In general, sharp competition in the automobile industry is a good thing for the development of business.

(8) The banking position is excellent. Banks have been able and willing to finance business needs for funds. There has been no credit stringency and I do not foresee one. Our monetary authorities have shown great flexibility in their operations, particularly in moving from the boom conditions of 1948 to the adjustment period in 1949.

(9) Business finances remain in excellent condition in general. Profits have been sliding off but the decline has been exaggerated by the change from inventory profits to inventory losses as prices turned downward. Operating profits have held up remarkably well as a general rule. I have felt for a long time that high break-even points would be brought down considerably by time and necessity. The upturn in unemployment this year has increased labor productivity. This, plus a better flow of materials and a sharper pencil on the part of management has helped to bring down high break-even points. Much more remains to be done but I am optimistic on the possibilities.

Summary

Now let me present a brief summary.

The year 1949 has been momentous because of the very prosperous recession which came on us. As events unfolded, it became clear that the recession was largely a matter of inventory and price adjustments.

Retail sales held up well, and the physical volume of sales in the first eight months of 1949 was at least equal to last year, in the aggregate.

Business sentiment became excessively pessimistic in the spring but rebounded sharply in the summer. It is possible that the optimism was being overdone, as is customary in the swings of sentiment.

Now we have the uncertainties caused by strikes. When these are out of the way, we should continue to go forward at very high levels of employment, production, and consumption. The retail picture will be further stimulated next year by the dividend on military insurance. The government is providing a general inflationary stimulus in its sizable deficit.

Devaluation is probably not going to have serious national effects even though particular industries or companies will be hurt.

The major threat on the horizon appears to be the possibility that business, itself, is reducing its outlays for plant and equipment.

For the longer run, I am confident that our economic machine will continue to grow rapidly. The competitive system has reached full flower in this country, and has shown its ability to evolve over the years.

Competition provides efficiency and flexibility; competition encourages the development of new ideas and helps retire obsolete methods. Without competition we would "protect" the old methods and fight off the "new."

This may sound like old stuff; but altogether too often, competition is considered as a sort of necessary evil rather than the rule of the game. We have seen competition undermined from various sources—by business itself, by labor and by government.

Foreign experience seems to show that when competition goes out, government comes in. If we want to keep our system with its great advantages, we must enshrine and worship competition. We must resist all efforts to weaken competition, from whatever sources. We must carry on a continuing campaign to explain competition to every corner of this country. The businessman is the natural leader for this campaign. It occurs to me that members of the Association of National Advertisers are in a fine position to further this very important work.

With Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Timothy M. Manley has become affiliated with Coburn & Middlebrook, Incorporated, 37 Lewis Street.

With Blair F. Claybaugh

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Peggy Moore is now with Blair F. Claybaugh & Co., 141 Northeast Third Avenue.

"Wall St. Is Main St.—Main St. Is Wall St."

(Continued from page 16)

these funds would not have been attracted to this country if we then had had anything resembling the barriers against ownership funds such as allowing interest but not dividends to be deducted as an expense before taxes and if, on top of record high peacetime corporate taxes, the investor's ownership was again heavily taxed, if dividends were paid. To complete the anti-ownership chain, realized gains have been brought into the hopper as income, although individuals sensibly and logically and fairly should look upon income as something recurring. The investor is taxed on the gain, but is allowed only a very limited offset when losses are realized. It is no wonder that insurance and pension reserves are increasing at the rate of six or seven times the amount of new common stock offerings.

A policy that contemplates protecting funds invested outside of the United States and of encouraging money to go to work to drive out poverty and to bring the benefits of American experience and industrial genius to foreign countries, and that continues the shabby treatment of capital at home is unsound and illogical. Encourage investment at home and funds will flow abroad. Discourage discrimination against ownership and foreign countries will be induced to do the same.

It is a serious challenge to democracy that with the whole world, both the new and the old, crying for capital, our government is shackled by ancient prejudices and hesitates to take the steps that would break the log jam. Yet, that is the only way to give the world more plentiful goods at lower prices and to utilize our surplus funds most advantageously and beneficially.

The capital markets tell the story. The record is plain. In an investment market, extraneous factors do not muddy the waters, cause and effect are clear. I look occasionally at the effective registrations under the Securities Act of 1933. For the latest available month 50 issues were registered for cash sale for the account of issuers with a value of approximately $400,000,000. Approximately $83,000,000 consists of common stock issues, or only about one-fifth of the total. Everyone acquainted with the markets knows that a large part of common stock offerings has consisted of public utility issues, and although that industry is less subject to the vicissitudes of changing conditions than most others business activities, these companies have to offer common stock at prices to yield 7% and more.

When this applies to nationally known companies in an exceptionally stable industry, the price of equity capital for small and medium size companies is almost, if not entirely, prohibitive. This is so not because such companies cannot compete in production or distribution with big companies. Recent studies show that new tools and equipment have placed them in a better position to compete successfully, but that obtaining equity funds is the most difficult hurdle. More persuasive than any economic comment is this lack of receptivity on the part of the investing public at a time when savings continue to mount and institutions and large investors eagerly absorb new bond issues of corporations at coupon rates providing a return of less than 3%.

Congress Should Assist Flow of Capital

If you have concluded from my remarks that I am pessimistic over the outlook, then I would like to disabuse you. The problem is of such seriousness that I believe Congress must, in the general public interest, recognize the necessity of removing the obstacles that are preventing the flow of capital. We all realize that a general overhauling of the tax structure is urgently needed. That will come, but I am not prepared to predict when. I do know that many influential members of both Houses of Congress are taking a statesman-like view of the subject and are earnestly considering the broad changes which our national economic life require.

The problem of equity capital has taken on an emergency character and I believe this is being increasingly appreciated in Washington. We have shown, in a recent study called "Jobs and Taxes," how ownership investment can be encouraged here and now. Why am I hopeful of remedial action? Because Wall Street is Main Street and Main Street likes fair play and has good common sense. The investor and the invested dollar are essential if we are to have industrial expansion on a scale large enough to insure continued full employment for our people at good wages.

Point four in President Truman's program, whether we realize it or not, has been serving the purpose of directing attention to the equity capital problem at home; and it has had the effect of emphasizing the gross contradiction between a policy that begs for investment everywhere else under the proposed protections of umbrellas against the squalls and storms of economic and political change, while continuing a frigid attitude toward those willing and able to put funds to work at home and who ask only for fair treatment.

Americans will not, I am confident, indefinitely tolerate a tax policy that makes the raising of ownership funds more costly and that drives savings almost wholly into sheltered investments—a national policy that sings the virtues of new investments so long as they are made outside of the United States.

As a complement to Point Four, I propose Point Five—tax changes that will apply the principles of a "bold new program" so that investment and its accompaniment, gainful employment, will go hand in hand both here and abroad. There must be no boundaries to developmental capital.

The State of Trade and Industry

(Continued from page 5)

run on the warehouse bank. (3) Some plants have already been forced to curtail manufacturing operations. (4) Demand for aluminum, a steel substitute in some applications, has spurted sharply and (5) Steel buyers are once again camping on the doorsteps of the few mills which are still operating.

This week close checking indicates, this trade authority adds, that few big fabricators will be able to operate more than 30 days without curtailing production. Several very large firms told "The Iron Age" they expect to shut down some manufacturing divisions within two weeks. Most curtailments so far noted have been by smaller firms who were caught flatfooted by the strike.

