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Mutual Funds on Buying Side, but With Decreased Enthusiasm

By HENRY ANSBACHER LONG

Third-quarter purchases continued in utilities, oil, natural gas and building stocks, but at decreased volume from previous quarter. Restrained buying overbalanced selling which was scattered throughout various industries. Open-end funds added 20% to their cash reserves.

Investment company managers did not participate to any noticeable extent in the increased enthusiasm displayed by certain other sectors of the financial community toward the increasing level of stock prices during the third quarter of the year. The volume of selling exceeded that of the previous quarter by 6½%. Nevertheless, purchases overbalanced sales by 66%.

Henry A. Long

Approximately half the purchasing was concentrated in the same industries as in the previous period. Utilities were still the favorites, but increased profit-taking became apparent. Oil and natural gas stocks also maintained their second place in pop-

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Stock Market and the Political Situation

By EMIL SCHRAM*

President, The New York Stock Exchange

Asserting stock market does not act as perfect forecaster of things to come, Mr. Schram says Main Street now makes stock market to greater extent than ever before. Reviews political and economic outlook and pleads for more cooperation between government and business. Says increased business taxes will create grave danger, since power to tax is power to destroy. In Cincinnati address, he urges more economic education of public.

A year ago the nation was taking stock of a political surprise and trying to appraise its significance. While the stock market does not always act as a perfect forecaster of things to come, it is an excellent mirror and reflects accurately mass opinion at the moment. I want to take a moment out for an aside. All of the studies of market activity show conclusively that Main Street makes the market to a greater extent than ever before.

Emil Schram

This is a good time for a review of what has taken place within the past 12 months. At one time there might have been some hesitation about discussing politics at a meeting of the Indiana Manufacturers Association. Today, one must be obtuse not to recognize that, for better or worse, economics and politics are wed to one another.

The three major policies which overshadow all other considera-

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*An address by Mr. Schram at the Annual Meeting of the Indiana Manufacturers Association, Indianapolis, Ind., Nov. 10, 1949.

A Decade of Wage Trends

By E. C. GRIFFITH

Associate Professor of Economics, Washington and Lee University

Dr. Griffith maintains analysis of wage trends in decade ended in 1948, though indicating complex and divergent movements, gives no conclusive evidence that a minimum wage law simply pushes all industries up to same relative position at a higher plateau. Contends nondurable goods industries show far less stability in wage relations than durable goods industries and labor in these industries has made greatest wage gains. Asserts analysis reveals that less well organized wage earners have improved their position relative to 1939 more than better organized workers, while lower wage groups have gained more percentagewise than have skilled workers.

The decade that ended in 1948 was marked by such revolutionary developments in labor relations that it is worthwhile to attempt some measurement of their effect on all parts of the economy. In the realm of wage determination, the 10 year period saw the passage of federal minimum wage laws, the crystallization of policy by the National Labor Relations Board, the growth in size and influence of labor unions, the wage policies of a nation at war, and the passage of the Labor-Management Relations Act of 1947. Each of these had some influence on the level of wage payments in all industries. It is impossible to measure exactly the effect of any one of these developments on a specific trend in wages. But it is possible to ascertain their total influence on wage trends and on the relation between the wages of

E. C. Griffith

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EDITORIAL

As We See It

Another Election—Its "Mandates" and Its Lessons

Another election day has passed into history. Most of the contests were local in nature, but the results are being interpreted to indicate that the "surprise" of last year was not a "fluke." The usual "mandate" cry is being raised, this time to the effect that people have expressed a rather pointed desire that the Fair Deal proceed with dispatch. Certain it is that candidates who occupied themselves during the campaign with the loudest defense of the President and his policies, or (where issues were purely local) with proposals and programs which were obviously Fair Deal in character, generally speaking, won.

At the same time, it must be said in all candor that it would have been difficult for the voters of the country to have repudiated the Fair Deal type of public policy in any event, since virtually everywhere the contest was between one or more candidates screaming about the "welfare state" or its equivalent and one or more other candidates obviously promising much the same sort of thing dressed up somewhat differently. What seems fairly generally to have been the case is that the

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The Security I Like Best for the Future

Educational Committee of Rocky Mountain Group of IBA conducts forum in which representative local investment dealers participate.

The Educational Committee of the Rocky Mountain Group of the Investment Bankers Association on Oct. 18, at the Albany Hotel in Denver, Col., conducted a forum in which individual dealers, in three-minute talks, stated their views on "The Security I Like Best for the Future." The Chairman of the proceedings was Raymond Sargeant of Harris, Upham & Co., Chairman of the Rocky Mountain Group, IBA.

R. S. Sargeant

In the adjoining box are shown the names of the individuals and the firm affiliations of those who participated in the forum. We give now a stenographic transcript of each speaker's remarks in the order in which they spoke:

— FORUM PARTICIPANTS —

GERALD P. PETERS
Peters, Writer & Christensen
J. H. MYERS
Harris, Upham & Company
WALLER C. BRINKER
J. K. Mullen Investment Co.
E. WARREN WILLARD
Boettcher & Company
DONALD BROMFIELD
Garrett-Bromfield & Co.
JOHN J. SULLIVAN
Bosworth-Sullivan & Co.
BURDICK SIMONS
Sidlo, Simons, Roberts & Co.
AARON W. PLEASANTS
The International Trust Co.
EDWARD COUGHLIN
Coughlin & Company
AMOS C. SUDLER
Amos C. Sudler & Company
ERNEST E. STONE
Stone, Moore & Company
WILLIAM McCABE
McCabe, Hanifen & Co.
ALEX FORSYTH
Calvin Bullock
KARL MAYER
J. A. Hogle & Company
NORMAN DAVIS
Merrill Lynch, Pierce, Fenner & Beane
EARL M. SCANLAN
Earl M. Scanlan & Co.

GERALD P. PETERS
Peters, Writer & Christensen

When the subject matter of this forum was first mentioned, I said Government bonds, Series E—seventy-five—what could be better? And then I read, during the last ten years, while you may have gained 25% on the Series E, you lost 40% on the purchase price of the dollar.

Gerald P. Peters

So I said, "No, that's out, certainly, for the security man," and I said, "Here is a chance to do a little advertising in a local security about which most of us know some and some of us know more," namely, Frontier Refining common. I like it for the following reasons:

Maurice H. Robineau, who runs the company, is young, intelligent, capable, earnest, hard-working and successful. When he started in this business in 1940, and he got his little coking plant up in Cheyenne, as a result of a suit with the Bay Petroleum Company, he went in with a very small company, a very small market, and very small earnings.

He first took that coking plant and made a cracking unit out of it. He then turned the cracking unit over so that it could burn both sour and sweet crude. He then began to develop a market for the oil, which he had to buy in the Wyoming markets.

Along came the war. He was successful with Senator O'Mahoney and with the Government of the United States, and succeeded in having constructed in Cheyenne a hundred octane gasoline plant, for airplane gasoline. As you know, he ran it succesfully for two or three years, until the end of the war, and then proceeded to purchase that plant at about one-sixth of its then value.

That purchase was completed. The plant came into his hands. He still had no oil, he had refining. And he had to gear the market. He went out and sold about 85% of the production to the major distributors and about 15% to his own distributors.

During the last two or three years, the situation so changed that now he is selling about 85% to his own, and controlled, market, and about 15% to the major distributors, and since that time he has found oil.

Gentlemen, he has oil in Zimmerman (Jute), up in Wyoming; he has oil in Modern Gulf, over in Western Colorado; he has some oil in Kansas; and he has a big creek in Fiddler Creek, up in Wyoming.

Based on the first well, which came in 200 barrels a day, if run at capacity for a year, he would add $2,000,000 a year income to his company.

With fewer than a half million shares outstanding, it doesn't take much mathematics to determine that one well, if run at capacity, would mean about $4.00 a share to that company.

He is turning out the finest gasoline in this area. He has not only the highest octane of any gasoline in this territory, but he has polymerization, which means that it comes out with less sulphur in it than any other cracked gasoline in this territory. He has developed his own market. He has developed his own distribution. He has developed a capacity to sell all the gasoline which he can turn through the original refinery, and the government refinery, which has been turned over for automobile gasoline.

Gentlemen, the guy has got it! The stock has gone from one to four dollars a share in the last ten years. I would like to see another one that is its equal and I think from here on, he expects to do it again.

J. H. MYERS
Harris, Upham & Co.

Gentlemen, the stock I have chosen to discuss, or bring to your attention, is that of a company with which we are all familiar.

J. H. Myers

The security I have in mind is the common stock of Texas Gulf Sulphur Company. This company produces a basic commodity. They happen to produce about 50% of the natural sulphur that is produced in this country which, in turn, is processed and made into sulphuric acid.

This is a basic, industrial chemical and is used in the manufacturing processes in the rayon, the paint, the chemical, the plastic industries, oil refining, different metallurgical processes, the iron and steel industries, the paper, rubber and textile industries.

The price of sulphur has been $16 a ton for the past 20 years. That shows that only through greater efficiency of operation have they been able to continue to sell their product at the same price during that period of time and still show a profit.

At the present time, they are developing a new process of extracting sulphur from gas, which is providing unlimited new sources of supply.

From the standpoint of labor costs, which I think are very important at this particular time, the new plant that they are building at the moment, which will produce 400 tons of sulphur a day, will be operated 24 hours a day, and seven days a week, with a personnel of 35 to 40 people, which will include the clerical, the maintenance, and the operating personnel.

This company has paid dividends, consistently, since 1921—they have been paying out 70% to 80% of their earnings in dividends. They have absolutely no funded (bonded) debt; in the first six months of 1948, their earnings showed an increase of about 25% over the first six months of last year.

The stock is currently selling around $67 a share. It is paying a $5 annual dividend. The yield is about 7½%.

The uses for the company's product have increased many, many times, and in my opinion

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The Maloney Act

Some phases of Maloney Act explained. Makes NASD the shadow of SEC. Independent action impossible. Legality of this statute questioned. Constitutional and other grounds raised. Repeal would make unnecessary the long and costly process of ultimate judicial interpretation.

An understanding of the life and death control which the Securities and Exchange Commission is empowered to exercise over the National Association of Securities Dealers should be more widespread in the interest of the stabilization of our economy.

This power derives from Section 15A (commonly called the Maloney Act or Maloney Amendment) of the Securities Exchange Act of 1934.

Under its provisions a "national securities association" may be registered with the SEC, by filing with that Commission "a registration statement in such form as the Commission may prescribe . . ."

Then there follows this statement: "An applicant association shall not be registered as a national securities association unless it appears to the Commission that . . ." Now come some ten subdivisions and subdivisions within these subdivisions giving the numerous matters on which the Commission must be satisfied and of which it is the exclusive judge.

The Commission has control absolute over the rules of a national securities association. It may "permit" or "require" these rules to be of a certain content and is authorized by order to "abrogate any rule" or to "alter" or "supplement" the rules. The Commission, and it alone, may grant or deny registration. It may suspend or revoke the association, suspend or expel any member, and remove from office any officer or director.

From determinations in disciplinary proceedings instituted by the association the power of review is in the Commission.

The whole unfortunate scheme of this legislation has been and is such that the NASD, the only such association which has been registered, can be regarded as the shadow of the SEC. The former can only go where the latter is prepared to take it and the exercise of the slightest independence is virtually impossible.

The following permissive provision of the Maloney Act, which has been put into operation by NASD rules, is one of the most controversial:

"The rules of a registered securities association may provide that no member thereof shall deal with any nonmember brokers or dealers . . . except at the same prices, for the same commissions or fees, and on the same terms and conditions as are by such member accorded to the general public."

From this set-up have arisen many grievances of which these are only some:

(1) That to share in these "commissions or fees" brokers, dealers and underwriters are compelled by necessity to join the only existing national securities association even against their better judgment, based upon opposition to this law.

(2) The Commission, through its shadow, by declaring a policy on "spreads," is engaging in price control.

(3) The trial system via District Business Conduct Committees wherein the agency or its shadow at one and the same time acts as investigator, prosecutor, judge

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Planning Your Sales Talk

By KELSO SUTTON*
Consultant in Salesmanship

Pointing out it is just as essential and important that salesmen plan and write out sales talks as it is in preparing and in presenting advertising copy, Mr. Sutton cautions against using a "canned talk" pattern. Lists among factors in planning sales story: (1) getting a basic outline; (2) analyzing buying motives; (3) selecting selling points; (4) selecting supplementary subject matter; (5) selecting material to be used in demonstration; (6) preparation to refute objections; (7) selecting proper timing in presentation; and (8) use of proper language. Urges placing emphasis on investment motives, and recommends offering only short list of securities at one time.

I am going to discuss one point, today, that is most important to anybody in selling work. It is something that most salesmen never do. Before I tell you what this is, I can just promise you that if you would do this you would certainly make more sales, because very few salesmen are going to do this for years to come, anyway, but if anyone is really serious about his work and wants to get down to cases and do this, he can capitalize on it.

Kelso Sutton

What I'm talking about is planning out your sales talk, writing it out, making a pattern of exactly what you are going to say.

We don't do that. But when you go to a play or to a revue, you know that the author has spent a long, long time in writing the play, or a group of writers have spent a lot of time writing the skits in a revue, and after that is written, they are very careful about the casting of the parts.

Then, after all the personnel problems are taken care of, they all get together and start rehearsing it and during rehearsals they pull scenes out and write new ones to be inserted, and they change characters and change plots and change wordings, in order to get it just exactly right.

Even after it opens in Philadelphia or Boston, they still work on the piece, still making lots of changes to present the ideas in exactly the right manner in the play, or the humor in the skit—whichever it is—to the public.

They feel that it is most important to spend a great deal of time in presenting their material in exactly the right way.

I have never heard of any business management or any sales organizations getting together and spending that amount of time in discussing exactly how the products or services were to be presented to the people who are going to buy. I think if they did that they would approach perfection in their methods of personal selling, whatever their offerings are.

Any organization or salesman who doesn't do that is trusting to luck, a good deal. He just hopes that he will find himself in the right place and, by hook or crook, say the right things that will get him a sale.

I have been trying to set forth here, in the discussion of buying motives and selling points and other things, a basis upon which anybody could build up a properly-created sales story.

In the Adervtising Departments, they do this, in their area of business. They plan, very carefully, exactly the points that they are trying to push in an ad. They get an artist, to make a lay-out and put in the proper tone and mood and attitude. Then, they have a copywriter to write just exactly the right way in which they feel it will appeal to the market.

Yet, why isn't that same meticulousness used in selling? There is no particular reason why it should not be, but it simply isn't. I, myself, feel that when more of that is done, more goods will be sold.

Management doesn't do that for you. Management provides for great care to be taken in other phases of their business, but they don't do that for the salesmen. They allow the salesman to go out on his own. So if management doesn't do that for you, it might be well for the individual salesman to try and do it for himself.

I know of a soft drink concern with headquarters here in New York that has done quite a bit in that direction. They do not have a canned sales talk, but they have a very carefully-planned routine of how their men sell the soft drink to the retail trade. This routine is carefully observed by every salesman.

The salesman goes into the store and the first thing he does is to go into the back room, and count the inventory of his stock out there. After he has done that he comes back in and talks to the manager of the store, or the owner, and he then tries to sell his product.

They found out that if the salesman didn't do that, the first thing the manager or owner would say, right away, is that he has plenty of that product on hand and the salesman would not be able to refute his statement. But having found out exactly what the store manager's position is, he can come right back and tell the manager how much he needs for his business requirements.

That company has a carefully worked out method of getting a decalcomania sign on the front of the store, too. They do it in such a way that every time they want to put a "de-cal" up, they get it up. But they have to get the store owner's permission first, and they have a particular method of getting that permission without wasting any time or bringing any opposition up from the store manager.

Avoid "Canned" Sales Talk

Now, I do not mean that any salesman should "can" his sales talk. You have probably heard, all of you, reasons for and against that. The obvious reason against it is that a canned sales talk gets to be rigamarole, a recitation that loses the individual personality and sparkle of the salesman and that doesn't attract much, as far as selling is concerned.

I was in the office of one of the big cigarette companies the other day and was talking with their personnel director, who is charge of their training, and he was talking about how his cigarette salesmen work. One item that he touched on was the canned sales talk that the salesman uses when he is promoting these cigarettes to individual customers—not store owners, but the individual smokers.

I said, "You've got a canned sales talk that's all worked out?" He said, "Yes, they stick closely to these particular words."

"Well, how does it go?" So he picked up a cigarette and went into this canned sales talk. We had been sitting there talking for about 15 minutes, having a very pleasant conversation. As soon as he started this canned sales talk, he was an entirely different person. You could easily tell, immediately, that he was reciting something that he had memorized a long time ago and that he had recited at one time in his career, maybe 20 or 25 times a day. It was simply sing-song stuff, really terrible.

In my opinion, no salesman can use a canned sales talk, but what I do recommend is a planned method, a planned routine of presenting your offerings to a buyer.

I was in the office of another cigarette company, talking with one of their executives, and he showed me their sales talk, and the cigarette salesmen working for that company has to work exactly according to that script.

The cigarette companies are very successful, and the cigarette salesmen who work for this second company are acknowledged as being very good salesmen, doing a good job. One of the great troubles that this company has with a salesman is that they are not able to hold them. The cigarette salesman doesn't get paid too much money, but he receives such an excellent training in the fundamentals of selling, from this company, that other companies come around offering more money if those salesmen will work for them. Since the cigarette people are not paying that amount of money, they lose their salesmen that way.

Again, I am not presenting the idea that anyone should follow the canned sales talk, but with the method that the cigarette management has worked out, with that method being followed by a salesman, month in and month out, he cannot help but learn a pretty good way of selling.