The run of steel consumers on warehouse stocks almost became a stampede during the first few days of the strike. It is now beginning to taper off. Warehouses are trying to allocate their limited stocks among old and new customers. They have established informal but effective quotas. Galvanized sheets and cold-rolled sheets are the items in tightest supply.

Although orders for aluminum jumped sharply, this alternative avenue of supply for some fabricators may be short-lived. The steelworkers' union has served formal strike notice on the Aluminum Co. of America which produces about half of the nation's aluminum. Unless last minute negotiations are successful the strike will begin at 12:01 a.m., Oct. 17.

In spite of the steel strike there was a fair amount of activity in most scrap markets this week. This lowered "The Iron Age" steel scrap composite to $26.58 a gross ton, a drop of 34 cents from last week.

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 9.3% of capacity for the week beginning Oct. 10, 1949, as against 8.2% in the preceding week, an increase of 1.1 points, or 13.9%.

The Institute said steelworkers on the job were pushing hard to get as much production as possible.

This week's operating rate is equivalent to 172,000 tons of steel ingots and castings for the entire industry, compared to 151,000 tons a week ago, 1,596,500 tons, or 86.6% a month ago, and 1,775,400 tons, or 98.5% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

CARLOADINGS REDUCED FURTHER IN LATEST WEEK BY COAL STRIKE

Loadings of revenue freight for the week ended Oct. 1, 1949, totaled 658,128 cars, according to the Association of American Railroads. This was a decrease of 3,344 cars, or 0.5% below the preceding week. It represented a decrease of 250,738 cars, or 27.6% below the corresponding week in 1948, and a decrease of 284,327 cars, or 30.2% under the similar period in 1947.

ELECTRIC OUTPUT OFF FROM CORRESPONDING PERIOD OF PRECEDING YEAR FOR FIRST TIME SINCE AUG. 3, 1946, DUE TO STEEL STRIKE

Electrical production for the first time since the week of Aug. 3, 1946 showed a decrease when compared with the corresponding period in 1948. The amount of electrical energy distributed by the electric light and power industry for the week ended Oct. 8, was estimated at 5,449,897,000 kwh., according to the Edison Electric Institute. This represented a decrease of 71,341,000 kwh. below the preceding week, 31,735,000 kwh., or 0.6%, lower than the figure reported for the week ended Oct. 9, 1948, but 491,835,000 kwh. in excess of the output reported for the corresponding period two years ago.

The effect of the steel strike was reflected in last week's output, since the steel industry consumes about 250,000,000 kwh. of electrical energy weekly.

DECLINE IN DAILY AUTO OUTPUT RATE FOR OCTOBER LESS THAN ANTICIPATED

According to "Ward's Automotive Reports" for the past week, motor vehicle production of the United States and Canada declined to an estimated 148,072 units from 151,593 units (revised) in the previous period.

Daily production rates in United States plants showed a decline, as anticipated for October, but the drop is less than expected, the report said. This week's output averaged 28,130 units daily, 1,330 units below the September rate.

The total output for the current week was made up of 120,563 cars and 20,088 trucks built in the U. S. and 5,205 cars and 2,216 trucks in Canada.

Output a year ago was 119,398 units and, in the like period of 1941, 79,065 units.

BUSINESS FAILURES HOLD STEADY THE PAST WEEK

Commercial and industrial failures numbered 182 in the week ended Oct. 6, rising very slightly from the preceding week's 181, Dun & Bradstreet, Inc., reports. Although casualties noticeably exceeded the 107 and 81 which occurred in the comparable weeks of 1948 and 1947, they continued well below the prewar total of 279 reported in the similar week of 1939.

Failures involving liabilities of $5,000 or more rose to 145 from 140 and compared with 82 of this size a year ago. Offsetting this increase, a decline occurred among small casualties—those having liabilities under $5,000; they fell to 37 from 41, but exceeded the 25 of the corresponding week of 1948.

Retail and wholesale failures declined, while other industry groups showed slight weekly increases. More concerns failed than a year ago in all lines with the year-to-year rise relatively sharp in all lines except wholesale trade.

The Middle Atlantic, Pacific States, South Atlantic and East South Central States reported increases, but most other regions had a decline. Failures were more numerous than a year ago in six of the nine major geographic areas, with New England, West North Central and Mountain States the exceptions.

WHOLESALE FOOD PRICE INDEX AT NEW THREE-YEAR LOW

There was a mixed trend in wholesale food markets last week, resulting in a decline of 2 cents in the wholesale food price index, compiled by Dun & Bradstreet, Inc. This brought the Oct. 4 index to $5.65, a new low for the year and the lowest it has been since the $5.40 recorded on Oct. 8, 1946, just prior to the final removal of OPA controls on livestock and meats. The current figure of $5.65 compares with $6.51 at this time a year ago, or a drop of 13.2%.

Individual price changes for the week included advances for flour, corn, rye, barley, lard, coffee, cocoa, potatoes, steers and lambs. Moving lower were wheat, oats, beef, hams, butter, cottonseed oil, peanuts, eggs and hogs.

The index represents the sum total of the price per pound of 31 foods in general use.

WHOLESALE COMMODITY PRICE LEVEL OFF SLIGHTLY IN LATEST WEEK

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., held fairly steady during the past week, closing slightly lower at 244.69 on Oct. 4, as compared with 245.14 a week earlier. On the corresponding date a year ago it stood at 271.37.

Trading in grain futures on the Chicago Board of Trade was slower last week, but prices generally were stronger. Early strength in wheat reflected good milling inquiry and decreasing market receipts.

Best prices were not maintained, however, owing to profit-taking and increased offerings by producers.

The cash corn market displayed marked strength aided by continuing good demand for light receipts. Harvesting of the new corn crop was said to be making good progress in the Central West. Oats were in fair demand with prices holding about steady.

Shipping directions for hard wheat bakery flours slackened considerably last week although directions on soft wheat flours were fairly well maintained.

Chain bakers and other large users of flour continued their cautious hand-to-mouth buying policy in the face of rising prices.

Trading in the actual cocoa market was not very active but prices were steady to slightly stronger, aided by light offerings and absence of pressure from primary markets. Spot coffee prices continued to move higher under good demand from leading chains and national distributors.

A further upward adjustment of coffee prices was noted at the retail level. Business in refined sugar turned spotty but demand for spot raws remained good with prices rising to the best levels of the year. Lard prices averaged higher aided by substantial government buying. Although dressed beef values continued weak, fed cattle prices moved higher as below normal receipts met a ready demand. Hog supplies, however, were more than ample for trade requirements and prices continued their seasonal decline to new low ground.

Price movements in the domestic cotton market continued in a very narrow range with closing spot prices down slightly for the week. Mill buying for forward and prompt delivery sustained prices in the early part of the week. Weakness developed in later dealings on scattered hedge selling and liquidation. Some export demand for cotton developed during the week.

Spot market sales increased sharply, totaling 485,000 bales for the week, the largest for any week since October, 1947.

This compared with 381,400 bales the previous week and 254,600 in the like week a year ago. The mid-September parity price for cotton at 30.01 cents per pound, showed an unexpected drop of 12 points from the mid-August level.

Entries of cotton into the 1949 loan stock during the week ended Sept. 22 totaled only 16,400 bales, against 133,600 in the like period a year ago. For the current season through that date, loan entries, as reported by the CCC, were placed at only 37,400 bales, as compared with about 350,000 bales through the same period a year ago.