In this life, there are few first-class extemporaneous performances. Very few people can rely strictly upon their inspiration to do things well, because your inspiration can let you down, all of a sudden, and you are there and don't know what to do.

So if any of you salesmen invest the time and the thought to work out some kind of a careful presentation to use, it will pay off for you. That applies either for the telephone conversations or for the personal contact work. Even if you don't want to take the time to work this thing out in a technical way, based on the principles set forth in these sessions, either from your notes or from the record in the "Chronicle" of what has been said here, even if you didn't want to do all that, I would advise you, some rainy night when you don't have anything else to do, to sit down for about two or three hours and just play around with the idea, on paper.

How to Plan Your Talk

Just start in, trying to line up a good sales talk. If you spend just three hours writing things out, and trying to organize it, you will be surprised at the improvement in your presentations that just that amount of work will leave.

Whenever I feel that I have a problem in my own business that

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*Stenographic report of lecture given by Mr. Sutton, ninth in a series on Investment Salesmanship sponsored by the Investment Association of New York, New York City, Nov. 10, 1949.

Inter-Company Financing—Source Of Capital for Small Businesses

By WILFORD J. EITEMAN
Professor of Finance, University of Michigan

Economist, in analyzing sources of funds for business enterprises, describes common practice of large concerns in giving financial aid to smaller companies to whom they sell or buy. Says this is important aid to small business and performs an important function in supplying capital to concerns unable to obtain it from other sources. Notes this financial relationship, because of interest of creditor in debtor, is more helpful to small business than obtaining capital directly from public.

It is not uncommon for large companies to give financial aid to smaller companies to whom they sell or from whom they buy. The advances of the larger companies in such cases are not viewed as investments that return a yield but as a commonsense method of promoting an outlet for goods or of preserving a source of supply. In a seller's market the flow of funds is from large companies to small company suppliers. In a buyer's market the flow is from large companies to smaller company customers.

W. J. Eiteman

Inter-company financing, when it extends beyond financing a purchase or sale, is not followed as a regular practice, but is regarded rather as emergency aid to a hard-pressed customer or supplier. It performs an important economic function which no other institution or group of individuals is prepared to perform: it provides credit to companies sound in the long run but temporarily unable to obtain capital from other sources.

Sources of Funds

Business enterprises obtain funds for financing from five sources: (1) their owners, (2) the capital markets, (3) lending institutions, (4) accumulation of profits, and (5) advances from larger companies to whom they sell or from whom they buy. With the exception of the last mentioned, these sources are not equally accessible to all companies. As a rule larger companies are more favored than the smaller ones.

(a) Obtaining Funds From Owners

Large companies have an inherent advantage over smaller companies in attracting equity capital. This advantage stems from the fact that the shares of large corporations are often listed so that additional funds can be obtained by issuing stock rights. The success of such an offering is assured by two circumstances. In the first place, a stockholder must either subscribe for the new shares or sell his subscription rights to someone who will subscribe. The alternative is to forfeit a portion of the dollar value of his previous investment. In the second place, it is possible to underwrite an offering of stock by a large corporation, thereby assuring the outcome of the offering to the issuing company.

Smaller companies find it difficult to appeal to their existing owners with any such assurance of success. For one thing, their owners are very apt to have all of their resources already invested in the enterprise. Appeals by small companies to outside investors are not apt to succeed due to the fact that few persons have sufficiently intimate knowledge of the company's affairs to warrant investment.

(b) Obtaining Funds From Capital Markets

That small companies cannot compete for funds in the capital markets against larger companies is attested to by numerous published studies and is accepted as axiomatic by most writers. This pessimistic view is usually based upon data published by the SEC which shows conclusively that small issues of new securities cannot be sold in the capital markets and that, when such issues are marketed, their flotations prove prohibitively expensive to issuers. For example, the SEC found that of all the issues under $250,000 registered between July, 1933 and June, 1937, less than 23% were sold. A study of 538 such issues showed that in 179 cases no securities were sold and that in the remaining 369 new ventures sold 27% of their offerings and old ventures sold 44% of their offerings. Furthermore, even when a small issue is sold its cost to the issuer is usually prohibitive. Small enterprises seeking to borrow via the capital markets encountered selling costs of $8.40 per $100 of capital raised. Small enterprises seeking to sell preferred stock in the capital markets found that it cost them $16.50 to obtain $100 of capital. Small enterprises seeking capital via sale of common stock in the capital markets found that it cost them $22.80 per $100.

(c) Obtaining Funds From Institutions

Well-established older industries have greater and easier access to the funds of lending institutions than do newer enterprises involving more risk. It is not difficult to discover the reasons for this situation. Lending institutions are charged with the responsibility of investing funds of others, usually their depositors. They make their resources available, therefore, only to those who give them the greatest assurance of safety of principal and certainty of yield. Safety is judged on the basis of historic facts, i.e., statistics of past earnings, analysis of capital structure, and the like. New ventures, not having past records, are automatically excluded or are able to qualify for but an insignificant amount of financial aid.

There is an important exception to this rule. When business in general is unusualy prosperous, large companies demand less bank accommodation than these institutions are prepared to grant. At such times lending institutions find it necessary to solicit the loans of smaller, more risky enterprises than would normally be accommodated. A questionnaire sent out by the author recently showed a surprising availability of bank credit to small business in 1949. This observation is supported by the findngs of a study conducted by the Federal Reserve Bank of Minneapolis. By contrast, the Hardy-Viner report of 1935 revealed that small businesses had great difficulty obtaining bank credit during the mid-thirties.

If signs of business recession appear, bankers will no doubt revert to type and, in the interests of their depositors, refuse to re-

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The State of Trade and Industry

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

The crippling nation-wide steel strike which began on Oct. 1 and which was gradually bringing the country to a state of industrial paralysis took a turn for the better on Armistice Day, Friday, Nov. 11, just 42 days later, with the signing of an agreement by the United States Steel Corp. and the United Steelworkers, CIO. The main points of the settlement provide for employer-financed pensions of not less than $100 a month for retired workers along with social insurance benefits amounting to five cents an hour, to be shared equally by the company and the employees.

The foregoing provisions in essence follow the general pattern of contracts previously arrived at by the union and Bethlehem Steel, Republic Steel, Jones & Laughlin and the Youngstown Sheet & Tube Co. Other companies that were at that time on the verge of a settlement included the Inland Steel Co., Wheeling Steel and Allegheny Ludlum. Thus, only a few major companies and practically less than 10% of the country's steel-making capacity, continued to be affected by the strike.

Since the close of the week, the Allegheny Ludlum Steel Co. terminated a two-week strike at its plants on Monday evening last. It was also reported that the Sharon Steel Corp., the nation's ninth largest steel producer has reached a "tentative agreement" with the union.

Following John L. Lewis' action on Wednesday of last week suspending the damaging soft coal strike until Nov. 30, the United Mine Workers' chief requested the coal operators to resume negotiations. A union spokesman said Mr. Lewis "will be at his desk in Washington" on Monday morning of the present week "awaiting the convenience of the coal operators."

In government circles, it was reported the Administration in a conference at the White House on Monday of this week may decide one of three things to remove the threat of another disastrous coal strike: continue negotiations in the hope of reaching a settlement, appoint a fact-finding board to recommend terms of agreement or use the Taft-Hartley Law to ban a new coal strike on Dec. 1.

In a question asked by "Steel Magazine" in this week's issue—Who Are the Winners?—it supplies the answer by stating that according to estimates steel company employees lost $178,000,000 in direct wages and that they will have to work two full years to regain in future social security benefits the wages they lost during the past six weeks.

The loss in steel ingot output from the beginning of the strike until operations return to the prestrike rate, it continues, will amount to 10,500,000 net tons. This has a dollar value of more than $700,000,000. The increased burden per hour, in the case of some companies, will amount to as much as $4 per ton of steel. What portion, if any, of this will be passed on to the buyer in the form of higher prices cannot be predicted now.

Summing up, it adds that as steelworkers, operators, steel customers and the general public contemplate these losses they are bound to wonder whether anybody in the long run will have won enough to compensate for the losses. It may take all of three years to find the final answer.

* * *

With the gradual settlement of strikes the past week the level of total industrial output evidenced a slight upturn from the level of previous weeks, though output on a country-wide basis continued to be substantially below that for the corresponding period a year ago.

In the field of wholesale trade demand for apparel increased moderately last week as many merchants placed fill-in commitments for the holiday season and early orders for spring merchandise. Initial commitments for both women's and men's spring apparel compared favorably with those of a year ago.

Food merchants purchased slightly more than in the previous week. Although caution continued to be evinced in many quarters, forward orders were more numerous than in recent weeks. The total unit volume of food orders was close to that of a year ago.

Buyer demand continued to be brisk in many textile markets the past week.

Furniture buyers placed an increased volume of orders during the week with case goods, incidental items and upholstered furniture sought by many merchants to replenish depleted stocks and to prepare for post-holiday promotions. The eagerness of many buyers was in marked contrast with the noticeable caution of previous weeks.

* * *

STEEL OUTPUT HITS 54% OF CAPACITY FOLLOWING STRIKE SETTLEMENTS BY MAJOR PRODUCERS

With almost all of the nation's steel mills back in production this week on a tremendous backlog of orders, 1949 will see far more steel produced than the industry made in any prewar year. Output of raw steel for this year is expected to top 76,500,000 tons, or 20% more than the industry produced in 1929, according to "The Iron Age," national metalworking weekly, in its latest summary of the steel trade.

From the way their customers are ordering, steel sales executives feel reasonably certain that the strike did not last long enough to pinch off the business revival that appeared to be with us when the steelworkers struck on Oct. 1. A number of big mills are booked solidly through next June on hot and cold-rolled sheets. All major products are being allocated to customers on a quota basis as they were last year.

With only a few exceptions coal stocks at the mills are now big enough to cause no concern to production men for the rest of the month.

The steelmaking rate for this week is scheduled at 61.5% of rated capacity, up 36.5 percentage points from last week's revised rate of 25% of capacity. At Buffalo, where the major producer

Bache Sees Decade of Opportunity Ahead

Managing partner of large N. Y. Stock Exchange concern says flow of American equity capital will assure world reconstruction.

The United States appears to be on the threshold of a new "decade of opportunity," Harold L. Bache, managing partner of Bache & Co., New York, said at a luncheon at the Chicago Club in Chicago on Nov. 8. "The responsibility of world leadership, imposed upon us since the end of the war is the greatest challenge in history to American enterprise and ingenuity," Mr. Bache said. "American capital, by providing an adequate flow of funds into equity channels, will not only assure a continued high rate of production and a better standard of living but also will provide the necessary aid to world reconstruction."

Harold L. Bache

Mr. Bache's optimistic views of the future are based partially, he said, on the likelihood of continued high industrial production because the markets are here to absorb it. He added that wage levels will be maintained.

As for the immediate agricultural outlook, Mr. Bache said that in his opinion farm prices may tend gradually lower but give every indication that they will be maintained to assure for the American farmer his present high level of prosperity.

From a background of long interest by his organization in many types of industry, Mr. Bache said he believes that some of our newer industries, such as television and air conditioning, are just beginning their real growth. Another, he said, which is sure to expand greatly, is the vast field of farm mechanization.

Turning to the international scene, Mr. Bache declared that world responsibility and leadership—both political and economic—have shifted to this country.

"America is the only country with the materials and facilities to supply the vast international needs. The dollar is in such demand all over the world that increased imports will mean more and more dollars to buy American products. International trade and closer international cooperation, despite the great postwar handicaps encountered are gradually but firmly reviving and the outlook on the world scene is one to give the man with long range vision reason for considerable encouragement."

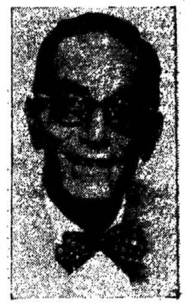
Mr. Bache pointed out that one of the important functions of the financial community is the broadening of its educational facilities. "The youth of the country," he said, "must be familiarized with the methods and objectives by which free enterprise exists. Toward that end, government and business should join in encouraging educational efforts at the high school, college and community levels."

Observations . . . .

By A. WILFRED MAY

Point IV—Actually Subsidy No. VII

If sanctity of the ideal involved does not preclude cold-blooded analysis of proposals for helping the world out of its difficulties, then the political and financial implications of President Truman's proposals known under the catch-all term "Point IV" merit the most careful scrutiny. In the first place, there have been so much elaboration of and deviation from the "bold new" proposal made by the President in his Inaugural Address last Jan. 20—both at home and abroad—with so little public recognition of what the President himself had in mind, that quotation of his original recommendation is in order. After outlining three courses of action which the United States should emphasize in its international relations in the coming years, namely, to give unfaltering support to the UN, to continue our programs for world recovery, and to strengthen freedom-loving nations against the dangers of aggression, he added as *Point IV:*



A. Wilfred May

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

"More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and more prosperous areas.

"For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.

"The United States is preeminent among the nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

"I believe we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.

"Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.

"We invite other countries to pool their technical resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies whenever practicable. It must be a worldwide effort in the achievement of peace, plenty and power.

"With the cooperation of business, private capital, agriculture and labor in this country, this program can greatly increase industrial activity in other nations and can raise substantially their standard of living.

"Such new economic developments must be devised and installed to the benefit of the peoples of the areas in which they are established. Guarantees to the investor must be balanced by guarantees in the interest of the people whose resources and whose labor go into their development.

"The old imperialism—exploitation for foreign profit—has no place in our plan. What we envisage is a program of development based on the concept of democratic fair-dealing.

"All countries, including our own, would greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically.

"Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge.

"Only by helping the least fortunate of its members to help themselves can the human family achieve the decent satisfying life that is the right of all people."

In a subsequent message to the Congress of June 24, asking for implementing legislation, Mr. Truman expanded as follows: *"These measures are the essential first steps in an undertaking which will call upon the private enterprise and voluntary organizations in the United States, as well as the government, to take part in a constantly growing effort to improve economic conditions in the less-developed regions of the world."*

No wonder, then, that limitation of the program to anything like a $35-million scale is not conceived of either here or abroad!

Similar to the lightning-fast global chain-reaction, set in motion by quick-witted British Foreign Secretary Bevin, to that epochal suggestion made June 5, 1947, at a Harvard Commencement, by the then Secretary of State Marshall, this bit from President Truman's Inaugural has been seized upon by the eager at home and abroad.

(Continued on page 14)

Bank Credit Policies in Coming Year

By F. RAYMOND PETERSON*
President, American Bankers Association
Chairman, First National Bank and Trust Co., Paterson, N. J.

Commenting on postwar responsibilities of organized banking, new ABA President points out its program to provide adequate credit to finance increased industrial expansion and, at the same time, ease inflation pressure by rejecting non-productive loans. Notes $2 billion decline in bank loans in last year, but asserts this arose from lower borrowing demands and not from unavailability of bank credit. Scores government expansion into banking, and says banking system is flexible and alert enough to provide business with ample credit.

In recent months, it has been my privilege to attend the annual conventions of many state bankers associations. It is always a delightful and satisfying experience to join in the fellowship of these occasions. Meetings such as yours here today are real evidence of your spirit of cooperation. Your presence shows your willingness to work together. This cooperative attitude among bankers has a far reaching effect. It makes it possible for your state and national associations to be important forces in the growth, progress, and defense of chartered banking.


F. Raymond Peterson

The banks and their associations have also demonstrated many times in recent years another remarkable capacity. This is their ability to work together for the economic good of the whole country. During the war, the banks performed vital services for the nation. They channeled financial resources into the requirements for victory. They helped the government finance its war expenditures by underwriting every War Loan drive. The banks placed much of the national debt in the hands of many millions of people to whom they sold Savings Bonds and other securities for the government. They financed war production industries extensively. High government officials publicly congratulated them for their services and for the skill with which they met the financial demands of the war.

A Program of Financial Leadership

When the war ended, organized banking undertook another program of financial leadership. This was the important job of financing the reconversion of business and industry to peacetime operation. During the first two postwar years, the banks increased their business, industrial, and agricultural loans outstanding by $8½ billion to a total of more than $18 billion. This additional working capital was urgently needed to finance the postwar reorganization of industrial production lines. Loan-expansion by the banks made it possible for business and industry to employ and train labor for peacetime production. It enabled industry to build inventories for the manufacture of postwar products. It helped wholesalers and retailers restock shelves that were almost empty at the end of the war. Bank loans to farmers aided in the production of additional food and fibre for use at home and for export to a hungry world. The banks provided the credit efficiently and adequately. There was no need or public demand for loans from the government.

Throughout the reconversion period, banking was acutely concerned by the rising tide of inflation. It was concerned notwithstanding the fact that most of the inflationary pressure was coming from four sources outside the field of banking. The main sources of inflation were: first, the government's great outlays for the armed forces and the support of foreign governments; second, the expenditures for housing and public works; third, the great increase in industrial and commercial inventory buying; and finally, the expenditures of industry for new plants and equipment.

Bank credit played only a secondary role in the inflation picture in relation to these powerful initial sources of inflation. Nevertheless, the banks were fully aware that they had two responsibilities. Banking accepted its responsibilities. The first was to provide adequate credit to finance increased industrial production—physical production to satisfy the great demand of consumers and industry and to ease the upward pressure on prices. The second responsibility was to help ease the pressure of inflation by rejecting nonproductive loans and loans for speculation.

During the early months of last year, banking undertook its voluntary anti-inflation credit control program. The ABA and state bankers associations carried the program to all banks throughout the country. Bank loans, which had been increasing since the end of the war, levelled off. The success of the voluntary credit control program was attested by the results. During 1948, loans to business, industry, and agriculture expanded by only $700 million. This was in sharp contrast to the $8½ billion increase in loans during the previous two years. The banks received the commendation of many government officials, including Secretary of the Treasury Snyder and members of Congress.