RETAIL TRADE IN PAST WEEK SLIGHTLY UNDER 1948 LEVEL DUE TO LABOR TROUBLE

The dollar volume of consumer buying in the period ended on Wednesday of last week did not vary materially from that of the preceding week but continued to hold slightly below the high level of a year ago, states Dun & Bradstreet, Inc., in its latest review of trade. Labor-management difficulties in some sections were accompanied by a decline in consumer buying.

Apparel sales volume was about equal to that of the previous week, but remained moderately below that of a year ago.

Following aggressive promotions, slight rises in the purchasing of men's wear were reported in scattered localities.

Women's apparel remained in large demand; among the best-selling apparel items were skirts, sweaters, dresses and shoes. There was a slight dip in the purchasing of children's clothing.

Consumers bought about as much food as in the previous week with aggregate dollar volume of nation-wide food purchases approximately equal to that of a year ago.

Many shoppers continued to request low-priced meat cuts. There was a slight rise in the demand for pork and poultry. The sales volume of fresh produce dropped moderately while, on the other hand, an increased volume of canned goods was sold. Interest in candy and bakery goods declined slightly.

There was a moderate drop in the buying of furniture and home-furnishings last week. Upholstered furniture, floor-coverings and electric appliances were in decreased demand.

Basement departments offering inexpensive houseware continued to sell a sizable volume.

Purchasing of hardware and decorating materials remained high. Television sets continued to be eagerly sought in many localities.

Total retail volume in the period ended on Wednesday of last week 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 South —4 to —8; East, Northwest and Southwest —2 to —6; Midwest —5 to —9; and Pacific Coast —3 to —7.

WHOLESALE TRADE ADVANCES A TRIFLE ABOVE COMPARABLE PERIOD OF 1948

The total volume of wholesale buying rose slightly during the week. Unit sales were fractionally above the level for the comparable period in 1948, while dollar sales remained below last year's figure. Many buyers placed an increased number of long-term orders. Buyer attendance in wholesale centers dropped rather sharply the past week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 1, 1949, decreased by 8% from the like period of last year and was unchanged from the preceding week. For the four weeks ended Oct. 1, 1949, sales registered a decrease of 7% from the corresponding period a year ago and for the year to date a decline of 5%.

Retail trade here in New York suffered the past week from the combined effects of the world series, poor weather and the coal and steel strikes. Estimates placed the drop in department store sales volume at 15% or more under 1948.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Oct. 1, 1949, decreased by 8% from the same period last year. In the preceding week a decrease of 11% was registered below the similar week of 1948. For the four weeks ended Oct. 1, 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."

British Devaluation and Its Effects

(Continued from page 4)

the two things are opposite sides of the same coin.

For producers and exporters in countries which have devalued the devaluation means that it gives to them a temporarily improved competitive position in the world market. I emphasize the word "temporarily," because it is a matter of conjecture how long the improvement will last. It is a matter of conjecture how long it will last because costs and prices in the countries which have devalued will certainly go up. I will have more to say on that in a few minutes.

Let us speak with simplicity about the position of the British producer and exporter. If he is a producer and exporter who is selling primarily in a dollar market and quoting in effect a dollar price, and if he is in a position to maintain his dollar price, the only consequence of devaluation to him will be that he will mark up his sterling prices to the full extent of the devaluation and gain accordingly in terms of sterling. The dollar price of his product will remain unchanged.

One example of this is the price of Scotch whisky, the dollar price of which is unchanged as a result of devaluation.

This gain on the part of the favored British producer and exporter has certain other consequences, which I will mention incidentally.

Since the sterling price has gone up very greatly and since he will quote the same sterling price to all buyers, whether in the United States or elsewhere, he will tend to lose sales outside the United States and the dollar area and tend to gain sales in the United States and in the dollar area, which will be of some benefit to the dollar position of the United Kingdom.

However, the case of Scotch whisky is by no means a typical case. In most instances, the British producer and exporter, and other foreign producers and exporters similarly situated, will lower their dollar prices somewhat while raising prices in their own currency somewhat; and when the dust settles, the effective dollar prices will be somewhat less than they were before devaluation.

In the case of British manufactured goods, I have collected whatever information is available on changes in effective dollar prices to date. And I would make the guess that after a few months we will find that the prices of a range of British manufacturers in this market have gone down by 10 or 12% in terms of effective dollar prices, and not more than that, I think, on the average. There will be some cases of commodities that will go down more in price, and some that will go down less than the average.

I said that prices and costs will go up in the countries that have devalued. This is quite certain to happen. In the United Kingdom and other countries with devalued currencies, the cost of imported materials and components from the dollar area went up in exact proportion to the amount of the devaluation. In other words, the prices of these raw materials and components from the dollar area went up immediately by some 44%.

What is generally overlooked is that the price of goods produced within the area of devaluation has gone up also, and will go up still more. Thus, the British producer has to pay not only more for what he buys in the United States and in the dollar area—he pays more for what he buys from South Africa, from India and from other countries within the sterling area.

Examples which I might mention are natural rubber, which has gone up by 20% in terms of sterling; burlaps, which have gone up by 20% in terms of sterling; tin, which has also gone up in terms of sterling; and there are many other examples of the same kind.

So the British and other foreign producers are faced with rising material costs, and before long I am sure they will also be faced with the problem of rising labor costs. Because in the area of devaluation imported foodstuffs such as wheat and flour and bread stuffs have gone up in price. This means that wage earners will certainly press for higher wages. They have already begun to do so. And the inevitable result, I think, in spite of all the efforts of government to hold the line, will be a slow rise in money wages in the area of devaluation. And I would not exclude from this observation the United Kingdom, where I am sure the efforts to hold the line will be as great as the Labor Government or any successor government is in a position to make.

Effect on U. S. Imports

Now, let us return to what I consider to be the general or the typical case, which is that of foreign products coming out of the area of devaluation, which are offered at lower dollar prices now than before devaluation.

Does this mean that we will have a flood of foreign imports into this market? I think not—for various reasons. One reason I have already stated. The reduction in effective dollar prices will be a moderate reduction and not a great one.

Even more important, however, is the fact that the bulk of the things that we buy, perhaps two-thirds of the things that we buy from the area of devaluation, consist of raw materials for American industry. The volume of imports of these raw materials depends not primarily on the prices at which they are available. It depends upon the general level of economic activity in the United States. We won't buy much more rubber, much more burlap, wool, lead or tin and the other things that we get from the sterling area, for example, at prices that are 5% less than they were before devaluation; conceivably somewhat more, but not very much.

In the case of manufactured goods coming out of the area of devaluation into the dollar market, demand is more responsive to price; but even in that case, I think it may be doubted that the increase in our imports will be spectacular. There are still many impediments to imports in the United States market which apply particularly to manufactured goods.

Even more fundamental, however, is the fact that at the present time, as far as one can see, British and other foreign producers simply do not have the capacity. I do not think they have the incentives and I doubt very much if they have the promotional facility such as advertising at their disposal, which would permit them to obtain greatly expanded markets in the United States or elsewhere in the dollar area.

If they cannot produce much more, they cannot sell us much more unless they divert goods from the domestic market, and I think the possibilities in that direction are quite limited, particularly in the case of the United Kingdom where goods are always quite scarce on the domestic market.

The other possibility is if they would divert goods from the soft currency areas to the dollar area. This will certainly happen to some extent, but I should guess the process will be a relatively slow one. It will happen only as sterling prices rise; and as the rise in sterling prices chokes off demand from the sterling area, the falling effect in dollar prices stimulates demand in the dollar area. That, I think, will be a relatively slow business.

There are still many incentives on the British producer to sell in protected markets outside the dollar area where he has a minimum of competition, where he can pay perhaps less attention to such things as styling and packaging and packing than if he were seeking a new market in the United States.

For all of these reasons, I can see no prospect of a flood of British goods into the United States as a result of devaluation. I think the increase in physical volume will be a quite moderate one on the whole.

Will Not Solve Dollar Problem

For these reasons, I think it is fair to conclude that devaluation will, by no stretch of the imagination, solve the dollar problem for the United Kingdom or any of the other countries which have devalued their currencies. In fact, over a short period, at least, I think it is conceivable that devaluation will have the effect of widening the dollar gap, instead of narrowing the dollar gap. In the meantime, the governments which have devalued are saddled with extremely difficult domestic problems, economic, financial and political, as a result of devaluation.

I have mentioned only the pressure for higher prices and wages, which is the most difficult problem which these countries now face.

I turn now to the effects of devaluation on the trade of the United States. And I have already indicated some of my principal conclusions.

The first is that our imports will not increase greatly, if at all, in terms of total dollar volume as a result of devaluation. It seems to me that other sources of dollars for foreigners, imports being the main one, will also be largely unaffected by devaluation. The Foreign Assistance Program is set by legislation on the basis of appropriated funds for a year ahead. New foreign investments by the United States will continue at about the present rate as far ahead as one can see.

So that I should expect that foreigners will have to spend in the United States about as many dollars as they have had in the recent past. And that is about $16,000,000,000 per annum for goods and services combined.

The question is: Will they spend all of their dollars in this country now that American goods and services are so much more expensive than they were before devaluation? I think they will, although, as I shall indicate in a moment, I think it should not be taken entirely for granted.

I think these dollars will be spent, because I think the hunger for dollars throughout the world is still so great, the shortage of dollars so general, that foreigners will spend their dollars rather than accumulate them as monetary reserves, which would be the other alternative.

So I conclude that the total export trade of the United States over the next period will continue at the rate of approximately $16,000,000,000 per annum—not much more and not much less.

Increased Export Competition

This conclusion will give very little comfort to those of you who are faced with greatly increased price competition in foreign markets as a result of devaluation.

Increased price competition, not only in the area of devaluation, which includes the whole of the sterling area—practically all of Europe west of the Iron Curtain and other countries as well—but increased price competition in third markets such as Latin America.

This conclusion would also give small comfort to those of you concerned with domestic trade, who will be facing greatly increased price competition in the domestic market for certain types of products.

Those of you who are selling for export or advertising for export, will not have to have it explained to you that selling goods in the area of devaluation and in third markets is going to be more difficult now than it was before devaluation. Some export lines and some exporters are going to be hit, and they are going to be hit hard.

Nevertheless, I would suggest that one can become panic-stricken about these prospects except in extreme cases where exports or exporters are extremely vulnerable for one reason or another. And I hasten to say that every case is different from every other case.

The case of the exporter of drugs is different from the case of the exporter of appliances; and the case of the exporter of appliances is different from the exporter of the heavy equipment. And the case of the exporter who has plants in foreign countries as well as in the United States, is different from the case of the exporter who produces and sells only from this country.

Since I am generalizing, I cannot deal with individual cases. If I were an exporter, I would bear in mind the general factors as they apply to my particular case.

I would bear in mind that my product probably had some price advantage in the foreign market before devaluation. This price advantage may be wiped out or not, depending on the circumstances. I would have you bear in mind that some of my foreign competition was already selling in terms of foreign currencies which were devalued in fact, although not officially. In other words, transactions were going forward at rates for foreign currencies much below those that were quoted officially in the newspapers.

I would bear in mind that there are many factors in export which are important in addition to price. There is the factor of availability, which is still extremely important with respect to many commodities and many markets.

There is still the vitally important factors of stamping, packaging and packing, and all of the other things that go into a successful export business.

If I were an exporter, I would wait if I could, to see what my competition is going to be before I put any drastic price cuts into effect. If you have to cut your prices in order to hold a market, that is another matter. In many instances I am sure that will not be necessary.

I would also—and this, I am sure, will be favorably received by some of you—I would certainly double my budget for export advertising.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

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.

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 for purchase of stock will be received up to 11 a.m. (EST) Oct. 18, at company's office, 49 Federal Street, Boston, Mass.

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.

● **Cana-mont Oil Co., Kalispell, Mont.**
Sept. 29 (letter of notification) 15,000 shares ($1 par) common stock. Price, 33⅓ cents each. No underwriter. To complete drilling well.

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 Paper Co. (10/20-21)
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.

● **Commonwealth Services, Inc., of New York**
[Formerly Commonwealth & Southern Corp. of N. Y.] Oct. 4 (letter of notification) 14,000 shares of common stock (par $5). To be offered to employees of company at $5 per share. Any unsubscribed shares will be purchased by officers and department heads.

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.

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.; Halsey, Stuart & Co. Inc.; White, Weld & Co.; Harriman Ripley & Co.; Drexel & Co. and Union Securities Corp. (jointly); Glore, Forgan & Co. **Proceeds**—To repay bank loans for construction and for additional construction and general corporate purposes. **Bids**—Bids for purchase of the bonds will be received by company at Room 700, 435 Sixth Avenue, Pittsburgh, up to 11:30 a.m. (EST) 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.

● **Envelopener Corp., New York**
Oct. 4 (letter of notification) 100,000 shares of common stock (par $1). Price, par. Opening and equipping production plant, working capital. No underwriting. Office, 475 Fifth Avenue, New York.

● **Foxbilt, Inc., Des Moines, Iowa**
Oct. 4 (letter of notification) $190,312 ($10 par) common B stock and $89,500 5% ($100 par) preferred stock. Price: Common $12.50 per share; preferred, par. No underwriter. To build a new feed mill at Des Moines. Office: 231 Insurance Exchange Building, Des Moines, Iowa.

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.

● **Glen-Gery Shale Brick Corp., Reading, Pa.**
Oct. 4 (letter of notification) 11,724 shares of common stock. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Price**—$3.37½ per share. Proceeds to selling stockholders.

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.

● **Illinois Power Co.**
Oct. 6 filed 239,601 shares (no par) common stock. **Offering**—To be offered to present stockholders at rate of one new share for each eight shares held. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—Construction program.

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. **Bids**—Bids for purchase of the bonds will be received up to Oct. 19.

Industrial Stamping & Mfg. Co., Detroit, Mich.
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.

● **Inlet Molded Products Corp., New York**
Oct. 5 (letter of notification) 440 shares of capital stock (par $100). Price, par. Working funds, etc. No underwriting.

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 Power Co., Dubuque, Iowa (11/1)**
Oct. 10 filed 300,000 shares ($3.50 par) common stock. **Underwriters**—To be determined under competitive bidding. Probable bidders include Smith Barney & Co. **Proceeds**—Construction.

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.;

NEW ISSUE CALENDAR

October 13, 1949

Kansas City Southern Ry. Noon — Equip. Trust Ctfs.
Texas & Pacific Ry., noon (EST) — Equip. Tr. Ctfs.

October 14, 1949

Northern Pacific Ry. — Equip. Trust Ctfs.

October 17, 1949

Keller Motors Corp. — Common
Maine Public Service Co. — Preferred and Com.