So, during three critical periods in the nation's recent economic life, the banks responded promptly and adequately to the country's credit needs. By their aid in financing the war, by the competence with which they provided credit for industrial reconversion after the war, and by their response to the inflation problem, they demonstrated two important facts. These facts have been overlooked too often in the pressure of recent years for more government controls over bank credit and bank reserves.

A Voluntary Policy

The first of these facts is that these major developments in bank credit policy were voluntary. They were carried out by the banks in response to the nation's changing economic status and its shifting needs for credit. The leadership which assured their fulfilment came from within the banking industry itself. The credit policies of many thousands of banks were a cooperative response to a national problem, and they were voluntary.

The second fact brought out by banking's remarkable record of recent years is equally important. Chartered banking convincingly demonstrated that its credit policies are thoroughly flexible and adaptable. Nearly 15,000 individual banks throughout the country readily directed their lending policies to meet the varied credit needs of government, business, industry, and agriculture locally and nationally. They did so without regulations or mandates from the government. They keyed their lending activities in concert with the needs of individual borrowers and of the entire economy. The banks proved that flexibility and adaptability in credit policy is one of the chief values of chartered banking.

At the beginning of this year, the government still feared that more inflation was in prospect. Business and industry, however, knew that a recession was beginning to get underway. The index of business activity declined, slowly at first, but faster through the spring and summer. Wholesale commodity prices fell off; and farm prices, land prices, and farm income continued to decrease. Employment slackened by nearly two million. Wholesale, retail, and department store sales declined—in many areas sharply. The bond market, which long has been under pressure from liquidation of government securities, firmed considerably. This made it possible for corporations to bring out new long term issues under favorable market conditions, and to place long term loans with institutional investors. They used the proceeds of new issues to retire substantial amounts of their short term indebtedness to the banks.

The Decline in Bank Loans

The net result of this contraction in business, production, and employment, and of the corporate refunding of bank credit, has been a decrease this year in bank loans outstanding. Of course, since August a seasonal rise has taken place. But in relation to their levels of a year ago, commercial, industrial, and agricultural loans outstanding have been about $2 billion less recently than they were a year earlier. Real estate, security, and consumer credit loans have continued to rise, however.

Regardless of how aggressive banks may be in seeking out commercial, industrial, and agricultural loans, they cannot expand credit unless customers need loans and are willing to borrow. In view of the extent of the business decline after the first of this year and of the perhaps overdrawn fears of many businesses and industries for the future, the decrease in business loans since the first of the year has been very moderate. The banks are providing the credit that business and agriculture need.

Throughout the entire postwar period, government authorities have shown great interest in bank credit. There have been a number of legislative proposals in Washington to provide more and broadened credit controls. Although it was clear in January of this year that a business recession was beginning, the Administration proposed its 11-point anti-inflation program. The Administration assumed that the country's problem this year would be

(Continued on page 38)

*An address by Mr. Peterson before the Arizona Bankers Association, Phoenix, Ariz., Nov. 8, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

The agreements which Phil Murray has signed with practically all but the less consequential steel companies must be masterful documents, evolved by super minds and put down on paper by magical pens. He professes elation and the steel operators with whom I have talked express a high degree of satisfaction, they not being men to express elation and certainly not in the newspapers.


Carlisle Bargeron

Mr. Murray is telling all and sundry and particularly his members, that it is a 12-cents-an-hour package they got. That seems all right by the operators if he wants to call it that. They tell me privately it is a four-cents package.

I certainly don't have all the facts and figures to determine which is right even if I were so statistically minded. But if I were a steel worker and a member of Mr. Murray's union, I would certainly be looking askance at him and his leadership, not that I would be able to do anything about it, and it is my belief that this is just what a great number of these workers are doing. It will be a long time, indeed, before they are able to make up the more than a month's wages which they lost. This time they don't have any wage increase at all to make up for these lost wages.

The newspapers have a way of telling how many millions the steel companies lost but in the long run I doubt they have lost anything. They will probably have sold just as much steel over a period as they would have without the strike.

In the meantime, they have taught the workers and Mr. Murray a lesson, it would seem. Loss of more than a month's work should have and probably will have quite a salutary effect on them for a long time. My impression is that conditions being what they are, General Motors' management does not regret in the slightest the more than three months strike which it experienced some three years ago.

The utter foolhardiness of Murray's calling his steelworkers on strike over the thin issue of their contributing to the pension fund is evidenced in the agreements finally made. Next year, if Congress passes the liberalized social security bill as it is expected to do, the the steel companies pay only $40 of a $100 monthly pension, relatively, social security taking care of the rest. The worker does not contribute to the $40 but he does contribute to the $60. Also, under the agreements he contributes to an insurance plan.

There should be a law, some sort of protection against workers having to suffer from such pigheaded leadership as they got in this instance.

A most significant thing in connection with this strike and its companion coal strike, I think, was the absence of "crisis" which Mr. Murray had counted on to win his case in a week. His timing was bad in that he called the strike during the World Series. A week was therefore killed before the press could get around to having enough space to work up a "crisis." By then, it seemed they had difficulty getting into the spirit of the thing. There were some "crisis" outcries on the part of politicians and unquestionably thousands of innocent workers were thrown into unemployment. But the rather general disposition seemed to be "crisis be damned" and let the strikers stew in their own juice. Mr. Truman, I think, deserves a pat on the back for not rushing in. Had he done so he would unquestionably have bailed Murray out.

During a trip through Ohio at the time, I ran into some inconvenience by curtailed railroad services. These were due to the coal strike, however, and I got the distinct impression, substantiated by some rail officials, that they were taking advantage of the situation to get rid of, at least temporarily, some unprofitable or not so profitable services.

Of my many admitted qualities, one is not knowledge of how to operate a railroad but this practice on the part of rail management struck me as rather shortsighted. They lose traffic which they don't get back, at a time when they are conducting a campaign, at considerable expense, against what they call the unfair competition of the trucking services.

If Murray bailed out of his predicament without too much loss of prestige, this is not the case of John L. Lewis. It may be that he will call out his men again at the end of the month if no contract is signed with the operators, but I doubt it. The fact is that the miners were drifting back to work before he temporarily called off the coal strike. For the first time since Roosevelt handed him a revived miners' organization on a silver platter this gentleman's hold over the miners seems shaky.

They are not the same type of workers as those in the steel mills. Through disposition and long years of experience they are not averse to quitting work periodically. This is particularly true of those in the Southern fields. But this year they have been out of work too much for their liking. Without any fanfare, mines in communities where there were strong police forces were reopening when he ordered them back to work this time.

The operators seem not the slightest concerned about him. They seem of a mood to let nature take its course. As to what the outcome will be there is no way of telling. But as to this moment those bushy eyebrows of his are more than usually bristling.

N. Y. Security Dealers To Hear Dr. Nourse

The New York Security Dealers Association announces that Dr. Edwin G. Nourse, former Chairman of the Council of Economic Advisers, has accepted their invitation to make the only address at the Association's 24th Annual Dinner, Dec. 9, at the Hotel Pierre.

S. A. Sandeen Co. Adds

ROCKFORD, ILL.—Harold F. Vaughan has been added to the staff of S. A. Sandeen & Co., Talcott Building.

With Olson, Donnerberg

ST. LOUIS, MO. — Herbert Koenig has become connected with Olson, Donnerberg & Co., Inc., 418 Olive Street.

Outlook for Small Business

By ROGER W. BABSON

Commenting on difficulties of small business because of unions and government regulations, Mr. Babson points out what is needed is more actual service and less investigation as aid to small business enterprises.

If I believed that American small business did not have a future, I should seriously question the future greatness of America itself. This coast-to-coast nation of ours is largely the product of the pioneering struggles of small businessmen and their families.

Roger W. Babson

Trace back the history of almost any of our mighty industrial and commercial empires. You will discover that the successful corporation of today grew in stature slowly, beginning in some tiny shop or store. Humble enterprises have been the acorns, the seed corn of American success. There was magic in the American formula: Start small, learn as you earn, plow back profits, make the business pay its way.

Our basic system of private enterprise and individual opportunity has created in this country the spiritual "climate" that stimulated record-breaking progress. Even those millions of worthy men and women who chose to work for others became superior employees through knowing they always were free to "go on your own and be your own boss." The fundamental American attitude of liberty, initiative and individualism, has generated an unequalled economic productivity.

Wanted: More Than Kind Words

Everybody apparently is glad to give small business a big hand; but only a few members of this friendly cheering-section seem prepared to offer specific helps. What, then, are some of the real, concrete, immediate aids which would most assist small businessmen to carry on their arduous and essential activities? Let me give two simple illustrations:

I have a letter from a small operator in the coal fields. He employs about twenty men. He is trying to do his best for them. He says that they personally are satisfied with their wages, working conditions and other factors in their employment. He knows all his men by their first names and he is friendly with their families. If undisturbed by government and union officials, all would be happy.

Will Unions Help or Hurt?

However, on top of all government regulations the union chieftains are now pressing demands which, he feels, are beyond his ability to meet and still stay in business. Now here is his question: **"Why cannot the unions scale their 'take' so that an employer will pay in proportion to his volume of business, number employed, or some other differential?"** That is what this small operator is asking. It sounds sensible to me.

Another report and recommendation comes from a small manufacturer of metal specialties. He writes that government contractors tend to place with the smaller shop only a variety of trifling short orders. But for efficient handling any concern needs a reasonably long run. To make a profit, after adequate tooling up and devising new methods, takes time. Many of the smaller shops, I am informed, lack the immensely diversified equipment and experience necessary to take care of an endless hodgepodge of experimental knick-knacks.

Less Surveys and More Service

In political speeches, our governmental big-wigs are loud in applause for small business. In actual practice, the government confronts the little businessman with a maze of barbwire entanglements. The government not only bleeds him with extortionate requirements, but applies these with legalistic red tape that is all but unintelligible to anybody but a Philadelphia lawyer.

Ostensibly to serve small business, the government has encouraged the setting up of commissions, committees, councils, authorities, advisers, administrations, offices, agencies. It has exhausted both the alphabet and the patience of the businessman who is compelled to pay the bills for this costly nonsense. Small business in America today is not seeking a hand-out, but a hand-up. It is tired of filing blanks instead of filing firm and profitable orders. Speaking as one who got his own basic training in the small-business field, I urge the government to let up on the questions for a spell; and instead to give small business a few sorely needed answers.

Grants Bolivia $16 Million Loan

The board of directors of the Export-Import Bank has authorized a credit to the Bolivian Government to finance two-thirds of the cost of completing the Cochabamba-Santa Cruz highway up to a maximum of $16 million.

Construction of the highway was begun by the Bolivian Development Corporation, an agency of the Bolivian Government, in 1944 in accordance with the recommendations of the United States economic mission organized by the State Department at the request of the Bolivian Government to prepare a program for the development of the Bolivian economy. Following the report of this mission in 1942, the Export-Import Bank extended a credit of $15,500,000 to the Bolivian Government of which $10 million, along with funds supplied from Bolivian sources, were to be used to finance the construction of the Cochabamba-Santa Cruz highway.

Construction of the highway is a major engineering and construction job involving 300 miles of previously unsurveyed territory and the crossing of several of the main ranges of the Andes. Detailed construction plans for the remainder of the highway and estimates of the cost of the remaining construction were completed last year by the United States Public Roads Administration and arrangements have now been made for financing the work from funds supplied by the Bolivian Government together with the supplemental Export-Import Bank credit.

Under the terms of the credit the Bolivian Development Corporation will enter into contracts with a United States engineering firm and a United States construction firm to supervise and to execute the remaining construction work.

Getting Sales Results With Mutual Funds

By DOUGLAS LAIRD*

Vice-President and Director, National Securities and Research Corp.

Asserting too much emphasis is placed on analysis of mutual funds and too little attention given to their marketing, Mr. Laird lays down as four cornerstones of successful salesmanship: (1) the salesman himself; (2) the product; (3) the market; and (4) salesmanship. Outlines as steps in salesmanship: (1) getting attention; (2) creating interest; (3) arousing desire, and getting action. Cautions against confusing client with too much statistical data and urges selling "what the funds do and not how they do it." Expresses optimism on growth of mutual funds.

My reason for taking this opportunity of talking to you on the subject of "Getting Sales Results With Mutual Funds" is because the industry has developed to a point where it is beginning to receive public acceptance. A long hard battle has been fought for the past 25 years but it has only been since the Investment Company Act of 1940, passed by Congress, that mutual funds have really begun to grow, as they so richly deserve. Only a few years ago most of the large underwriting houses and stock exchange firms knew little about mutual funds and frequently damned them with little or no praise when the subject was brought up by their customers. Today, mutual fund shares are recognized and sold by some of the largest underwriting houses and member firms throughout the United States, and a vast amount of literature and publicity is gradually educating the public. Thus we are beginning to see the first bright tinge of public acceptance on the horizon.

Douglas Laird

Not very long ago in New York I was privileged to hear a talk given by Mr. Kettering who is General Motors' wizard of research and to whom we owe many of the accepted conveniences and comforts in the modern motor car, not the least of these being the self-starter. I mention this one great contribution of Mr. Kettering's because I think it is one of the most necessary characteristics of a good salesman. He should be a self-starter.

In discussing the problems of research and the marketing of new things, Mr. Kettering said: "The difficulty in getting people to accept new things is that they look at them in terms of the old." All of us who have been on the front lines of the battle for the acceptance of mutual funds know that in most cases our difficulty in getting a proper understanding of mutual funds has been that many inside the investment business as well as investors themselves have resisted the acceptance of mutual funds because they were looking at them in terms of the old—the way securities were formerly sold to large investors.

I am not going to take any time this afternoon to discuss what mutual funds are as I think we have come to a point in the business where most people distributing mutual funds, or trying to do so, have a sufficiently clear idea of what the mutual fund is and what it is supposed to do and how it is supposed to function. My particular interest is in trying to make a contribution to the profitable distribution of mutual funds by those who believe in them and see the important place they can occupy in the efficient programming of investors' accounts. In far too many firms in America today the time, effort, and attention given to mutual funds is far out of line with the results that are being obtained. Mutual fund departments are set up, money is spent for space, facilities, and advertising all out of proportion to sales. In most cases the explanation is very clear. There is too much emphasis on analysis of mutual funds, the statistics in connection with them, and too little knowledge of the markets that shares have to be placed in and the merchandising procedure and skills necessary to make such sales. To put it bluntly, the same factor that is holding back many other industries in America today is seriously retarding the distribution of mutual fund shares. That factor is lack of salesmanship.

During the war the greatest salesman in American was "scarcity." The demand was so much greater than the supply for most goods and services that salesmanship was almost unnecessary, and we know that any faculty that is not exercised becomes atrophied. Salesmanship is one of the factors that has made America fabulous and it is the responsibility and obligation of everybody in business to see that their abilities for distributing goods are equally as good as their abilities to produce goods. The "better-mouse-trap" theory is a myth.

Four Cornerstones of Successful Sales

With these few remarks I will get down to the subject of this meeting. First of all I want to say that there are Four Cornerstones of Successful Salesmanship. The first is the Man. Is he a salesman? Far too many people can understand why it takes eight years to become a doctor, four years or more to be a lawyer, an engineer, a chemist, or to learn other skills or professions but fail to appreciate that the art of salesmanship requires at least some education and practice as well as natural capabilities for the job. In a way all of us are salesmen—good, bad, or indifferent. We all have something to sell to the world, but only some of us have the art of salesmanship to offer. The first thing, therefore, is to find out whether you should or should not be in the selling profession. Here are a few simple tests that you can apply to yourself:

Are you able to convince people with regard to things you feel strongly about? Is your information sound and your presentation appealing and effective? Do you enjoy meeting people? Are you an extrovert rather than in introvert? It is difficult to be a salesman unless you like meeting people and unless you can get along with them. Are you mentally alert? Do you have ideas? Can you persuade people to do what you want them to do? Can you make a story interesting and attractive? Are you pleasant, energetic, sincere, self-confident, enthusiastic, tactful, reliable, and above all convincing? Do you believe in what you are doing?

I am sometimes asked whether salesmen are born or whether you can learn the art of selling. Well, of course, there are born salesmen just as there are born musicians and born doctors, etc., but certainly there are few prodigies. Every now and again you hear of some child who can lead an orchestra or compose a symphony. He makes the headlines, and he is one in a million. But most musicians get to the top the hard way only after long years of study and practice. They have the fundamental gift and the ability but they must work hard to reach and maintain a place near the top. So it is with selling. There are a few stars. These few are able to succeed easily and well because, as Mae West says, "they just do the thing that comes naturally to them." In any case, if you want to be in the selling profession and you think you have the basic qualities, don't be downhearted if you are not immediately successful. You have to study and work to learn the art of salesmanship. You have to think, act, look, talk and expect success. A friend of mine told me about a visit he had made to the campus of the University of Utah. It seems that the place where the boys went to obtain athletic equipment was run by an ex-army sergeant who was tough and efficient but had not had too much education. Above the counter where this equipment was handed out he had a rudely drawn sign which read: "We furnish athletic equipment here only . . . not guts. If you are going to succeed in athaletics you will have to furnish them yourself." Of course what this chap was trying to point out was that if these kids wanted to be successful at sports, they had to supply the necessary qualities, the guts. And so it is in salesmanship. You can have all the books in the world and learn all the theory, but unless you have the capabilities, the desire to succeed and the guts to follow through, you probably should not be in the selling game.

The Second Cornerstone is, the Product. We can pass this over very briefly. You should have a good product; you should know your product well; you should understand its uses and particularly what these uses mean to the buyer, and you should only know enough about competition for comparative sales purposes. It is a poor salesman who spends time talking about his competitor instead of talking about the attractive features of the thing that he has to sell. Remember, in the sales game you are paid for being a salesman, for bringing in orders, not for being a factory man or an educator and discussing the technical details of the product. Automobiles are sold by pointing out their beauty and comfort, their speed, their power, the desirable features to the buyer. Only a small percentage is sold by a discussion of the technical engineering features. Your job is to be a salesman and not an analyst. Your clients are interested in what mutual funds will do for them, not how it is done.

The Third Cornerstone of selling is the market. There must be people who should buy a product or there is no point in manufacturing it. Unless there is a real economic justification for a product or service, it is almost bound to die on the vine regardless of the amount of effort that's put behind it. In the case of mutual fund shares we can truly say that there is a great economic necessity for mutual funds and that they have a tremendous value to investors. Our job is to make this clear. The market is really unlimited. The total personal liquid

(Continued on page 35)

*A talk by Mr. Laird at Spokane, Wash., Nov. 1, 1949.

Dealer-Broker Investment Recommendations and Literature

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

Department Stores — Study of their outlook—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

1950-1952 — The Next Three Years in the Treasury Security Market—Study—Aubrey G. Lanston & Co., Inc., 15 Broad Street, New York 5, N. Y.

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

* * *

Alberta Oils—Circular—Watt & Watt, 6 Jordan Street, Toronto, Ont., Canada.

Balatoc Mining Co.—Analysis—Martin Judge, Jr., Lauterwasser & Co., 145 Sutter Street, San Francisco 4, Calif.

Boston Insurance Company—Study—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Canada Cement Co.—Circular—Hugh Mackay & Co., 235 St. James Street, W., Montreal, Que., Canada.

Canadian Breweries, Ltd.—Circular—G. E. Leslie & Co., 360 St. James St., W., Montreal, Que., Canada.

Electric Auto-Lite — Circular—Herzfield & Stern, 30 Broad Street, New York 4, N. Y.

Kold-Hold Manufacturing Company — Special Report — Mercer Hicks Corporation, 72 Wall Street, New York 5, N. Y.

Mexican Eagle Oil—Memorandum — Zippin & Company, 208 South La Salle Street, Chicago 4, Ill.

Mountain Fuel Supply Co.—Circular—Fridley & Hess, First National Bank Building, Houston 2, Tex.

Also available is a circular on **Transcontinental Gas Pipe Line Corp.**

New Dickenson Mines—Circular Brewis & White, 40 Adelaide Street, West, Toronto, Ont., Canada.

New England Public Service Co.—Booklet discussing interesting "workout" situation available for institutions and dealers — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Niagara Mohawk Power Corp.—Circular—Schoellkopf, Hutton & Pomeroy, 70 Niagara Street, Buffalo 2, N. Y.

North River Insurance Co.—Circular—First Securities Co. of Chicago, 134 South La Salle Street, Chicago 3, Ill.

Oakville Wood Specialties—Circular—Harrison & Co., 66 King Street, West, Toronto, Ont., Canada.

Old Town Ribbon & Carbon Co.—Analysis—Weston W. Adams & Co., 55 Kilby Street, Boston 9, Mass.

Rockwell Manufacturing Co.—Circular—Hecker & Co., Liberty Trust Building, Philadelphia 7, Pa.

Texas Utilities Company—Summary and Analysis—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.

Also available is a memorandum on **American Power & Light Company**, and of **Rochester Gas & Electric.**

Advocates Registration of Private Placements

Harold L. Stuart, President of Halsey, Stuart & Co., tells House subcommittee if registration were required, there would be more incentive for corporations to sell securities through competitive bids.

In testimony presented to a subcommittee of the House Judiciary Committee, headed by Rep. Emanuel Celler of New York on Nov. 9, Harold L. Stuart, President of Halsey, Stuart & Co., Investment bankers of Chicago, strongly urged that all corporations placing issues of securities privately be required to register the offering with the Securities and Exchange Commission. Mr. Stuart estimated that more than $3 billion of new securities were sold, in first eight months of 1948, mostly to a few large insurance companies and therefore were not registered with the SEC. He maintained that if the same securities were offered through competitive bidding, the issuing corporations would have received higher prices for the issues.

"We have never raised any objection—and we do not raise an objection—to the private sale of securities, even though we are in the business," Mr. Stuart told the Committee. "What we do object to is that those securities which the insurance companies can buy direct do not have to be registered, while we buy the same securities and resell them and they have to be registered. But it has been our point of view and it still is, that the insurance companies, having these funds, have a right to do with the money whatever they choose to put it into." And he added later in his testimony:

"I want to make it absolutely clear, that I am not here for that purpose [of protecting the investment business], and even though these private sales deprive us and all other investment bankers of securities to sell, that we do not object to private sales, and if the private sale should continue, it might be to a point where the investment banker would lose his economic usefulness."

COMING EVENTS

In Investment Field

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.

June 5-8, 1950 (Canada)
Investment Dealers Association of Canada 34th Annual Meeting at the Seigniory Club, Montebello, Quebec.

Sept. 26-30, 1950 (Virginia Beach, Va.)
Annual Convention of the National Security Traders Association at the Cavalier Hotel.

Chairman McCabe Wants No Change in Gold Value; Advocates Increasing Fed. Res. Powers

In answer to questionnaire by Joint Committee on the Economic Report, Federal Reserve Chief says Board's control over money and every class of credit should be amplified and extended to cover all commercial banks. Advocates direct loans to small business by Reserve Banks. Favors margin loans on unlisted securities.

In response to a questionnaire submitted to him along with other government officials, economists and bankers, Thomas B. McCabe, Chairman of the Federal Reserve Board, submitted an elaborate statement of his views on monetary and credit policies. This statement along with others, was recently made public in a printed document issued by the Congressional Committee on the Economic Report. Because of the length and detail of Chairman McCabe's report we are able to publish below only such portions as deal directly with monetary and credit policies and related topics.

Thomas B. McCabe

Objectives of Federal Reserve Policy

In reply to the question as to what should be the most important purposes and functions of Federal monetary and credit agencies, and what should be performed by the Federal Reserve, Mr. McCabe stated:

"The principal purposes and functions of the various Federal monetary and credit agencies, taken collectively, may be stated broadly as follows:

(1) To accommodate commerce, industry, and agriculture by assuring an adequate but not excessive volume of money and credit at rates of interest appropriate to the general welfare of the economy.

"(2) To preserve confidence, so far as these agencies can contribute to that end, in the country's money and in the financial institutions in which the savings of the people are invested.

"(3) To maintain a valid rate of foreign exchange appropriate to the position of the American economy in the world economy.

"(4) To foster continued strengthening of the democratic system and its related economic institutions by encouraging maximum reliance on private banking and other lending institutions.

"(5) To promote active and effective competition among lenders.

"(6) To assist in formulating and carrying out government economic policies which are consistent with the Employment Act of 1946.

"(7) To contribute, through participating in the formulation of international economic policies, to the solution of international monetary and economic problems."

The Price of Gold

Replying to the questions: "Under what conditions and for what purposes should the price of gold be altered? What consideration should be given to the volume of gold production and the profits of gold mining? What effect would an increase in the price of gold have on the effectiveness of Federal Reserve policy and on the division of power over monetary and credit conditions between the Federal Reserve and the Treasury?" Mr. McCabe noted as follows:

"An increase in the price that the United States pays for gold would have two major monetary results aside from dangerous psychological repercussions: (1) The amount of the increase with respect to any gold purchased would provide monetary aid from the American economy as a whole to producers of gold (largely foreign) and to foreign countries selling gold from accumulated stocks. (2) A corresponding addition (again with respect to gold purchases) would be made to bank reserves, which would provide the basis for a manifold expansion of credit that might be highly inflationary.

"As to the first result, an increase in the price of gold would provide additional dollars to foreign countries without reference to the needs of the recipients. The extending of grants or credits, in such amounts as are in conformity with the real needs of the countries receiving them and are in the interest of the United States, is far better than increasing the price of gold as a means of providing any additional dollars needed. The United States is thus able to select the countries and the periods of time for which such aid would be given.

"Concerning the second result, this country has no shortage of money. In fact, there is an abundance of gold reserves, on the basis of which additional money could be readily created by monetary and fiscal action. Increasing the price of gold is a deceptively easy, as well as potentially dangerous, way for the Treasury to provide more dollars for foreign aid (by buying foreign gold) or for domestic purposes (by buying domestic gold or by revaluing its existing stock) without having to raise taxes or to borrow. Such an arbitrary creation of more dollars is as inflationary as would be the arbitrary creation of an equal amount of 'greenbacks' and more inflationary than Treasury borrowing of a corresponding amount from the banking system. This country should not resort to such potentially harmful means of raising funds.

"Any change in the dollar price of gold, either up or down, would have the following important effects: (1) Unless accompanied by a proportionate change in the price of gold in terms of all other currencies, it would dislocate the entire pattern of foreign-exchange rates; (2) it would change the dollar value of existing gold reserves, both at home and abroad; (3) it would alter the profitability, and thus the level of production, of the gold-mining industry; (4) it would change the dollar value of this country's gold stock and all future additions to it, and thus be a basis of monetary expansion or contraction; and (5) it would constitute a major change in United States monetary policy, with unforeseeable psychological effects. In what follows each of these effects is discussed.

"(1) Unilateral changes in a country's price of gold have in the past been a means of altering exchange rates, and thus have served to adjust disparities between commodity price levels in that country and in the outside world. For example, if commodity prices and costs in a given country are too high in relation to those in the outside world, it might help to restore equilibrium by raising the price of gold in that country's currency, i.e., by depreciating its currency in terms of gold and also of such foreign cur-

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The Great American Oil Industry —Product of Free Enterprise

By J. HOWARD PEW*

Director and former President, Sun Oil Company

Prominent oil executive recounts remarkable progress of American oil industry and ascribes it to incentives and opportunities arising under free enterprise system. Says oil prices have been kept down by competition and, when depreciation of dollar's purchasing power is considered, profits in war and postwar years are lower than in previous times. Says corporate profits are distorted and points out, because of insufficient allowances for depreciation, non-financial industries in last two years have overpaid Federal income taxes by over $11 billion. Sees serious threat to industry due to inadequate depreciation and replacement reserves.

When Mr. Boyd advised me of this award and that I was expected to respond, I was far from sure that there was anything I could say which would be appropriate on this occasion. Then it occurred to me that the greatest contribution that I could make would be that of acting as a liaison between your generation and the generation before mine, thus spanning three generations; that I might convey to you something of the principles, philosophy and purpose of those men who laid the foundations on which this great industry of ours has developed.

J. Howard Pew

While in my early thirties, I was surprised and flattered, one day back in 1917, when I received a letter from A. C. Bedford, inviting me to become a member of the National Petroleum War Service Committee. Up until that time I had acquired some knowledge of refining and transportation, but new little or nothing about what made this industry tick.

All of this I was shortly to learn by my contacts with the great minds of those who served on this War Service Committee. Headed by A. C. Bedford, Chairman of the Standard Oil Company of New Jersey—the greatest business statesman that I have ever known—the Committee included such men as Edward Prizer, R. D. Benson, J. W. Van Dyke, E. W. Clark, George S. Davison, J. C. Donnell, H. E. Felton, E. C. Lufkin and Walter C. Teagle. Never before or since could any industry boast such an array of great men. They were magnificent.

From these men I got my first conception of the responsibilities of oil business leadership—and they had a keen consciousness of the responsibility of industry to serve, in its broadest sense, the public welfare. Their principles stemmed, always, from the basic premise that human freedom — freedom of choice and action for the individual—must be preserved at all costs.

They understood the roles that individual freedom and opportunity had played in the development of our industry and knew that a free market was not only an essential part of all human freedom but was essential to the satisfaction of all human needs.

By a free market, they comprehended the free exchange of goods at prices the public is willing to pay, the free exchange of money with a value convertible in gold, free interest rates responsive only to the needs of commerce and finance, freedom of men to work and live where they desired, freedom of choice for consumers and an open door of opportunity for all with talent and ability to enter our industry and progress with it; they knew that any intervention by government or any other outside force would destroy a free market.

These men practiced and encouraged open competition, which is the key-stone of a free market. No one of them ever assumed a divine right to a share and place

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*An address by Mr. Pew before the American Petroleum Institute on occasion of receiving an award, Chicago, Ill., Nov. 9, 1949.

McGrath for Unrestricted Market in Financing

In address at Chicago, U. S. Attorney General says those who desire advantages of cheaper financing to borrowers must be protected against collusive business arrangements.

Speaking to executives of finance companies at the 16th Annual Convention of the American Finance Conference in Chicago on Nov. 15, Attorney General J. Howard McGrath, defended the Justice Department's suit against 17 investment banking houses, declaring that the public is entitled to secure its financing in an unrestricted market.

J. Howard McGrath

"Those businessmen who desire to bring the advantages of cheaper financing to the borrower," he said "must be protected in their right to remain in business free from the oppression of organized competitors whose collusive business arrangements they challenge."

Referring to the suit against the banking houses, Mr. McGrath stated:

"In October of 1947, the Department filed a civil complaint in the Southern District of New York, charging 17 investment banking firms with a conspiracy to restrain and to monopolize the securities business in this country by restricting, controlling, and fixing the channels and methods through which security issues are merchandised, and the prices and terms and conditions upon which such issues are sold.

"The complaint charges, among other things, that the defendants agreed to eliminate competition among themselves in the marketing of some fourteen and one half billions of dollars worth of securities. The complaint alleges that the defendant banking firms denied to competitive banks and other marketing instrumentalities the opportunity to engage in the business of selling security issues.

"In alleging the effects of the conspiracy the complaint states that because of the defendants' conduct,

"'Investment bankers other than defendant banking firms have been arbitrarily deprived of opportunities to manage and participate in the merchandising of security issues, or have been permitted to participate in such merchandising only at the sufferance of defendant banking firms.

"'Security dealers have been arbitrarily excluded from retailing securities merchandised through defendant banking firms or permitted to deal in such securities only at the sufferance of and on the noncompetitive terms and conditions dictated by defendant banking firms.

"'Industrial and commercial enterprises, including public utilities and railroad companies, operating on capital supplied by the investing public, have been compelled to adopt and pursue financial policies and programs and to conduct ordinary business activities in accordance with the arbitrary dictates of defendant banking firms.

"'Defendant banking firms, by their control of the securities business, have been able to substitute banker direction of industry and business for industrial and business management, with the result that industrial initiative and enterprise have been discouraged and new business developments retarded.

"'Defendant banking firms, for their own profit and advantage, have given preferential access to the markets for new capital to those businesses with which they have had long-established relationships, and have hindered or prevented the financing and growth of small or competing businesses.'

"The government asks the court to grant the relief necessary to bring to borrowers, and to investors, the benefits of a free securities market.

"The government also asks the court to protect the right of both the borrower and the independent security marketer to conduct their businesses free of the arbitrary interference imposed upon them by the defendant investment banking firms.

"The case is set for an early trial.

"Those who have an interest in distortion, have represented that the Investment Banking case attacks the capitalistic system and throttles free enterprise. With this brief summary of the subject matter and purposes of the suit, I leave to your judgment both the soundness of this criticism, and the propriety of the action as a part of our essential defense of economic and political liberties."

Missouri Brevities

An issue of 50,000 shares of Clinton Foods, Inc. (formerly Clinton Industries, Inc.) 4½% cumulative convertible preferred stock ($100 par) was publicly offered yesterday at $100½ per share and accrued dividends, the net proceeds to be used to pay loans and accounts payable (obligations of Snow Crop Marketers, Inc. and Juice Industries, Inc., both wholly-owned subsidiaries), and for working capital, etc. This issue was underwritten by Merrill Lynch, Pierce, Fenner & Beans, of New York, N. Y., and Newhard, Cook & Co., of St. Louis. Clinton Foods will also place privately with an insurance firm an additional $2,500,000 of bonds.

* * *

Dempsey - Tegeler & Co., Newhard, Cook & Co., Reinholdt & Gardner, Barrett, Fitch & Co., Inc., Smith, Moore & Co., Stix & Co. and Metropolitan St. Louis Co. participated in the underwriting of an offering of 725,567 shares of Central and South West Corp. common stock (par $5) at $12⅞ per share to the common stockholders of the utility firm. Subscription warrants will expire at 3 p.m. on Nov. 18.

* * *

Net earnings of American Investment Co. of Illinois, St. Louis, for the nine months ended Sept 30, 1949, after income taxes, totaled $2,881,375, or $2.13 per common share, as compared with $1,976,586, or $1.60 per common share for the like period in 1948. At Sept. 30, 1949, the company's installment notes receivable amounted to $59,050,246, an increase of 35% over the $43,755,154 outstanding at the same date in 1948. Total loan volume for the 1949 period totaled $72,516,065 as against $53,831,974 for the first three quarters of last year.

* * *

An issue of 150,000 shares of $4 cumulative preferred stock (no par value) of Union Electric Co. of Missouri has been underwritten by a group of underwriters who on Nov. 3 publicly offered this issue at $102.56 per share, plus accrued dividends from Aug. 15, 1949. The net proceeds are to be applied toward the cost of the construction program of the company's system. The consolidated net income after all charges and income taxes amounted for the 12 months ended June 30, 1949 to $12,452,885, which compares with a total of $10,779,741 for the calendar year 1948, and $10,768,489 for the calendar year 1947.

* * *

For the nine-month period ended Sept. 30, 1949, the McQuay-Morris Mfg. Co. earned on its common stock $235,560 after taxes and after provision of $53,447 for dividends on the preferred stock. This was equivalent to 66 cents per share on the 355,939 common shares outstanding. For the same period in 1948, the earnings on the common stock amounted to $822,272, or $2.31 per common share. For the third quarter of 1949, earnings after tax and after provision for preferred dividends, were $78,119, or 22 cents per common share, against $263,931, or 74 cents per share, for the corresponding quarter of 1948. Current assets as compared to Dec. 31, 1948, were reduced $900,718, with an increase of $102,336 in cash and $105,380 in accounts receivable. The current liabilities were reduced to $881,756.