October 18, 1949

Blackstone Valley Gas & Electric Co. 11 a.m. (EST) — Preferred
Duquesne Light Co., 11:30 a.m. (EST) — Bonds
Empire District Electric Co. — Common
New York Chicago & St. Louis RR. Noon (EST) — Equip. Trust Ctfs.

October 19, 1949

Chesapeake & Ohio Ry. Noon (EST) — Equip. Trust Ctfs.
Denver & Rio Grande Western RR. Noon (MST) — Equip. Trust Ctfs.
Indianapolis Power & Light Co. — Bonds
Public Service Electric & Gas Co. — Preferred

October 20, 1949

Combined Locks Paper Co. — Common

October 24, 1949

Resort Airlines, Inc. — Common

October 25, 1949

Iowa-Illinois Gas & Electric Co. — Bonds
Southern Pacific Co., noon (EST) — Equip. Tr. Ctfs.
Susquehanna Mills Inc. — Common

November 1, 1949

Interstate Power Co. — Common
Union Electric Co. of Mo. — Preferred

November 9, 1949

Wabash RR. — Equip. Trust Ctf.s

November 15, 1949

Associated Telephone Co. Ltd. — Bonds

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.

Keller Motors Corp., Huntsville, Ala. (10/17)
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. Expected week of Oct. 17.

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.

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 Oct. 17 on a one-for-six ratio with provision for oversubscription. Rights expire Oct. 31. 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. **Offering**—Of the total 116,440 are offered for subscription by holders of $2 preferred stock and common stock of record Oct. 10 at $30 per share at the rate of one share for each preferred share held and one share for each five common shares held. Rights expire Oct. 25. At the same time, holders of $2 preferred stock are offered the chance to exchange their 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 Plywood Corp., Eureka, Calif.**
Oct. 3 (letter of notification) 1,500 shares ($100 par) common stock. Price, par. No underwriter. To construct extensions to the company's plant. Office: P. O. Box 464, Eureka, Calif.

● **Nash Finch Co., Minneapolis, Minn.**
Oct. 3 (letter of notification) 800 shares of common stock. Price, between $15 and $17. To be sold by W. K. Nash, a Director. **Underwriter**—J. M. Dain & Co., Minneapolis.

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.

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.

● **Pacific Finance Corp. of California**
Oct. 7 filed 19,750 shares ($10 par) common stock. **Offering**—To be sold at $18 per share under a stock option plan for which options were issued on May 2, 1947. **Underwriter**—None. **Proceeds**—For general corporate purposes.

● **Pennsylvania Electric Co.**
Oct. 6 filed $11,000,000 first mortgage bonds, due 1979, and 70,000 shares of series D cumulative preferred stock ($100 par). **Underwriters** — Competitive bidding. Probable bidders for preferred: Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co., and Glore Forgan & Co. (jointly); Harriman Ripley & Co. For bonds: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Lehman Brothers, and Drexel & Co. (jointly).

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.

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.

● **Smith Tire & Motor Co., Huntington, W. Va.**
Oct. 3 (letter of notification) 600 shares ($100 par) common stock. Price, par. No underwriter. For working capital to open another store. Office: 550 Third Avenue, Huntington, W. Va.

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.

● **Super Electric Products Corp., Jersey City**
Oct. 7 (letter of notification) 14,375 shares to be offered on behalf of First Guardian Securities Corp.

● **Superior Paper Products Co., Pittsburgh**
Oct. 6 (letter of notification) 1,230 class A preferred shares (par $100) and 1,156 common shares (no par). Price: Preferred, par; common, $20. Reduce outstanding indebtedness. No underwriting.

Union Electric Co. of Missouri (11/1)
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. Bids expected Nov. 1.

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.

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 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.

York (Pa.) County Gas Co.
Sept. 23 (letter of notification) 6,000 shares of common stock (par $20). To be offered for subscription by stock-

(Continued on page 38)

(Continued from page 37)

holders 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.

Prospective Offerings

• American Bosch Corp.
Oct. 7 reported company plans sale of $4,000,000 15-year sinking fund debentures with Allen & Co. as underwriter.

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; Glore, Forgan & Co. and W. C. Laughlin & Co. (jointly).

• Associated Telephone Co., Ltd. (11/15)
Oct. 6 company applied to the California P. U. Commission for permission to sell $9,000,000 first mortgage bonds due 1979. The bonds are to be sold at competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Paine, Webber, Jackson & Curtis; White, Weld & Co. and Kidder, Peabody & Co. (jointly).

• Black Hills Power & Light Co.
Oct. 11 company filed plans for issuing 33,730 additional shares of common stock which will be offered to stockholders under subscription rights. Dillon, Read & Co., Inc., will underwrite the offering. Proceeds of the issue will be used for plant improvements and for repayment of bank loans.

• Butterfield (W. S.) Theatres, Inc.
The Paramount Pictures Inc. invites offers for the purchase of the following stock which it now owns: 37,500 shares of class B stock of W. S. Butterfield Theatres, Inc., and 6,940 shares of class B stock of Butterfield Michigan Theatres Co. Inquiries should be addressed to Sidney M. Markley, Paramount Pictures Inc., 1501 Broadway, New York 18, N. Y.

W. S. Butterfield Theatres, Inc., class B stock represents 25.8079% of outstanding stock and is all of the outstanding class B stock. This stock is entitled to elect one-third of the board of directors. W. S. Butterfield Theatres, Inc., owns and/or leases 65 theatres in 18 of the larger towns of Michigan, except Detroit, and has interests through subsidiaries in 26 theatres in nine similar towns.

Butterfield Michigan Theatres Co. class B stock represents 33⅓% of the outstanding stock and is all of the outstanding class B stock. The stock is entitled to elect one-third of the board of directors. Butterfield Michigan Theatres Co. owns and/or leases 20 theatres in 10 of the smaller towns of Michigan, and has an interest through a subsidiary in two theatres in one similar town.

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 Maine Power Co.
Sept. 22 company applied to the SEC for authority to sell at competitive bidding 30,000 shares ($100 par) dividend series preferred stock; and 200,548 shares ($10 par) common stock, the common to be offered for subscription by common and preferred stockholders. New England Public Service Co. (parent), holder of 66.53% of the outstanding common stock, will waive its right to the offering of common stock. Probable bidders—Preferred: Salomon Bros. & Hutzler; Harriman Ripley & Co.; W. C. Langley & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). Common: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co.

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 bidders include Lehman Brothers and Lazard Freres & Co. (jointly); Blyth & Co.; Smith, Barney & Co. and Harriman Ripley & Co. (jointly); Carl M. Loeb, Rhoades & Co.

Chesapeake & Ohio Ry. (10/19)
Bids for the purchase of $3,600,000 equipment trust certificates, to be dated Nov. 1, 1949, and due semi-annually May 1, 1950-Nov. 1, 1964, will be received up to noon (EST) Oct. 19 at company's office, Cleveland. Probable bidders: Halsey, Stuart & Co. Inc.; Harris Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

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.

Denver & Rio Grande Western RR. (10/19)
Invitations for bids will be received up to noon Oct. 19 at company's office, Denver, Colo., for the purchase from it of $2,250,000 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. Offering expected to become effective Nov. 3. 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.

• Gerity-Michigan Corp.
Oct. 8 James Gerity, Jr., President, stated company considering plans involving long-term financing to provide funds for plant consolidation and to strengthen working capital.

Gulf States Utilities Co.
Sept. 27 reported company plans sale in November 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.

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.