* * *

Newhard, Cook & Co. and Stix & Co. participated iin the public offering on Nov. 9 of 131,518 shares of Central Maine Power Co. common stock (par $10) and in the underwriting of 69,030 additional shares of the same class of stock which are being offered to Central Maine stockholders of record Nov. 7, 1949, the subscription rights expiring on Nov. 18. The offering price in both cases is $16.50 per share. The 131,518 shares represent shares on which New England Public Service Co., the parent, waived its preemptive rights. The net proceeds will be used to pay in part the cost of Central Maine's construction program.

* * *

For the nine months ended Sept. 30, 1949, American Service Co., Kansas City, shows a net income after charges and income taxes of $281,321, against $462,874 for the same period last year. For the 14 months ended Sept. 30, 1949, net was $316,047, compared with $584,551 for the preceding 12 months' period.

* * *

Stern Brothers Co., of Kansas City, and Newhard Cook & Co. and Reinholdt & Gardner, both of St. Louis, participated on Nov. 3 in the public offering of 300,000 shares of Interstate Power Co. common stock (par $3.50) at $8.25 per share, the net proceeds of which are to be applied to the cost of the utility company's construction program.

* * *

Western Auto Supply Co. reports October, 1949 sales of $11,712,000, compared with $10,739,000 in the same month last year, an increase of 9.1%. For the ten months ended Oct. 31, 1949, sales were $99,966,000, compared with $102,171,000 in the corresponding period of 1948, a decrease of 2.2%.

* * *

Net sales of Allied Laboratories, Inc., Kansas City, during the nine months ended Sept. 30, 1949 increased approximately 20% over the corresponding 1948 period. Net profits totaled 970,000, or $3.71 per share, as compared with $755,000, or $2.89 per share for the similar 1948 period.

* * *

Net income of Illinois Terminal RR. Co. for the nine months ended Sept. 30, 1949, after charges and income taxes, amounted to $545,944, equal to approximately $1.09 per common share, compared with a net of $1,060,835, or $2.12 per common share, for the corresponding period of 1948.

* * *

The annual report of McDonald Aircraft Corp. for the fiscal year ended June 30, 1949, revealed record sales and earnings. The sales figure of $32,659,384 topped any other year in the firm's ten-year history and earnings after taxes, which totaled $1,781,832, were equal to $7.47 per common share after the regular preferred stock dividend of $6 per share, and boosted the book value of the common stock to $20.70 per share. For the year ended June 30, 1948, sales amounted to $20,704,996 and earnings after taxes totaled $1,675,327, or $7.23 per common share. At June 30, 1949, the backlog was $61,896,041, compared with $90,872,077 a year before. The recent receipt of a contract for additional Navy Banshees, has boosted the company's backlog to over $88,000,000 as of Oct. 7, 1949.

* * *

Hussman Refrigerator Co., St. Louis, for the quarter ended Sept. 30, 1949 reported a consolidated net profit of $520,878, equal to $1.30 per cmmon share after preferred dividend requirements. This compares with a net of $453,891, or $1.14 per common share, for the corresponding period last year. For the nine months ended Sept. 30, 1949, consolidated net profit amounted to $1,341,248, or $3.32 per common share, against $1,265,204, or $3.17 per common share, for the first nine months of 1948. Sales for the nine months were $12,453,777, compared with $12,104,033 in the 1948 period.

Snyder and Pace Condone Federal Deficits

In reply to questionnaire of Joint Committee on Economic Report, Treasury Head and Budget Director contend annual budget balancing is impracticable and outmoded, and main objective in government fiscal policy should be welfare of public.

The release by the Joint Committee on the Economic Report of a collection of statements submitted by government officials, bankers and economists on monetary, credit and fiscal policies includes the views of Secretary of the Treasury John W. Snyder and Budget Director Frank Pace, Jr. on the purpose, nature and effects of budget balancing.

John W. Snyder

According to Secy. Snyder:

"The general economic welfare of the country should be the guiding principle in determining for any given period whether the Federal budget should be balanced, should show a surplus, or should show a deficit, and in determining the size of any surplus or deficit.

"Since I took office as Secretary of the Treasury in June, 1946, I have continuously urged a Federal budget that would permit debt retirement. Both President Truman and I have stated on a number of occasions that it is essential to reduce the public debt in years of prosperity, such as we have enjoyed since the end of the war. This was one of the reasons why the President on three occasions vetoed tax-reduction measures. This has also been a major reason why the President has constantly limited budget expenditures to the minimum amount necessary to carry out the defense program and other essential domestic and international programs.

"I do not believe that it is feasible to attempt to formulate automatic guides for the government's overall taxing-spending policy. The economic and social variants which should determine the policy in any given period are so numerous and for different periods are present in such different combinations that taxing-spending policy can be determined only after the most careful consideration of the situation existing at any given time. Budget receipts and expenditures for each fiscal period must be examined item by item with due regard to their relative need and public service. This is a responsibility which can be discharged properly only by Congress.

"One of the most frequently mentioned possibilities along these lines is that automatic guides can be established based on levels of national income. It obviously is not possible to say that under all circumstances the budget should be balanced when the national income is at any particular level; and it is not possible to provide by statute exemptions to cover all the cases when exemptions would be necessary. In my opinion, policy formulation and action must, of necessity, be left to the responsible authorities to be made in accordance with their best judgment in view of economic developments as they occur."

The Director of the Budget, Frank Pace, Jr., gave his views on budgetary policies much along the same lines. He said:

"The Federal Government has a recognized responsibility to promote reasonable economic stability and progress. Fiscal policy represents one of the major methods, if not the primary method, of fulfilling this responsibility. Consequently budgetary policies can be considered sound only if they contribute to sound economic policies. Budgetary policies which do not contribute to these objectives, moreover, are self-defeating, since the volume of budget receipts, and even of certain expenditures, is largely determined by the level of economic activity. As the President emphasized last summer, budgetary surpluses cannot ordinarily be achieved in a declining national economy. Rather the way to achieve such surpluses is to pursue the types of budgetary and other policies which will increase national income and taxpaying capacity.

"For any given year it is impractical to count on achieving any specific goal, whether a balanced budget, or a predetermined surplus or deficit. Over short periods, in fact, budget receipts and expenditures not only fluctuate with changes in the level of economic activity, but also are relatively uncontrollable for various other legal and technical reasons. Some programs, like interest on the public debt, constitute a fixed charge. Expenditures on others are largely made to carry out firm commitments of various sorts made in earlier years. Still others, e.g., certain public works, can be slowed down or speeded up rapidly only by measures which substantially increase the total cost.

"For certain 'open-end' programs, the conditions of expenditures are set by the authorizing legislation, but the amounts spent are determined by costs or by decisions of private individuals and organizations or of State and local governments. Short-run, largely unpredictable fluctuations in expenditures not subject to control of either the President or the Congress (e.g., for agricultural price support or mortgage purchases) can substantially change the surplus or deficit. If such erratic changes in the budget outlook were to serve as the basis for budget policy decisions, many continuing programs of great value would be irreparably harmed at some times, and at others programs of lesser priority could be introduced which would be difficult to remove.

"Rather the fundamental fiscal consideration should be the long-run outlook for expenditures, receipts, and public debt. The policies contemplated in the budget of any given year, therefore, should be judged primarily in terms of their impact on the budget and the public debt over a period of years, rather than in terms of their interim effects."

Bridgeport Hydraulic Bonds Placed Privately

The Bridgeport Hydraulic Co. has placed directly through Chas. W. Scranton & Co., an issue of $920,000 first mortgage 2¾% bonds, Series L, due Nov. 1, 1984, it was announced Nov. 16. The bonds were taken by the following institutional investors: New York Life Insurance Co., Aetna Life Insurance Co., and the Phoenix Mutual Life Insurance Co. Proceeds will be used to defray the cost of improvements and extensions to the company's properties.

Mr. Sproul's Fallacies on Gold Convertibility

By PHILIP M. McKENNA
National Chairman, Gold Standard League
President, Kennametal, Inc., Latrobe, Pa.

Prominent advocate of gold standard attacks arguments of Allan Sproul presented at recent meeting of American Bankers Association in opposition to restoration of gold convertible currency and free gold markets. Denies Roosevelt's abandonment of gold coin convertibility or Lord Keynes' monetary policies were mandates of American people, and takes issue with statement return to gold coin standard would not prevent extravagant government spending or that it threatens integrity of dollar.

Allan Sproul, President of the Federal Reserve Bank of New York, reproached bankers, in a speech Nov. 2, at San Francisco for their "negative attitude" toward a national monetary policy. Well may the bankers question any monetary policy which does not provide for convertibility of paper money into our standard of value, gold or gold coins! Can Mr. Sproul mention an instance in all of the times it was ever tried, when irredeemable paper money took any other course than downward in value over a period of a generation? Under conditions of irresponsibility for making good in gold coin or bullion, the terrible temptation to spend and spend and elect and elect, buying first one portion of the electorate and then another by promises to be paid for by increasing bond issues or paper money, goes on. In France, since 1914, log-rolling politicians buying favor to maintain themselves in office by rewarding their friends and adherents out of the public purse have by now stolen 99% of the gold value of the savings of anyone holding life insurance, annuities, savings accounts, bonds or pensions payable in monetary form. In Germany, the middle class was broken by the inflation of the early 1920s and fell a prey to Hitler. In England, we have just recently witnessed the devaluation of monetary savings by 30.2%. In Russia, they crudely repudiated the paper ruble, giving one new ruble for 10 old ones. Is irredeemable paper money taking any other course today in America? A savings account or bond of $1,000 bought in 1935, for example, when paid off today in dollars buys in food only what $453 would have bought when the money was loaned. Over one-half of the value of savings of the American people has been taken already during the period of a monetary policy which does not require redeemability of paper money. That it has not gone faster is a tribute to the American people, who were nurtured for over 150 years in the well-merited confidence in sound money which, except for a small interlude after the Civil War, was always made good in gold, our standard of value.

Philip M. McKenna

Does Dollar Integrity Depend on Gold Standard?

Mr. Sproul says "The integrity of our money does not depend upon gold convertibility. It depends upon the great productive power of the American economy and the competence with which we manage our fiscal and monetary affairs." Among the members of the Gold Standard League are men who create those values which give value to the dollar and cause the gold of the world to come into our Treasury to the extent today of $24½ billion. By invention, risk-taking and toil we Americans have earned that gold. One knows best what is in his own heart and hypocritical modesty must be put aside; I feel, in the interest of truth. As an example, I shall state that as an inventor I started in 1938 with 12 men to take the risks of carrying out the manufacture and introduction of a revolutionary metal-cutting tool which enabled American machine shops to cut steel at three times the previous speed. Over half of the shells, guns and airplane parts in time of war were machined with those tools, adding to the defense of the country. With 600 men now employed we have still more fruits of invention to give to our country. But the financial means to do it have been taken away from us in great part. Tracing back how that condition prevails I found that in the last analysis the seizure of the power of the purse by the government, from the people in 1933, when all gold and gold coin was seized by the government, which substituted irredeemable paper money for it, was at the root of our trouble. That action was in accord with Lenin's reported statement that the best way to control a country was to debauch its money. I need that necessary measuring tool of free men, gold redeemable money, for purposes of both borrowing and lending, in honest and productive ways. One can, in such a situation as irredeemable paper money presents to us in business in American today, float debentures with life insurance companies providing the capital; or one may go among the citizens, floating preferred stock. But can an honest man do that, when he knows in his heart that so long as our money is not convertible into our standard of value, gold money, the evidence of experience is unanimously that the savings advanced for his use will inevitably deteriorate? True, Stinnes in Germany in the 1920s, piled up a multi-trillion mark empire by gaining real assets by borrowing to be repaid in marks of less and less value. But what did it gain him? The defrauded middle class

(Continued on page 42)

Connecticut Brevities

Russell Products Company, subsidiary of **Russell Manufacturing Company**, has acquired a surplus Air Force building in Lexington, South Carolina where it has established a branch manufacturing plant to produce nylon and cotton narrow fabrics. A battery of 40 special high-speed English-made looms, which were recently acquired, have been installed and operations were scheduled to start about Nov. 1.

* * *

Plastic Wire & Cable Company has received a contract from the Army Signal Corps for 42,000 miles of copper and steel insulated telephone wire at a cost of $2,500,000. Deliveries will be made over a two-year period. The contract will require about 25% of the plant capacity.

* * *

The Hartford-Empire Company has purchased the property of Pickering Governor Company in Portland. The building, which contains 33,500 square feet of floor space, is located next to Hartford - Empire's subsidiary, Standard-Knapp, which will concentrate some of its currently scattered operations in this plant.

* * *

Stockholders of **La Pointe-Plascomold Corporation** have approved a three-for-one split of the company's capital stock. The present 71,464 shares of $5 par stock will be changed to 214,392 shares of $1 par stock. At the meeting Jerome E. Respass, President and Treasurer, stated that business in 1949 has increased very materially over last year and that earnings are running at the rate of about 30 cents per share on the old capitalization. The company manufactures Vee-Dx Television antennae and accessories.

* * *

The State Public Utilities Commission has given permission to the **Bridgeport Hydraulic Company** to issue $920,000 of first mortgage bonds. The proceeds will be used to finance improvements and developments of the company's system.

* * *

A multiple passenger helicopter to carry 10 to 12 passengers and two pilots is being built by the Sikorsky Division of **United Aircraft Corporation**. The new plane is designed for military uses but may also be used commercially. Test flying is expected sometime within the next two months. The helicopter has a single rotor and is powered by a R-1340 Pratt & Whitney Wasp engine developing 650 horsepower. The company's present helicopters are much smaller and use a 450 horsepower engine.

* * *

Connecticut Light & Power Company has filed with the Securities and Exchange Commission a registration statement covering $10,000,000 of first and refunding mortgage bonds due 1984 and 100,000 shares of $50 par preferred stock. The proceeds will be used to help finance the company's construction program which is estimated to cost $42,637,000 by the end of 1951.

* * *

Stockholders of the Hurlbut National and First National Banks of Winsted will meet Dec. 9 to vote on **Hartford-Connecticut Trust Company's** offer to purchase the entire stock of both companies. Directors of the banks have approved the offers and if approved by the stockholders, each share of Hurlbut National will be exchanged for $212 and each share of First National for $145. The two banks, which are located at opposite ends of the town, will be operated as branch banks at their present locations. Personnel of the banks will be unchanged and present directors will constitute an advisory board.

* * *

Directors of **F. H. McGraw Company** have approved a proposal to increase the par value of the company's common stock from $0.10 to $2.00 a share. The proposal will be submitted to stockholders for their approval. The plan would require transfer of $414,105 from surplus to the capital account, leaving a surplus of $626,962 based on Sept. 30, 1949 figures.

* * *

Stockholders of **Yale & Towne Manufacturing Company** will meet on Nov. 30 to approve a new charter for the company to conform to an act passed by the Connecticut General Assembly. The new charter will permit an increase in the authorized capital from $25,000,000 to $50,000,000 and permit issuance of new securities.

Briggs, Schaedle Elect MacFarlane Vice-Pres.

John L. MacFarlane was elected Vice-President of Briggs, Schaedle & Co., Inc., 44 Wall Street, New York City, dealers in United States Government securities and bankers acceptances, succeeding the late Thomas G. Schaedle. Walter E. Suttmeier was elected Secretary and Treasurer of the firm. Mr. MacFarlane had been Assistant Vice-President and Secretary and Mr. Suttmeier was formerly Treasurer.

M. Greacen Briggs was reelected President and La Roy Roome was reelected Assistant Vice-President.

The Regulation of Securities Exchanges

By HOWARD YOCUM*
Counsel, Philadelphia-Baltimore Stock Exchange
Member, Biddle, Paul, Dawson & Yocum

Mr. Yocum, in commenting on Securities Act of 1934, which placed exchanges under Federal supervision, notes this move merely formalized self-regulation already in existence. Points out continuous full cooperation of the exchanges with SEC, with almost complete absence of disciplinary measures.

I think there has been an impression that exists in rather surprising measure among people who are not informed, or people who are misinformed as to the regulation of dealings in securities prior to the legislation which is the subject of our discussion tonight. A great many people believe there was no supervision or regulation in respect to transactions in securities before the Federal legislation of the 30's. That isn't so. For a great many years the Stock Exchanges of the country had very extensive rules through which they supervised and regulated transactions in listed securities — rules which were enforced long before the legislation of 1933 and 1934.

1929 Formalized Previous Supervision

The National Association of Securities Dealers (now incorporated) had a code of ethics which preceded the 1933-34 legislation which represented a conscious effort to ensure propriety, fair dealing and honesty in the handling of transactions in securities. However, there were weaknesses in these efforts at self-regulation which developed, and the tragic financial situation in 1929 brought them to light. Then there was great financial panic, and the whole economy of this country was upset. At that time there was an investigation not primarily of Stock Exchanges, or of Over-the-Counter dealing, but an investigation of the whole financial structure of this country. In the course of that investigation these weaknesses were uncovered; and it was attempted to remove them or remedy them. That investigation was conducted by the Senate Banking and Currency Committee. The Committee recognized the weaknesses and sought to work out solutions for them. The investigation went much further than the Stock Exchanges; and in the course of the few years that followed it, there was an amazing amount of legislation. You would be surprised to know how many acts were passed which dealt with the subjects of the financial investigation and in the broad attempts to remedy what were regarded as financial ills; the Banking Act of 1933, the Securities Act of 1933, the Securities and Exchange Act of 1934, the Public Utility Holding Act (passed shortly thereafter), the Chandler Act, the Trust Indenture Act of 1939, the Maloney Act, the Investment Company Act of 1940 the Investment Adviser Act of 1940. All of these acts passed were an attempt to readjust financial problems uncovered during the unhappy late 1930's, and were a result of the investigation that followed.