• Louisville Gas & Electric Co.
Oct. 7 reported company has plans under consideration for refunding its outstanding $36,000,000 bonded debt into new lower cost securities. Company is no longer subject to the SEC's competitive bidding rule in respect to sale of securities and sale may be negotiated.

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..

• Middle South Utilities, Inc.
Oct. 6 Electric Bond Share Co. announced a proposed offering to its common stockholders of rights to purchase at $12 a share, 656,000 shares of Middle South Utilities, Inc., common stock at rate of one share of Middle South common for every eight shares of Bond & Share common. Record date and offering price period will be announced after SEC approval of the program. The rights offering will not be underwritten. One right will be distributed for each share of Bond & Share common, and each right will be worth approximately 64 cents at the Oct. 6 closing market price of 17⅛ for the Middle South common.

• Missouri Power & Light Co.
Oct. 9 company has asked the Missouri P. S. Commission for authority to issue $2,000,000 first mortgage bonds and 20,000 shares ($100 par) preferred stock. 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
Oct. 10 company asked the SEC for authority to issue 669,508 additional shares ($1 par) common stock. This stock is to be offered to stockholders at the rate of one new share for each 10 held. The offering price will be determined by competitive bidding. 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. 18 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).

• New York & Richmond Gas Co.
Oct. 11 company expects to replace its $2,125,000 4¼% first mortgage bonds, due 1966, with a longer issue bearing interest at 3¼% and due 1975. It is expected that company will sell the bonds privately to two insurance companies.

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).

Northern States Power Co. (Minn.)
Aug. 10 company requested SEC authorization to sell from 1,357,918 to 1,584,238 shares of its common stock, no par value. It is intended to make the initial pro rata offering to present common stockholders. Probable underwriters: Smith, Barney & Co.; White Weld & Co. and Glore, Forgan & Co. (jointly); Lehman Brothers and Riter & Co. (jointly). **Proceeds**—To be used to retire $15,000,000 of 2% promissory notes due on or before Dec. 30, 1949.

• Southern Pacific Co. (10/25)
Bids for purchase of $15,780,000 equipment trust certificates, series CC, to mature in 15 equal annual instalments, will be received by the company at Room 2117, 165 Broadway, New York, up to noon (EST) Oct. 25. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

• Susquehanna Mills, Inc. (10/25)
The Attorney General of U. S. invites bids for the purchase, as an entirety, all of 11,422 shares of the common stock (par 25¢) of the company, with principal office at 404 Fourth Avenue, New York, N. Y. All bids must be presented at the Office of Alien Property, Department of Justice, 120 Broadway, New York, on or before 11 a.m. (EST).

Texas & Pacific Ry. (10/13)
Company will receive bids up to noon (EST) Oct. 13 at Room 2216, 233 Broadway, New York, for the purchase from it of $2,300,000 equipment trust certificates, series G, dated Nov. 1, 1949, due $230,000 annually Nov. 1, 1950-59. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.). Expected about Oct. 13-14.

• Wabash RR. (11/9)
Oct. 10 reported company planning the sale of $3,465,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly). Bids expected about Nov. 9.

Our Reporter's Report

The high bidder for Utah Power & Light Co.'s $3,000,000 of new first mortgage, 30-year bonds, due 1979, won "going away" as the boys at Belmont Park would say. But when it was all over and the other bids were made known, it is doubtful that the successful bankers found much to be elated about.

With a field of nine starters facing the barrier, it developed that the winner's bid of 102.091 for a 2⅞% coupon rate, was a good full $1.87 per $100 bond above the lowest bid (100.1149) of the other eight firms in the competition. Incidentally, the price offered to the company by the runner-up was better than 45 cents per $100 bond lower.

The successful bidders were understood to be planning reoffering to the public at a price of 102½ to yield slightly better than a 2.75% return. One saving feature in this situation appeared to be that the group which captured the issue at least will have the benefit of a lack of keen competition from other directions for the balance of the week.

But the fact remained that because of the wide range in the bidding, the investment world was disposed to look upon the undertaking as likely to be torturously slow in moving out.

Wth no malice aforethought, but merely in a jocular vein the Street was disposed to consign this one to the "deep-freeze" category, a classification for slow movers that has been created in the wake of the recent disclosures in Washington.

Life of Bond Salesman

People who really did a business in selling bonds in years gone by are in a gloomy mood these days what with the tremendous change which has taken place in investment habits, particularly among the larger institutional people.

Under the old order the bond salesman would approach his contact at a given bank or insurance company with either bonds or ideas and frequently came away with a chunk of business in his pocket.

But today the situation is entirely different according to some of those who have witnessed the transition and "don't like it" very much.

They say that now things have gotten down to a basis of "reciprocity," as one of their number put it. If you don't have something to trade, you are just out. Where new issues are concerned things are still reasonable, but day-to-day business is out.

Want Only Security

And things appear to be pretty much the same in banking circles outside the immediate confines of New York City, according to those who make the rounds. Banks and others in such localities seem to take their guidance from the actions of the bigger fellows.

Like the latter, they are interested only in buying highest rated securities, such as U. S. Governments and good municipals and where possible of relatively short maturities.

As this course of action implies, they are concerned primarily with "security" and protecting themselves against possible criticism by bank examiners. Consequently their day-to-day interest is negligible.

Detroit Edison Financing

Detroit Edison Co. directors are slated to meet next Tuesday to decide upon the procedure to be followed in the sale of its projected $40,000,000 of new debentures. It also has plans for offering some 700,000 shares additional of common to its holders in the ratio of one share for 10 held.

Proceeds will put the company in funds to provide for its construction program estimated to require about $142,000,000 in the 1949-52 period.

A spokesman noted that no consideration has been given the idea of refinancing the company's outstanding $35,000,000 of 3½s maturing in 1966.

A Little Help Please

Governor Duff of Pennsylvania has come out flatly for the payment of a state bonus to veterans of the recent war which, it is estimated, will require distribution of some $500 million.

His 100% approval coincided with the announcing of a drive by organized veterans in the state to secure a necessary constitutional amendment which will be up for voters' consideration next month.

The only hitch, once the amendment is voted, will be method of raising the huge fund required. Thus far no way has been decided upon, but experts naturally see special taxes, very likely a sales tax as the answer.

News About Banks and Bankers

(Continued from page 16)

has increased its capital, effective Sept. 26, from $400,000 to $500,000.

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FIDELITY-PHILADELPHIA TRUST CO., PHILADELPHIA, PA.

	Sept. 30, '49	June 30, '49
Total resources	$207,181,633	$211,618,963
Deposits	178,868,233	183,536,589
Cash & due from banks	43,206,598	45,858,449
U. S. Govt. security hold'gs	52,567,860	59,190,342
Loans and bills discounted	69,289,357	65,756,994
Undiv. profits	5,420,313	5,234,462

* * *

Faustin Prinz has been elected President of the **Home Savings Bank of Milwaukee, Wis.,** succeeding the late Fred Froede. Mr. Prinz was previously a director. The Milwaukee "Journal" of Sept. 30 states that his father until his death was Vice-President and director, while his grandfather was the founder of the bank.

* * *

Michael Schneider, President of the **Mitchell Street State Bank of Milwaukee, Wis.,** died on Oct. 3. He was 82 years of age. Mr. Mitchell had served in the Presidency of the bank for the past 10 years, the Milwaukee "Journal" reports. Following the opening of his own coal dealing business in 1904, said the "Journal." He bought out a branch yard of the Pennsylvania Coal & Supply Co. in 1920, and nine years later he incorporated the business with his sons as the Schneider Fuel & Supply Co.

* * *

Graham Porter has been named Assistant Vice-President of the **Traders National Bank of Kansas City, Mo.,** it is learned from the Kansas City "Star" of Sept. 28. Mr. Porter goes to his new post from the **First National Bank of St. Joseph, Mo.,** where he was Assistant Cashier, and of which his father, George E. Porter, is President. The name of the Traders National Bank was changed early this year from the **Traders Gate City National Bank,** mention of which was made in our Jan. 27 issue, page 475.

* * *

The capital of the **South Carolina National Bank of Charlestown, S. C.,** has been increased from $2,000,000 to $2,500,000 by a stock dividend of $500,000, according to the Oct. 3 bulletin of the Office of the Comptroller of the Currency. The enlarged capital became effective Sept. 27.

* * *

Action toward increasing the capital of the **Texas Bank & Trust Co. of Dallas, Texas,** has been taken by the directors, according to W. W. Overton, Chairman of the board. In reporting this the Dallas "Times Herald" of Oct. 2 also said:

"The present capital structure is as follows: Capital $500,000; surplus, $500,000; undivided profits and reserves, $422,500, an approximate total protection of $1,422,500.

"The new structure, after issue of additional stock will be: Capital, $750,000; surplus, $750,000; undivided profits and surplus, $485,000, or a total capital of $1,985,000."

* * *

Incident to the celebration of its 75th anniversary, the **First National Bank of Colorado Springs, Colo.,** has issued in booklet form "a few fragmentary stories of people and events which occurred here over the years." The founding of Colorado Springs forms part of the narrative in the booklet, as to which it is stated:

"In the mind of its creator, General William Jackson Palmer, Colorado Springs—or the Fountain Colony, as it was first called—was to be different from any other pioneer Western town. He envisioned the arid plateau near the base of Pikes Peak as 'a place of schools, colleges, science . . . the most attractive place for homes in the West,' where gentle and cultured people might enjoy the matchless climate, scenery and year-round outdoor recreation of the Pikes Peak region. General Palmer, who was Managing Director and Superintendent of Construction of the Kansas Pacific Railway, in 1868, surveyed through New Mexico, Arizona and California on a proposed continuation of the railroad to the coast. While on this survey he had seen southern Colorado and conceived his plan for the founding of a town on the site of present Colorado Springs."

With Mr. Palmer as President, the Colorado Springs Company was organized on June 26, 1871—the company receiving "the almost 10,000 acres from the National Land and Improvement Co., which superseded the Mountain Base Investment Fund."

When the First National Bank of Colorado Springs was incorporated, Sept. 8, 1874, the town was three years old. The bank's capital at the start was $50,000. On April 1, 1875, the first dividend on the capital was paid at the rate of 6% per annum. The balance of the profit, it is stated, was passed to the surplus account. From the booklet we also quote:

"The First National Bank was granted its trust department charter in 1910, based on the Colorado law passed in 1891 for the creation of trust companies. In 1901, the Colorado Title and Trust Company, with capital of $300,000 and surplus of $50,000, was formed in Colorado Springs. Thirty-two years later, in August of 1933, the Colorado Title and Trust Company liquidated, the First National taking over the principal part of the business."

In its June 30, 1949, statement the First National reported capital of $300,000; surplus of $700,000; undivided profits of $123,115; deposits of $25,056,492, and total resources of $26,282,844.

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R. R. Newmark, Assistant Vice-President of the **Union Bank & Trust Co. of Los Angeles, Calif.,** died of a heart attack on Sept. 12. He was 43 years of age. The Los Angeles "Times" reports that Mr. Newmark became associated with the institution in 1929. The "Times" also stated that he was elected Assistant Cashier in 1944 and made Manager of the department and Assistant Vice-President in 1945. He was a member of the American Institute of Banking, the California Bankers Association and the Independent Bankers Association of Southern California.

* * *

Owen T. Jones and Lester H. Empey have been named Vice-Presidents of the **American Trust Co. of San Francisco,** President James K. Lochead announces, it was made known in the San Francisco "Chronicle" of Sept. 9. Mr. Jones, Controller for the past ten years, has been associated with American Trust Co. since 1935, said the paper from which we quote, and its further advices added:

"Mr. Empey started his career with the bank in 1928 in the bank's bond department. Other promotions announced are: Horace G. Stevens, Assistant Cashier; Louis F. Musso Jr., Assistant Cashier; Ed. A. Merrill, Trust Officer; Roy K. Vosseler, Assistant Secretary."

* * *

Stanley M. Wedd, President of **The Canadian Bank of Commerce,** head office **Toronto,** announces that James Stewart, C.B.E., General Manager, has been elected to the bank's board of directors. Mr. Stewart has had an extensive banking experience, [illegible] in Canada and abroad. For the past 12 years he has been a senior official in the bank's head office, including a term as an Assistant General Manager before his appointment as General Manager in December, 1947. He served as administrator of services for the Wartime Prices and Trade Board from December, 1941, to February, 1943.

* * *

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.

* * *

It is announced that arrangements have been made, subject to the approval of the Court of Session, for an amalgamation between **The Clydesdale Bank Limited** and the **North of Scotland Bank Limited,** to take effect on Jan. 1, 1950. The name of the combined institution is to be the **Clydesdale and North of Scotland Bank Limited.** The approval of the Treasury has already been obtained.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—In many respects the proposed guarantee of U. S. private investments in "backward areas" is one of the strangest propositions in its conception and backing to emerge from the White House since Mr. Truman became President. Even today the whole proposition is shrouded in considerable mystery.

It is probably accurate to state that none of the conventional and established governmental agencies is siring this unusual project. This is known although, unfortunately, it cannot be proved. It cannot be proved because Mr. Truman bought a very long commitment for this project in his Jan., 1948 inaugural address. Call upon any responsible government official and talk to him about the proposed investment guaranty and he will immediately go into the regular routine of praising this along with those things which, court politics being what they are, are favored as it were, by the throne.

This is natural, for Mr. Truman is a stubborn man, and it is exile for the official who gets caught casting aspersions on this favorite Presidential idea.

Nevertheless, it is a fact that almost entirely throughout the government, at the policy level, the whole proposed investment guarantee is regarded privately with the greatest of skepticism. The attitude of government officials (excluding only the "staff level" of zealous, if half-baked planners) is closely akin to that of the private investment industry, excluding only a few of those whose hearts have been captured by the great dreams of a world new era or some not inconsiderable firms who hope to make use of the guarantee.

With most government people the thinking is the same as with industry. If there were a reasonably good prospect of making a foreign investment which would return a good yield and be pretty safe from both foreign mobs and foreign governments, then private U. S. investors would be busting a gallus to get into the business. But you don't know when the mobs will run loose, when a revolution in the foreign government at any time might deprive you of protection and repudiate the promises made to you when you went in. Finally, in this era of revolution, one doesn't know when his investment will be converted to foreign government ownership, or how many ingenious ways foreigners can figure out how to keep you from harvesting a little take home pay on the investment.

Yet all that the official Administration spokesmen claim is that they will guarantee the transfer risk. This means that they propose to protect the investor in the realization of his profits in dollars, and that if the foreign government swipes the investment with compensation in foreign currencies the convertibility of the same into dollars will be guaranteed, or if uncompensated in foreign currencies, Uncle Sam will pay off the investment.