The Securities and Exchange Commission

All of these acts I have mentioned have been referred for their enforcement to the Securities and Exchange Commission which was established under the Act of 1934. That commission divides itself into three divisions:

(1) The Corporate Finance Division—which handles corporate financing;

(2) The Trading and Exchange Division—that handles questions of trading in securities, the conduct of exchanges;

(3) The Public Utility Division.

My part is to deal with the Securities and Exchange Act. You know, of course, that transactions in securities fall, among others, into these two classes: (1) listed securities—those listed on the Stock Exchanges of the country; and (2) transactions over-the-counter—those transactions in securities which are not listed.

The Senate Banking and Currency Committee

The regulation to which I shall call your attention applies to transactions in listed securities, and for which regulation has been provided in the Securities and Exchange Act of 1934. What was the situation which produced that act? The members of the Senate Banking and Currency Commission felt that notwithstanding the fact there were rules and codes of fair practice, the exchanges themselves were not the proper authority to exercise sole control over trading, and the abuses which might crop up in connection with trading; that there was a larger public interest which was not adequately considered under self-regulation.

Those of us who were present when the investigation was made, and as the problems were worked out, felt that some of the regulatory provisions were unnecessary —some were unwise—but as time has passed the wisdom of a good bit of the legislation has become rather apparent. It was felt that in self-regulation the interests of an exchange do not always run parallel with the public interest. For example, one of the things that brought on the tragedy of 1929 was excessive speculation. Almost everyone speculated; margin requirements were low; and the whole of the country was encouraged to speculate. It was felt that it was to the natural and normal interest of the exchange and its brokers and members to encourage speculation rather than to drastically discourage it. I must admit there is something in that criticism. It was also urged that transactions on the exchanges of the country, involving so many and such vast industries and representing such large sums of money, were so closely involved in the whole economic and financial life and welfare of the country, that the question of the regulation of the exchanges was so broad, it deserved consideration by the national government rather than to leave the question to the exchanges themselves.

The exchanges only handled listed securities; and there was a vast trading in over-the-counter securities which was outside the sphere of exchange regulations.

Probably the most serious question presented to the Senate Banking and Currency Committee was a belief that there was a tendency on the part of the exchanges, particularly the larger ones, not to concur in those theories of government supervision with which the government was then so closely identified—that regulation could not be left to the exchanges themselves, because the prevalent theory of government supervision was very different from the theory behind the regulations maintained by the exchanges themselves. After these various questions were discussed and argued before the Committee (sometimes in most friendly manner, and sometimes with some heat) there was finally enacted the Securities Act of 1934.

Scope of Securities and Exchange Act

I have told you in general terms the reasons advanced for this legislation; they explain the content of the legislation. In the first place, the legislation controls the Exchanges themselves. An exchange which wants to do business publicly and to use the mails, wires or other means of inter-State communication, must be registered with the Commission. In order to be registerd, it must make an application for such purpose in which is set forth its constitution, rules and regulations, its officers and many of the details of the conduct and handling of business; it must pledge itself to enforce and observe high business ethics. It must subject itself to the control of the Securities and Exchange Commission. The Commission in Washington has extraordinary power. It can say to the Exchange—your rules and regulations do not adequately protect the public and the public investor. It may say that in the enforcement of your rules you have failed to punish offenses that have occurred. It may say the officers or members of the Exchange are guilty of certain failures to observe the provisions of the SEC Act; it may enforce correction of these omissions and corrections through power to withdraw the registration. It may remove an officer or member of the Exchange—so there is an extraordinary control within the hands of the SEC over the conduct and operations of every one of the National Securities Exchanges in the country.

I go into this so you, who are investors, may know there is a vast deal of protection thrown about you. You may be assured of integrity in the execution of your orders, and you are protected from manipulative practices. Of course there have been mistakes, but every reasonable precaution is being taken to assure fair dealing. A point I want you to realize is that the SEC with all that power of regulation has placed in the Exchanges themselves, in their officers and members, the enforcement of all their rules to ensure just and equitable principles of trade.

Listing of Securities

There are two methods of listing securities: (1) a security is fully listed on the Exchange upon the application of the company. In order that the security may be listed, there must be certain information supplied to the Exchange and the SEC about the security. It must be registered. The registration application must furnish a vast deal of information concerning the security; so that if you are interested in the security listed, there is available to you information with reference to the company, securities it issues, its balance sheet, its income statements, and its officers; and there is a provision that some of

(Continued on page 32)

*An address by Mr. Yocum in the series of lectures entitled "Invest in America" sponsored by the Consumers' Advisory Council, Philadelphia Chamber of Commerce, in cooperation with the Philadelphia-Baltimore Stock Exchange, Philadelphia, Pa., Nov. 8, 1949.

Cheap Money, Welfare State Held Incompatible

W. W. Townsend tells Passaic County (N. J.) bankers cheap money policy of Administration is at variance with primary functions of Federal Reserve System, and cites rise of British interest rates under Welfare State.

Speaking on "The Banking Business in the Welfare State" at the 27th anniversary dinner of the Passaic County Bankers Association, held at the Swiss Chalet in Rochelle Park, New Jersey, on Tuesday evening, Nov. 15, W. W. Townsend, senior partner of Townsend-Skinner & Company, New York City, business and bank consultants, stated that two policies of the present Administration, Cheap Money and the Welfare State, were so incompatible as to be mutually exclusive.

W. W. Townsend

"In the Welfare State," Mr. Townsend continued, "as proclaimed by its adherents, deficit financing is taken for granted and the future purchasing power of the dollar is bound to decline as the quantity of the dollars is increased. Under such circumstances, promises to pay money at some time in the future will have a tendency to sell at a discount, regardless of the coupons they carry, and the ability of the government to support the market in its own securities will be so seriously tested that grave doubts exist regarding the indefinite continuance of such a policy.

"The entire finance industry of the United States is in danger of socialization and even that step, if it becomes a fact, may not serve any very useful purpose. In England where the Welfare State has been in existence for several years and the banking system has been socialized, the 2½% government obligations which were issued three years ago at par are now selling at 60c on the dollar. This is in terms of internal currency and not in terms of foreign exchange.

"Bankers deal in debts and in dollars. On the surface it would appear that if the debts are paid off in enough dollars to liquidate the obligations to depositors, the bankers have no cause for concern but this is not a sound conclusion because of the element of time. Most deposits are payable on demand. Most debts are payable only after the lapse of a considerable period of time and the banker is more than likely to be confronted with a practical and serious dilemma. How can he produce enough earnings to operate his institution and pay any dividends whatever to stockholders if his earning assets must consist to a considerable extent of government obligations and, to protect his principal, he must limit those obligations to short maturities which do not fluctuate widely in the open market.

"The banker must realize that if deficit financing does become the order of the day, he will be requested, if not required, to facilitate this type of activity by utilizing his capacity to create check currency. A definite odium attaches to the process of printing money. The idea of issuing greenbacks would frighten the average citizen within an inch of his life. Check currency is one degree removed from printing press money but its implications are sufficiently obscure so that the average citizen is not aware that the money supply of the country is being inflated just as definitely as would be the case if the printing presses were in use.

"Unfortunately for the bankers, the Central Banking System also has been caught up in this conspiracy of circumstances and has assumed a degree of responsibility for the maintenance of cheap money which is frequently at variance with its primary function as set forth in the original Federal Reserve Act and which is to maintain a relatively stable equilibrium between the demand for funds and the supply of funds. This is not to their liking but as is the case with the banker, there is very little that can be done about the situation, certainly not at the persent time.

"Until we can put our fiscal house in order, balance our budget, create a surplus out of taxes which is being utilized to extinguish debt and present to the world at large the picture of a sound economy, it is not only premature but out of order to advocate such things as the immediate return to the gold standard, although that should be one of our ultimate goals, if we are to remain the strongest nation in the world, financially as well as militarily. The present path we are following is unquestionably the "slippery road to misery" so aptly characterized by Dr. Nourse just prior to his resignation."

Government Regulation of Securities Marketing

By WILLIAM K. BARCLAY, JR.*

President, Philadelphia-Baltimore Stock Exchange

Partner, Stein Bros. & Boyce, Members, New York Stock Exchange

President of newly consolidated Philadelphia-Baltimore Stock Exchange describes provisions of Securities Act of 1933 and Maloney Act amendment. Says Charter and By-Laws of National Association of Securities Dealers reads very much like those of the organized exchanges, and, with its supervisory control, along with that of SEC, the securities industry has reached high plane of professional, moral and business ethics, and it is intention of those in industry to keep it on that plane.

The Securities Act of 1933 deals primarily with the issuance of new securities. One of the requisites, or prerequisites, of listing a security is that the security shall have sufficient distribution—enough stockholders—who would be ready sellers or willing buyers—that an auction market might be maintained. The Securities Act of 1933 was passed so that no one—the underwriter, the distributing group member, or the buying public—would be called upon to make any commitments for the purchase of a new security without full information.

Wm. K. Barclay, Jr.

Full Disclosure

The basis of the Securities Act of 1933 was a complete disclosure of all of the facts in connection with the new issue, and this was considered the strongest form of protection that could be afforded the investor. This underlying principle of disclosure, I think, has a great deal of merit. The law requires that before a new issue can be offered to the public, a registration statement must be filed with the SEC. This registration statement, which has been prescribed by the Commission, is in the form of a questionnaire. The company is called upon to set forth all the data pertinent to the company and the security to be offered. Then there is a cooling-off period, generally, of 20 days, which must elapse between the time of filing the registration statement, and the time the offering can be made.

*A talk by Mr. Barclay in "Invest in America" lecture series, sponsored by the Consumers Advisory Council, Philadelphia Chamber of Commerce, in cooperation with the Philadelphia-Baltimore Stock Exchange, Philadelphia, Pa., Nov. 8, 1949.

Registration Statement

The registration statement filed with the SEC is a public document. Anybody can see the document from one end to the other. You are privileged to write the Commission and purchase copies of it at a reasonable charge, based on the number of pages. From the practical standpoint, however, the inspection of a statement in their offices at Washington or purchasing copies from the Commission have proved somewhat impractical, the cost being too high for an investor interested only in one or two bonds, or 10 shares of stock.

The Red Herring Prospectus

A "Red Herring" approximates the final form of Prospectus and reflects all the pertinent information which was filed in the registration statement, with the exception of those paragraphs which deal with the price (because that couldn't be determined 20 days in advance of the effective date), and other provisions of the security which relate to price. The Red Herring was initially used as a means of distributing to potentially interested investors the information they would require to act intelligently in order to purchase. The Act also provided that during the waiting period it would be illegal to offer for sale, or to seek tenders to buy, or dispose of the securities in advance of the registration statement having become effective.

In 1946 the SEC realized that some corrective measure should be taken, in that the dividing line between disseminating information and solicitation of orders was nebulous. At that time a rule was issued, that the distribution of the Red Herring prospectus in itself did not constitute an offer of the security, so since that time the Red Herrings have been disseminated more freely.

The Red Herring is a lengthy document which is the result of untold hours of effort by counsel, auditors, engineers, appraisers and other experts, written in a language and in terms understandable to professionals. The average investor is neither qualified by experience or knowledge to evaluate a security on the basis of the information in the Red Herring. This raised the question as to whether or not anything was being gained by the expenditure of time, money and effort necessary to produce such a prospectus, which usually found its way into the wastebasket upon being received by the average security buyer. However, that prospectus is understandable to the investment banker the investment advisor, the professional buyer, or the institutional investor, and to the various statistical organizations which publish information and recommendations. A great deal of buying of securities by the public is based on such professional advice, so that the public did get the benefit of advice based on complete information rather than advice based on partial information.

The whole question of pre-effective-date dissemination of information has been a matter of discussion for the last three years in an attempt to find a better method of disseminating proper information to the purchasing public prior to the time the issue

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Michigan Brevities

The stockholders of Detroit Steel Corp. will vote on an approving agreement whereby this company will acquire the physical assets and steel business of Portsmouth Steel Corp., the purchase price to be paid partially in Detroit Steel Corp. common stock and partially in cash, to be based on book values on the purchase date. The stockholders of Detroit Steel Corp. will meet on Nov. 28 to consider increasing the authorized common stock from 1,000,000 to 2,000,000 shares and on ratifying the purchase agreement dated Oct. 11, 1949. The stockholders of the Portsmouth firm were scheduled to meet yesterday (Nov. 16).

Detroit Steel Corp. for the three months ended Sept. 30, 1949 earned 44 cents per share, as against $1.34 in the same three months last year, while for the first nine months of 1949 its earnings totaled $2.67 per share compared with $4.13 for the like period in 1948.

* * *

The Sutherland Paper Co., Kalamazoo, on Nov. 1 filed a registration with the Securities and Exchange Commission covering 34,400 shares of $100 par cumulative preferred stock (convertible into common stock prior to 1960). This issue, which will be underwritten by Harris, Hall & Co. (Inc.), Chicago, Ill., will be offered first to the common stockholders at the rate of one share for each 10 common shares held, the net proceeds to be used to pay for expansion and for new capital. The stockholders will on Nov. 18 consider the creation of the new preferred stock issue.

* * *

The Detroit Stock Exchange set a new high in trading volume in October when 327,523 shares, having a dollar value of $4,391,692 changed hands. The last time this figure was exceeded was in May, 1946. For September, 1949, the volume was 252,393 shares with a dollar value of $3,311,627 and for August 268,943 shares with a value of $3,305,804.

The 10 most active traders for **the month of October, 1949, were: Detroit Edison Co., Southern Co., McClanahan Oil Co., Kaiser-Fraser Corp., Friars Ale Brewing Co., Sheller Manufacturing Corp., Detroit & Cleveland Navigation Co., Wayne Screw Products Co., Peninsular Metal Products Co. and Hudson Motor Car Co.**

The Governing Committee of the Detroit Stock Exchange on Nov. 10 informed the Midwest Stock Exchange that their invitation to merge had been declined by formal resolution of the Governing Committee.

* * *

Included in the group which underwrote an issue of 725,567 shares of Central and South West Corp. common stock (par $5) at $12¾ per share, which were offered to the latter's common stockholders of record Nov. 2, 1949, were the following Detroit bankers: Campbell, McCarthy & Co., Inc., and Miller, Kenower & Co. Subscription warrants will expire at 3 p.m., on Nov. 18.

* * *

Dow Chemical Co. of Midland on Nov. 4 filed a registration statement with the SEC for 175,000 shares of common stock (par $15), of which 70,000 shares are expected to become available to employees, and the remainder will be offered to common stockholders of record Dec. 20, 1949 on the basis of one additional share for each 50 shares held. Both offerings are expected to be made on Jan. 4, 1950 at $44.50 per share, and the net proceeds are to be used for working capital. A 2½% stock distribution has been declared on the common stock, payable Jan. 16, next, to holders of record Dec. 20, 1949.

On Nov. 4, the Dow firm also announced that it had made a $500,000 out-of-court settlement of a lawsuit brought against it in August, last year, by the Pyrene Mfg. Co. seeking damages in the amount of $5,030,000. This settlement involved dismissal of the suit by Pyrene and a $250,000 cash payment by Dow, plus a $250,000 merchandise credit to be used by Pyrene over the next five years in the purchase of Dow products. Both parties will bear their respective costs of the litigation.

* * *

The common stockholders of Detroit Edison Co. of record Nov. 9, 1949 have been given the right to subscribe on or before Dec. 5, 1949, for 699,743 additional shares of common stock at par ($20 per share) on the basis of one new share for each 10 shares held. The proceeds are to be used to repay bank loans, incurred for construction, etc.

* * *

Included in the group of underwriters who on Oct. 21 publicly offered $40,000,000 Indianapolis Power & Light Co. first mortgage 2⅞% bonds, due Oct. 1, 1979, at 102.125% and accrued interest, was the investment banking firm of S. R. Livingstone & Co. of Detroit.

* * *

Trading in the 51,438 shares of $5 par value common stock of Gabriel Steel Co., Detroit, on the Detroit Stock Exchange commenced on Nov. 9. This company is engaged in the manufacture of rolled steel products, primarily for the house construction industry. Sales are made through approximately 4,500 dealers located in 45 States, according to Wm. F. Zabriskie, President of the company. For the calendar year 1948, sales totaled $1,703,329 and net profit after taxes to $86,538, equal to $1.68 per share, which compared with sales of $1,725,810, and net after taxes of $109,720, or $2.13 per share, in the year 1947 based on the number of shares outstanding at the end of that year, adjusted for 20% stock dividend in 1947. The latest dividend of 10 cents per share paid on Nov. 15 brought the total paid in 1949 to 35 cents, compared with $1 in 1948.

* * *

On Nov. 3, Wm. C. Roney & Co., Detroit, participated in the public offering of 300,000 shares of Interstate Power Co. common stock (par $3.50) at $8.25 per share.

* * *

Net earnings of Rotary Electric Steel Co. for the nine months ended Sept. 30, 1949, after income taxes and charges, totaled $981,254, or $6.23 per share, compared with $1,464,656, or $8.72 per share, for the corresponding period of last year. Trading in this company's 193,676 shares of $10 par value common stock commenced Nov. 9 on the Detroit Stock Exchange. The company, which is located just outside of Detroit, is engaged in the production of electrically-melted carbon, alloy and stainless steels, which are sold in the form of ingots, billets and bars.

* * *

Motor Products Corp., Detroit, has borrowed $2,500,000 from The New York Life Insurance Co. on its 3% note due Nov. 1, 1961, it was announced on Nov. 2. The proceeds will be used to finance construction and equipment of a new plant in Markon, Ohio. The issue was placed through Carl M. Loeb, Rhoades & Co., New York City.

* * *

General Motors Corp. produced 242,844 passenger cars and trucks in the United States and Canada during October, 1949, which compares with 269,254 units in the preceding month and 186,791 units in the corresponding month a year ago. For the year to Oct. 31, 1949, the corporation produced 2,421,182 cars and trucks, as against 1,807,835 for the same period in 1948.

* * *

The loan of McClanahan Oil Co. at The Chase National Bank of the City of New York has been reduced since the start of the year, from $250,000 to $156,250 as of Oct. 1.

* * *

Michigan Bumper Corp., Grand Rapids, reports sales for the first nine months of 1949 of $4,351,793, which compares with $3,100,346 for the like 1948 period. Net earnings after all charges and taxes were $325,707, equal to $1.67 per share of common stock outstanding in the 1949 period, against adjusted net earnings of $254,530, or $1.30 per common share, for the first nine months of last year. Total current assets at Sept. 30, 1949 were $1,043,965, versus total current liabilities of $181,094.

* * *

A registration statement was filed on Nov. 7 with the SEC covering 133,339 shares of $1 par value common stock of Stubnitz Green Spring Corp., Adrian, which will be underwritten by George A. McDowell & Co. and Baker, Simonds & Co., Detroit, for the account of eight stockholders.

* * *

Sales of the Gerber Products Co., producers of baby foods, for the six-month period ended Sept. 30, 1949, were 15% higher than in the comparable period a year ago, Dan Gerber, its President, reported. Sales amounted to $22,186,211, as compared with $19,231,794 for the comparable period in 1943. Earnings in the half-year ended Sept. 30, 1949 totaled $1,841,095, as against $1,238,791 for the corresponding 1948 period. An extra dividend of 25 cents per share, along with the regular quarterly dividend of 25 cents per share, were declared on the common stock, both payable Dec. 10, 1949 to holders of record Nov. 25, 1949.

* * *

The consolidated net income of Michigan Consolidated Gas Co. and its subsidiary, Austin Field Pipe Line Co., for the 12 months ended Sept. 30, 1949 amounted to $5,351,741, after charges and Federal income taxes. This compares with a net of $743,441 for the preceding 12 months' period. The company states that temporary adverse factors which greatly reduced earnings in the winter months of 1947-1948 have now been corrected and earnings of the company have improved greatly during the past 12-month period.

* * *

The directors of Goebel Brewing Co., Detroit and Muskegon, have declared the regular quarterly dividend of 10 cents per share and an extra dividend of 15 cents per share, both payable Dec. 12 to stockholders of record Nov. 22, bringing total payments in

(Continued on page 43)

Observations

(Continued from page 5)

Our State Department, which now is a joint sponsor of a new bureau engaging 500 staff members to work up details of the program, has fostered the broad objectives thus:

"Increased production in the underdeveloped areas will not only benefit the inhabitants of those areas, but will have far-reaching effects on the world as a whole. The United States as well as other relatively advanced countries has a very real financial and commercial stake, as well as a humanitarian and political interest in the bringing about of progress in these areas."

Another indication of the ground to be covered by this umbrella, in the concept of President Truman, was given in his message of last Sunday to the Women's Zionist Organization of America, in forecasting its service to the future of the nation of Israel: "Our democratic ideals and our belief in the dignity and value of the individual have given us the moral leadership of the modern world, and made our nation the pattern and inspiration of all the world's struggling peoples."

And, of course, anti-Communist progress is one of the goals of this program, too. **"Raising the level of prosperity and the standard of living in such foreign countries, creating new sources of wealth therein, increasing their purchasing power, and strengthening them in their struggle against communism and other of forms of statism[!]"** is the "Declaration of Policy" stated in the implementing Herter Bill.

Subsidy Appealing to All

To American exporters and other businessmen the idea of governmentally-guaranteed or otherwise subsidized financing has appeared to be generally welcome (with a variety of provisos). In their cases particularly, it seems to this commentator, it is most important that the misconceptions, as that regarding the functioning of "private enterprise," be cleared up, and the true implications be understood in advance. Human reaction to proposals and principles generally of course depend on whose ox is being gored; with the universal proclivity of those most bitterly opposed to the principle of subsidy relinquishing their opposition when they themselves are the recipients. Even for them, however, the repercussions are likewise unfortunate. Witness the American farmer who is none too pleased with the regimentation and control which have accompanied his material bounties.

Even anti-Socialist Wall Street seems to be not averse to accepting some of the promised benefits. A current market letter pins its hopes for the future of an international utility stock as follows: "We believe the market price of this stock will be largely influenced by attracting private financing in this country which would be made possible if Congress passes the famous 'Point Four' proposal insuring American investors in foreign countries against risks of foreign exchange, expropriation, or war. The solution of its cash problem could make this stock the outstanding utility speculation of the coming year. For best speculative results, we recommend . . ."

Foreign Expectations

But of far greater importance is the concept of "Point IV" in the minds of foreigners, to which this writer can attest from recent first-hand experience. The unanimous answer from those queried, both foreign government official, and our own ECA administrators, as to the upshot of the scheduled ending of Marshall Aid in 1950 or 1952, was **"Point IV will do it"**—with no thought of the expenditure being limited in quantity to the category of the presently suggested $35 million of technical aid (or even of $900 million guaranty-liability) or in kind to the "benefits of our store of technical knowledge." **It is fondly anticipated as the Marshall Aid of the 1950s.**

Despite Mr. Truman's original bow to the United Nations, Point IV is universally expected to be an all-American show, at least as far as footing the bill is concerned (an idea justified by the World Bank's record thus far).

Continuing America's Croupier Role

Whether such anticipation of subsidy is warranted or not, it is vital that the concept of private capital lending be seen in the true long-term perspective of our treatment of the world's so-called "dollar shortage" over the past 30 years. Since the time of the First World War, in war and in peacetime, this country has persistently handed dollar "chips" to foreigners for their use in exchanging them back for our goods and services (wealth).

These dollar chips have been successively handed back to them in exchange for IOU's put in the successive forms of war "loans," foreign bond obligations publicly-floated to private investors, gold (now buried in Kentucky), lend-lease commitments, post-war-two government debt; and now through the Marshall Plan via ECA. The quantitative picture of this process as officially given (in a recent report by a special ECA-Department of Commerce mission headed by Wayne C. Taylor, assistant to ECA Administrator Hoffman and formerly President of the Export-Import Bank), and as relayed to Congress by President Truman this week, is that during the 1914-1949 period of the United States having a favorable balance of trade, export balances totalling $101 billion were *settled* ("paid for") by U. S. Government *grants* to the tune of $49 billion, government "Loans" in the amount of $19 billion, $10½ billion of funds "invested" abroad by American private citizens, and in addition gold shipments and foreigners' liquidation of dollar assets to the extent of $16½ billion.

Since the end of World War Two European aid has already cost the American taxpayer $25 billion and over $3½ billion is so scheduled for the current fiscal year.

As the accent of the Point IV is placed on the *private* aspects of the prospective lending, and in view of expected guaranty-standby technique, the private segment of the past record is relevant to note. Since 1919 losses on publicly-floated dollar obligations have totalled $10 billion, in addition to $5 billion more in foreign currency obligations.

Thus most of the huge difference between our exports and imports—the "dollar gap"—was paid for by the United States taxpayer, with a goodly addition being contributed by private citizens in the form of investment instruments. With the present imposition of foreigners' exchange controls of every kind and description—making former practices seem like "pink tea" (in the words of Mr. Hoffman), is there any reason for expecting that further extension of dollars by whatever means will be more effective?

This is not to plead for an ending of our aid, whose continuation is so largely based on the political exigencies. But it is to plead for calling, at least, a spade a spade—in this case not representing subsidy as a businesslike operation by private enterprise. The reason for the need for frankness is not an ethical one, but utilitarian in not even further accentuating the positive palliative nature of dollar-distribution.

These recurrent distributions of dollars have covered up, bolstered, and delayed fundamental correction, of underlying sickness—such as tightly-controlled currencies, restrictive trade policies, collectivist domestic economic policies, and the maintenance of import-obstructing tariff barriers by the United States. Mr. Hoffman, and this week Mr. Truman, are more and more emphasizing the crucial necessity for such fundamental measures and Mr. Taylor began his above-mentioned report with the statement that "Trade of the United States with Western Europe and the rest of the world is so badly unbalanced that this country in its own interest, as well as that of Europe, must seek a fundamental solution based primarily upon greatly expanded imports to the U. S."

The urgency of the corrective measures that are so crucially needed has been dimmed even when our subsidy has been recognized. If the subsidy is unrecognized—by calling it something like "private investment"—the need for action is pushed even further to the background.

Guaranty

Irrespective of the ideal in President Truman's mind and the details of the implementing legislation that may be passed, let no one be misled as to the functioning of the Government's guaranty in practice. Or perhaps instead of "no one" we should say "no taxpayer." For, even taking only the absence of currency convertibility, whose restoration seems to be a decade off, what individual investor in his right mind will choose a foreign investment in preference to the hgh yields available to him here from the seasoned rock-ribbed American listed corporations? And, in view of the potential threats of property expropriation and war destruction in addition to the dollar-transfer difficulties, who can doubt that in the case of all categories of our possible foreign investors—industrial as well as individual—they will (a) insist on Government guaranty, and (b) in a preponderance of cases using it? Surely the attending risk factors are no less exacting than they were after the First World War, with its above-cited devastation of the investor of that period.

The Government guaranty technique is particularly vicious because it basically confuses the investment function, and will have the effect of making credit extension fall-between-the-two-stools of business merit and subsidy. Either conditions and enterprise in the under-developed areas of the world are made, or otherwise become, satisfactory for private investment so that capital can go abroad with a sense of security and assurance of reasonable profits; or else the present Marshall technique of subsidy must be continued. A combination of the two only confuses the issue. Surely the United States Government possesses no charmed store of scientific and industrial knowledge and techniques, sufficient to make investments safe in terms of the foreign currencies; and in addition, the omnipotence to gain dollars from inconvertible currencies.

The Lesson From Peanuts Confusion

Such lack of omnipotence, particularly when Government direction and subsidization is combined with private corporate operation, is glaringly demonstrated by fiasco resulting from the British Labor Government's East African groundnut scheme. This grandiose venture for growing peanuts, undertaken two years ago to provide margarine and other essential oils and fats, has now admittedly collapsed with nothing to show excepting a cost to the taxpayer of £23 million—the accounting of which collapse is commented on by the auditors as follows: "We are unable to report that in our opinion proper books of account have been kept by the corporation and that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. . . ."

But even more important than the obscuration of accounts of a public corporation, or that the taxpayer received no peanuts for his millions, is the lesson that decisions about projects cannot follow logical factors when availability of the public treasury is substituted for individual responsibility for one's judgment.

And surely the various political elements extinguish all possibility of genuine creditor-debtor tests, whether on a domestic or global scale. It is even more tempting to bait the global than the domestic potential lender.

Additional observations on Point IV will be included in next week's column.

Association of Stock Exchange Firms Elects Benjamin H. Griswold, III, President

Benjamin H. Griswold, III, partner of Alex. Brown & Sons, Baltimore, and the sixth generation of the Brown family to represent controlling interest in the firm, was elected President of the Association of Stock Exchange Firms at the annual meeting of the Board of Governors.


B. H. Griswold, III

Mr. Griswold is the second non-resident of New York to be elected President of the Association. He succeeds Harold P. Goodbody, Goodbody & Co., New York.

In accepting the Presidency, Mr. Griswold said: "I enthusiastically accept this opportunity to contribute to the splendid work the ASEF is doing to help solve the problems of the stock exchange industry.

"We are working primarily to help members in every way to do their jobs economically and efficiently in the public interest. We also utilize our organization to the best of our abilities to assist the New York Stock Exchange and its management to enlarge its public services. The Association's contribution to the industry's welfare is self-evident.

"In many ways our problems today are greater than ever before because these problems more than ever before affect the entire economy of the country and not only the stock exchange industry. The mechanism to provide equity capital cannot be in good running order unless the market for equities on the New York Stock Exchange properly represents values. As has often been said, many excellent corporations today are worth more dead than alive, when the current market price of their shares is taken into consideration.

"Obviously the Federal tax structure is the main deterrent to healthy equity markets, but the securities industry in addition to fighting for fair tax legislation must bend every effort to find new sources of equity capital.

"To meet these responsibilities, the industry must cooperatively solve its problems. It must constantly strive to satisfy on an equitable and orderly basis the needs of industry and the needs of the owners of risk capital. There is a great challenge to us all today. I am confident it will be met in the interest of continued sound economic progress in the United States."

Hans A. Widermann (Carl M. Loeb, Rhoades & Co., New York), James A. Hogle (James A. Hogle & Co., Salt Lake City) and Eugene M. Geddes (Clark, Dodge & Co., New York) were elected First Vice-President, Second Vice-President, and Treasurer, respectively.

Sidney L. Parry, Henry W. Putnam and R. Michael Charters were reappointed Executive Vice-President, Vice-President, and Secretary, respectively.

The following were elected to membership on the Board of Governors to serve their first term:

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

Members of the board reelected to serve their second terms are: Albert D. Farwell, Farwell, Chapman & Co., Chicago, Ill.; Wilbur G. Hoye, Chas. W. Scranton & Co., New Haven, Conn.; Robert A. Magowan, Merrill Lynch, Pierce, Fenner & Beane, New York City.

Harold P. Goodbody, Goodbody & Co., New York, retiring President, was elected for a one-year term.

Named to the 1950 Nominating Committee were:

Richard P. Dunn, Auchincloss, Parker & Redpath, Washington, D. C.; M. Donald Grant, Fahnestock & Co., New York City; Arthur K. Peck, Walters, Peck & Co., New York City; George T. Purves, Hemphill, Noyes, Graham, Parsons & Co., New York City; Edgar Scott, Montgomery, Scott & Co., Philadelphia.

The Board of Governors also approved Mr. Griswold's appointments of standing committees for 1950, the Chairmen of which are as follows:

Banking Relations—Gardner D. Stout, Dominick & Dominick, New York.

Bond—Douglas G. Bonner, Bonner & Gregory, New York.

Business and Office Procedure—Harold P. Goodbody, Goodbody & Co., New York.

Commodity—Harold L. Bache, Bache & Co., New York.

Customers' Brokers — Maynard C. Ivison, Abbott, Proctor & Paine, New York.

Employee Relations—F. Warren Pershing, Pershing & Co., New York.

Foreign Business — George R. Kantzler, E. F. Hutton & Co., New York.

Industry Relations — Albert D. Farwell, Farwell, Chapman & Co., Chicago.

Investment Advisory — Thomas F. Lennon, Delafield & Delafield, New York.

Investment Banking—Joseph M. Scribner, Singer, Deane & Scribner, Pittsburgh.

Legislation—James Parker Nolan, Folger, Nolan & Co., Washington, D. C.

Membership—Eugene M. Geddes, Clark, Dodge & Co., New York.

Off-Board Trading—C. Newbold Taylor, W. H. Newbold & Sons, Philadelphia.

Public Relations — Robert A. Magowan, Merrill Lynch, Pierce, Fenner & Beane, New York.

Regional Exchanges — Phelps Witter, Dean, Witter & Co., Los Angeles.

Taxation—H. H. Dewar, Dewar, Robertson & Pancoast, San Antonio.

Halsey, Stuart Offers Associated Tel. Bonds

Halsey, Stuart & Co. Inc. and associates offered publicly, Nov. 16, $9,000,000 Associated Telephone Co., Ltd. 2⅞% first mortgage bonds, Series F, due Nov. 1, 1979 at 100¾% and accrued interest. The group won award of the bonds at competitive sale on a bid of 100.2671. Associated in the offering are Dick & Merle-Smith; Otis & Co. (Inc.); Stroud & Co., Inc.; Schwabacher & Co., Heller, Bruce & Co.; the Robinson-Humphrey Co., and Thomas & Co.

Net proceeds will be used by the company in part for the construction, completion, extension and for improvement of its facilities and for service, and in part to reimburse its treasury for expenditures heretofore made for such purposes, and in part to liquidate any short-term bank loans owed by the company.

The new bonds will be redeemable at prices ranging from 103.75% to 100%.

The company provides local telephone service in certain cities and communities in Southern California.

The company provides toll service, over its own lines exclusively, between Huntington Beach and Westminster, between Malibu Beach and Santa Monica, between Santa Monica and West Los Angeles, between Laguna Beach and Tustin, between San Bernardino, Crestline and Lake Arrowhead, and between all of its exchanges located in Santa Barbara County. Toll service to other points in and out of California is provided by connection with the Bell System through the lines of the Pacific Telephone and Telegraph Company.

The company's sole subsidiary, San Joaquin Associated Telephone Co., operates local telephone systems in Strathmore, Fowler, Lindsay and Reedley, all of which are located in the central part of California. This subsidiary also owns and operates a toll line between Reedley and General Grant National Park, California, affording toll service to a number of intermediate small communities. Toll service to other points in and out of California is provided by connection with the Bell System through lines of the Pacific Telephone and Telegraph Company.

Telephone service to automobiles, busses and trucks through the use of radio has been initiated by the company in territory served by it. Under this arrangement vehicles of subscribers to this service are connected by radio to the wire telephone network of the company and thus may receive telephone service similar to that of any wire telephone subscriber.

Firm Name Is Now S. Weinberg & Co.

Samuel Weinberg of Weinberg, Frank Company, 60 Wall Street, New York City, announces the change in the firm name to S. Weinberg & Co. Members of the New York Security Dealers' Association, they will continue their previous business of rendering brokerage service to dealers and banks.