Hence the Administration is assuming, apparently, that Americans will make foreign investments in developing backward areas with about the same approach and with as little enthusiasm toward the fortunes of the investment and impersonal interest as a trust department would decide between AT&T and any like top grade investment. Companies don't dam the Zambezi or stake out an irrigation project in the Sudan or go into efficient coffee growing in the Amazon Basin because they are tired of deciding between two appropriate institutional investments and want to look at some different investment symbols.

Instead they do so because their imagination has been kindled, their capacities offered a challenge, and their hopes aroused. Their thinking is probably more long-range than merely 1952 or 1956, their motives are probably as holy as that of a president of some country, and they probably wouldn't care a hoot about making the effort if the only gamble were mere security of the investment after a few years but with the destruction of their dreams and their hopes, as well as the prospect of a large profit.

* * *

What gives the Point IV investment guarantee even more of an element of mystery is that nobody has the remotest idea of the most elementary ideas of its operation, unless it be some Truman version of a Brain Truster not yet uncovered to the public.

How would private American investors become cognizant of the availability of a far-away project suitable to their genius, their experience, and their capacities? Would foreign governments promote the projects, sell them to the U. S. Government, and the latter open the thing to offers through nationwide publicity? Or by some mysterious international and inter-continental telepathy, would the washing machine manufacturer in Dubuque discover there was something to be made out of a branch plant in Nigeria?

These and scores of other obvious questions which would occur to persons in the investment business, most officials simply cannot begin to answer because they have not begun to think the thing through—and because they neither sympathize with nor understand this fanciful project.

* * *

There is no lack of enthusiasm from the White House, however. It was White House pressure through Majority Leader Lucas which persuaded the Senate Banking Committee to approve the bill unanimously. It was direct White House pressure which led to approval by the House Banking Committee.

Yet there are all kinds of signs that the White House itself does not understand the first details of how the investment guarantee will be operated. For that tacitly admitted reason, the White House did not want any strings tied to the bill, so that whatever mechanism later was decided upon could be employed without danger of running afoul of statutory limitations.

Nevertheless, so anxious was the White House to get favorable reports from both Committees, that it took without an apparent qualm the amendments of the House Committee limiting the guarantee to the above-mentioned purposes outlined publicly by officials.

So the pressure is obviously entirely from the White House. This raises the question in Congressional minds, "who sold this thing to the White House?" There are various reports but no conclusive information.

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RFC's new credit of $34,400,000 to Kaiser auto is not expected to be used before the 1951 models. The company is bank financed at present until the end of 1950, with a $20 million line of credit from two big commercial banks, who are said by RFC to be unwilling to continue this credit any longer than the present term on the larger scale that Kaiser wants. These bank loans will be liquidated as a normal business operation, it was explained.

Of the $34,400,000, some $20,000,000 will be a working capital loan and the balance will be available, explains RFC, for retooling for the 1951 models, permitting Kaiser to increase the variety of its models from its present 4-door line.

RFC has a contract calling for fixed payments to liquidate the loan in 10 years together with a contract allocating up to 50% of earnings toward retiring the debt, which may make possible debt retirement in four or five years, it was said. It is conjectured that RFC would not be surprised if after a period commercial banks might take over part or all of the loan.

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On the hard-headed, if pessimistic prospect that eventually labor unions will stick most industry with pension liabilities, industry representatives here are quietly beginning to discuss the implications of the accumulation of vast pension reserves upon the future availability of both equity and working capital. One spokesman of considerable reputation estimates that a pension of $100 a month for 40 million workers eventually would require reserve funds of $100 billion.

Industry men are groping at the idea that some way may be found whereby a considerable proportion of corporation pension reserves might be employed over a period of years to shift a large proportion of government debt from commercial banks and other financing institutions to these funds, but frankly confess they haven't figured out how this can be done.

* * *

Despite the steel strike, the motor vehicle industry is said to expect to keep going on "pretty near" the present scale for a month after the steel walk-out. The assemblers, of course, have a month to six weeks' supply of steel, but the parts producers are nowhere near so well fixed. With some interruptions, however, and by swapping steel, most of the motor industry probably can be kept fairly busy this month, it was said.

Incidentally, the industry by the end of this month will have equalled its previous production record of 5,300,000 units, and anything beyond that will set a new production record.

* * *

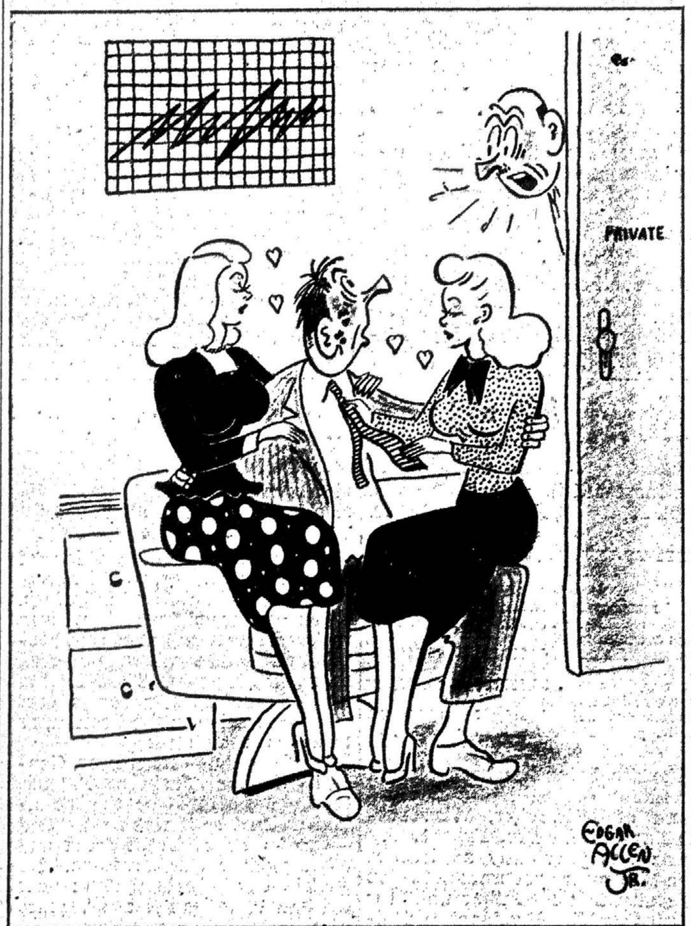
One of the developments which puzzles business spokesmen here is the apathy of the business world generally to the measures which have been revived and passed, approved by committee, or generally brought alive by the prolongation of the Congressional session. Such big things as the "anti-merger" bill, the wage and hour legislation, the Export-Import Bank investment guarantee, and the House action in passing a broadened social security program, has apparently hardly stirred either interest or apprehension in the business world. Even the Senate consideration of reciprocal trade expansion involving a tariff issue which usually steams up a lot of business interest, failed to produce any reactions in the business world, so far as the Washington representatives of business could observe.

* * *

If the Democratic leadership thinks it can make Taft-Hartley repeal a prime political issue in '50, it had better really bust a gut trying to get Congress to repeal the law next year, said one of the foremost authorities on labor legislation. Administration spokesmen have indicated a desire to forget this fight next session. They can't do it, says this authority, and expect to have the people maintain the interest in it as an issue. Yet the Administration would seem bound to fail again if it tried to kill the law in 1950.

(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



"No, No! Huntley! I said 'familiarize yourself with our BONDS!'"