Mutual Funds

By HENRY HUNT

An Estate for Your Heirs

Many parents feel that after they have reared their children properly and have seen them through their schooling, their job is finished. From then on, like fledgling birds, the offspring are on their own.

In order to provide themselves with security and comfort in their declining years, such parents frequently purchase straight annuities or retirement insurance policies—policies that are paid **up** at 55 but paid **out** at death. There is nothing basically wrong with this idea. Every provident person protects himself against the adversities of old age.

However, other parents, in addition to guiding their children to maturity, manage to leave them a sizable nest-egg as well. Many of these parents have discovered that, through purchasing shares in mutual funds, they can achieve a two-fold objective:

(1) Provide themselves with a continuous income for today, tomorrow and always.

(2) Leave an assured income for their children or an estate readily convertible into cash.

Today more and more thrifty people are using mutual funds as a medium for their surplus cash instead of insurance policies of the so-called savings variety.

Investing for Appreciation

"Most investors buy common stocks for appreciation of capital and increase of income. Their objective is sound. They are often inclined, however, to proceed along unsound lines in seeking their goal, because they have neither the time nor the facilities for formulating a well-advised program which can be administered efficiently and effectively.

"A carefully planned program is essential if the opportunities for gain are to balance adequately the business risks involved. For such a program, there are three fundamental requirements:

"(1) There should be proper diversification among a substantial number of carefully selected enterprises.

"(2) Each security should be purchased only after thorough analysis and the application of experienced business judgment to the problem of its selection.

"(3) A close and constant supervision of investments should be exercised. Each security should be under regular and systematic scrutiny as to its continuing desirability as an investment under changing business conditions.

"A mutual common stock fund meets the above three requirements. It provides in the form of a single security essential diversification, careful selection and continuous supervision. It furnishes a sound and constructive program of investing for appreciation."—From an **Eaton & Howard** folder.

Putnam to Add Two New Trustees

Subject to stockholders approval on Dec. 14, **The George Putnam Fund** will elect two new trustees, Louis J. Hunter and Stanley F. Teele, both of Boston.

Mr. Hunter is the owner of Louis J. Hunter and Associates, which was organized in 1934 to provide trustee and financial services to corporations and individuals. Mr. Hunter is retained by a number of corporations for advisory services as to management policy and finance, and also acts as an expert in the valuation of business concerns incident to estate and gift taxation and financing. He is also engaged to make business surveys and studies and to work out plans for corporate reorganizations. In addition, he holds trusteeships and other fiduciary positions involving a substantial amount of investment funds. Mr. Hunter is 59 years of age and has been engaged in this type of work for practically his entire business experience. He is a director, trustee, and officer of a number of business corporations and philanthropic institutions.

Mr. Teele's principal occupation is Associate Dean and Professor at the Graduate School of Business Administration, Harvard University. From 1941 to 1943 he was with the War Production Board as Deputy Director of the Procurement Policy Division and a member of the Procurement Policy Board. From 1944 through 1945, approximately half of his time was spent as special consultant to the Senate Military Affairs Committee and the other half as Professor of Business Administration at the Harvard Graduate School of Business Administration. Since February, 1946, he has been Associate Dean of this school. Mr. Teele is a trustee of the Newton Savings Bank and serves in a consulting capacity for various corporations, such as special consultant to the Standard Oil of New Jersey.

Tax Savings

A concise and unusually readable discussion of the tax savings available to investors in 1949 has just been published by the **Keystone Company of Boston**, underwriters for Keystone Custodian Funds. Since the U. S. Treasury Department has recommended to Congress specific steps to reduce or eliminate many of the savings now permitted under the Federal tax law, Keystone's new 8-page tax bulletin is particularly timely. It is of special interest to investors now because this is the time to act if they want to gain full advantage of the comparatively lenient present laws.

For instance, as Keystone points out, if the U. S. Treasury has its way, basic lifetime gift exemptions will be reduced from $30,000 to $20,000, and the specific estate tax exemptions will be cut from $60,000 to $40,000. Another Treasury proposal would tax gifts and estates equally (present gift tax rates are only three-fourths of estate tax rates); another would tax gifts as income to recipients.

The Keystone Company describes briefly each of the nine provisions now in effect that may afford opportunities for tax savings if acted upon immediately, accompanied by excellent examples in each case. It then goes on to state the pertinent Treasury recommendations now before Congress.

Another section of Keystone's interesting study on taxes shows how alert investors may use long-term and short-term losses to save taxes—if they act in time before the end of the year.

Notes Growth of Mutual Funds

William D. Carter, writing in November issue of "Harvard Business Review," estimates in less than decade, their assets have increased from less than $½ billion to more than $1½ billion. Holds, however, mutual funds offer no solution for industry's need of equity capital and denies they are responsible for today's thin, inactive securities markets.

Writing in the November issue of the "Harvard Business Review," published by Harvard University, William D. Carter, who is associated with the Keystone Company of Boston, holds the rate of growth of mutual investment funds has been particularly impressive in the last few years—indeed, so much so that it is time for a re-evaluation of their status. "The need for critical examination," Mr. Carter points out, "is all the greater because of the widespread recognition they have now attained and the accompanying controversy about them."


William D. Carter

"Much of the recent comment about the industry," according to Mr. Carter, "appears to have resulted more from a rather understandable enthusiasm for a vital and growing enterprise than from a careful appraisal of available facts. It has been regarded as having no growth limitations; of promising to be a $50-billion business within the next decade or so. Mutual funds are also said to be a cure-all for our present equity and venture capital problem, a strong bulwark against encroaching socialism, and the one bright hope on the dim financial horizon for awakening mass interest in securities. It is contended that because of their methods of distribution they are creating hundreds of thousands of new capitalists among the broader segment of the public who now hold the bulk of our investable savings and who previously were not investors in securities. And, indeed, these observations contain a certain element of truth.

"At the same time, as may be considered not unusual of a relatively new, vital, and not too well understood industry, mutual investment funds and aspects of their operation have been the subject of considerable controversy both in and out of the investment field. Regarded by some as a product of the tremendous social and economic changes which have taken place in this country within the past two decades, they are said to have reached the peak of their growth. Their ability to weather a period of drastic economic change has been questioned, as has the quality of their managements and their record of investment results. It further has been said that they have grown so large in recent years that they are the chief cause of today's thin, lackadaisical security markets and will increas-

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ingly influence security price movements in the future. . . .

Have Not Reached Maturity

"There is more than a suggestion that on industry of potential greatness has reached maturity and is already exerting an impact of some proportions, both economically and socially, upon the national scene. . . . It has frequently been pointed out that the assets of the 87 mutual investment funds have tripled in less than a decade, increasing from just short of $500 million in 1940 to more than $1½ billion by the end of the second quarter of this year. Also the number of shareholders has nearly tripled in that period, growing from just under 300,000 to more than 725,000. While this record of growth is impressive, the portion of national savings which has been absorbed has not been very great. . . .

"Perhaps of greater future significance is the fact that the mutual investment funds in 1947 and 1948, and particularly in the period following the national elections last November, have continued to show a steady increase in new capital paid in. This was a period in which general investor interest in securities languished and volume of trade on the New York exchanges steadily declined. . . . It is also interesting to note that while mutual fund sales were mounting during the three quarters, redemptions of shares declined at an even greater rate."

Mr. Carter goes on to discuss in detail the way mutual funds function and the pros and cons of their services to investors. He gives particular attention to what he calls the problem of proper choice. "The problem of whether to make use of mutual investment funds and, if so, on what basis to choose the proper funds is a real one. There is no more point in trying to claim that all mutual funds are suitable for all types of investors than there is in damning them all because some are unsuitable for specific purposes. Above all, there is a difference between the use of such funds by fiduciary investors or institutional investors and by personal individual investors."

The author summarizes his discussion on this point with the observation that "the haphazard purchase of mutual funds does not provide an automatic cure-all for all investment ills or problems. It can probably be safely stated that even the indiscriminate purchase of mutual funds is substantially safer than the indiscriminate purchase of individual securities. It is equally true, however, that there is a wide gap between the careless use of good tools and their skillful use. Certainly, one of the major criteria which a would-be buyer of mutual fund shares will want to follow will be that of the various considerations pertaining to fund management."

The management fee and operating charge, Mr. Carter says, can be appraised "against the return to shareholders represented by income dividends (capital gains excluded). It has frequently been pointed out that management fees and operating charges combined reduce income dividends about 10%. This figure actually appears somewhat low. If we take the 1948 income dividend figure of 5.3% for 50 funds—which of course represents payments after deduction of such charges — the combined management and operating charges average closer to 12% of the income paid out.

"Such a figure, however, would not in all probability, be very alarming to the average professional investor or to the trustee or administrator of a foundation, school, church, or hospital fund. He would be likely to envy the 5.3% earnings realized, and he has reason to know that present management costs run high and so create quite a drain on income. Undoubtedly, too, more than a few bank trust officers would like to do as well."

As for other costs, Mr. Carter points out that "in order to render the particular service which they offer to investors, the mutual funds must maintain a national system of distributing agencies just as the life insurance companies do. Rather than an added tax on the business, with a consequent diminution of results to the purchaser, this is an integral and necessary part of the business. Expressed another way, if every dollar of life insurance premiums were to go directly into creating protection for the buyer, the same money would buy more insurance than it does under the existing system. But that would hardly be possible because without the system life insurance would not be available."

Mr. Carter does not feel that mutual funds offer a solution to the problem posed by industry's growing need for venture and equity capital. "It can be seen that the mutual funds, because of their self-imposed limitations, do not now nor are they likely in the future to contribute to venture-capital needs, except to the extent that they may one day indirectly be instrumental in reawakening mass interest in the securities markets. This is not to say that such a role would be unimportant, but, let it be repeated, the contribution to the equity-capital needs of American industry would be indirect.

"The assertion that the mutual investment companies are largely responsible for today's thin, inactive security markets and will increasingly influence security price movements has little substance in fact for the reason given above i.e., the relatively small size of the industry. During the eight years from 1941 on, when the mutual investment companies increased their assets by approximately $1 billion, the value of securities listed on the New York Stock Exchange increased $27.1 billion, or 27 times as much. This increase in values of securities alone far overshadowed any effect the mutual funds may have had on the market in that period."

In general, concludes Mr. Carter, "the mutual funds do not exert a force of great consequence on the American economy and the American way of doing things, at least not to anywhere near the same degree as do such large financial institutions as the insurance companies and banks. Perhaps the reason is simply that they have not had the same number of years behind them in which to develop. They have, however, come a long way in the 16 years since the largest number of the companies came into existence." "Mutual funds" he contends, however, "do offer a needed investment service, psychologically geared to these times or the conceivable future, is apparent. . . . The industry would thus appear to have every opportunity, in a remarkably few years, to become well known to the American public as a whole, provided the quality of its product continues at the present high standard."

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Although the usual method of investing in the insurance industry is to purchase insurance company stocks directly, there are a number of corporations in which insurance activities form a secondary but important part of total activities and which offer opportunities of participating indirectly in the operations of the insurance industry.

Prominent among such companies are those connected with automobile financing activities such as Commercial Credit Company and C. I. T. Financial Corporation.

Both of these concerns have insurance subsidiaries which write various lines, including automobile, fire and casualty and general casualty. Probably the most important insurance activity of these companies is that connected with the automobiles they finance. As part of the financing arrangement they also sell the automobile purchaser insurance covering the car for a period of time as long as or longer than the instalment contract.

As a result they acquire insurance business on the cars they finance with the automobile dealers, in a sense, acting as the insurance agent. The dealer, however, obtains his commission from the financing fee and the Company acquires the insurance without the usual underwriting expenses.

This fact enables the finance companies to show a lower expense of acquisition on this type of underwriting operations than other concerns doing business in the ordinary way. Of course, on the other types of insurance they underwrite they maintain a general agency business and are subject to the same conditions as others in the industry.

In common with most insurance companies, both C. I. T. and Commercial Credit have experienced a rapid rise in the volume of business during the past three years. The reasons, however, are not entirely comparable in the two cases.

Most insurance companies have shown increased volume which has been a reflection of higher valuations resulting from increased prices, an increase in insurable property and higher insurance rates. These same influences have been significant factors in the volume of the two finance companies but, of more importance as a contributor to the sharp expansion in underwriting, has been the return of automobile production and instalment financing.

During the war years the production of automobiles was stopped and there was little necessity for instalment credit or the insurance related thereto. It was only with the resumption of automobile production that such facilities could be utilized. Since that time, however, instalment financing of automobiles and the insurance underwriting related to it have increased rapidly.

In the case of C. I. T., net insurance premiums written for the year 1948 totaled $58,293,172 as compared with $23,328,684 for the year 1946. The greatest increase in these totals occurred in the subsidiaries writing coverage for automobiles which were financed by C. I. T. These two units, Service Fire Insurance Company and Service Casualty Company, increased their premium volume from $8,795,293 in 1946 to $20,058,804 in 1947 and $37,480,590 in 1948. So far in the first six months of the current year premium volume has continued this sharp upward trend. For this period net premiums written by the two Service Companies amounted to $26,810,544 compared with $17,125,893 in the same period of 1948. With instalment credit continuing its upward trend further gains are indicated for the final six months.

This growth in premium volume has been reflected in a sharp increase in the unearned premium account for C. I. T. At the end of June 1949, it amounted to $52,106,961 for all the insurance subsidiaries as compared with $41,959,511 at the end of 1948 and only $17,409,670 as of Dec. 31, 1946. These figures, when considered along with general industry conditions, would seem to indicate a current and potential profitable period of earnings from insurance activities.

C. I. T. does not issue separate figures on the results of its insurance operations. Commercial Credit does, however, and in as much as their activities are very comparable, an idea of underwriting results over the past three years can be obtained from such reports.

The trend of premium volume and the unearned premium account in the two companies, C. I. T. and Commercial Credit, has followed similar upward courses. In spite of the expanded volume and increase in unearned premium reserves, the experience of Commercial Credit has not been too unsatisfactory. A loss of approximately $752,000 was shown on insurance for 1946. In each of the past two years an improvement has been shown with net income of $1,540,241 reported for 1947 and $3,691,270 for 1948.

In the six months ended June 30, 1949 net income, after taxes, from insurance was reported at $2,609,111 as compared with $1,584,474 for the similar period of 1948. The underwriting profit was equal to $3,894,673 and $2,253,999 respectively. None of these figures take into account the equity which the stockholder has in the increase in the unearned premium reserve. This increase amounted to approximately $6,000,000 in the first six months of the current year and if 40% was computed as the equity, another $2,000,000 would be added to the adjusted earnings.

While a more detailed analysis of the figures is desirable, it is obvious that both C. I. T. and Commercial Credit are currently benefiting from favorable insurance operations.

Whitcomb & Co., Is Formed in New York

Newell B. Whitcomb and William S. Sagar, Member New York Stock Exchange, announce formation of the firm of Whitcomb & Co., with offices at 30 Broad Street, New York City. Mr. Whitcomb has been a partner of Dobbs & Co. since 1931, while Mr. Sagar was a floor broker on the New York Stock Exchange, with offices at Mallory, Adee & Co.

Devaluation and Congress

By THOMAS I. PARKINSON*

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

Mr. Parkinson, commenting on recent discussion of altering gold value of dollar, notes that old statutes, as well as Gold Reserve Act of 1934, authorize Treasury to buy and sell gold at prices fixed by Treasury Secretary. Says this situation, because of its disturbing implications and inflationary threats, should not continue, and urges a Monetary Commission without further delay consider the matter.

The recent devaluation of the British pound followed conferences here and abroad which discussed the possibility of devaluation of our dollar. If we should devalue the dollar, it would mean a change in our price paid for gold. Since the British devaluation, there has been much wonder and some discussion of the possibility of an increase in the present price which we now pay for gold, that is, $35 an ounce. As often happens in such matters, the discussion omits some of the most serious problems.


T. I. Parkinson

If our fiscal and monetary authorities should recommend an increase in the price which we pay for gold, there probably would not be much time for further discussion. Some emergency would be urged as necessitating immediate action. Therefore, it seems worthwhile to emphasize now the relation of Congress to any such proposal.

The Secretary of the Treasury recently denied any intention to devalue the dollar. He specifically declared that we would not increase the price paid for gold. However, we all remember the similar specific denials made by the British monetary authorities up to the very moment of devaluation.

In his memorandum denying any intention to devalue the dollar, the Secretary made the point that devaluation would require new legislation by Congress. The memorandum, however, is not convincing on this point. The fact is that when the price of gold was increased in 1934 to $35 an ounce, the Treasury asked Congress for a specific authorization which was given for a limited time, then extended for another limited time and finally expired six years ago.

The expiration of the specific Congressional authority for a change in the gold content of the dollar and of its value does not, however, fully determine the Treasury's power because there are other statutes involved. Acts of Congress which originated just after the Civil War, and which were amended by the Gold Reserve Act of 1934, authorized the Treasury to buy and sell gold at prices fixed by the Secretary.

Why, it may be asked, if these old statutes authorized a change in the price of gold, did Congress find it necessary to enact the specific authorization of change for a limited period? Well, it is not unusual in judicial construction of statutes to say that such a provision as the specific authorization though not essential to give the Treasury power which it already had under the old statutes was used for political and expedient purposes to meet the emergencies of 1934. That would mean that though the specific authorization has expired, the old Acts as amended remain in force with the result that the Secretary of the Treasury still has the power to change the price which the Treasury pays for gold.

Certainly the state of the Acts of Congress relating to gold and its value for monetary purposes might well justify an opinion by the Attorney General that the power to increase the price remained in the Secretary. If, supported by such an opinion, the Secretary of the Treasury came forward with an announcement that he had changed the price of gold because of a domestic or international emergency, might not Congress be confronted witn what our French friends call a "fait accompli"?

The possibility of a change in the price which we pay for gold and the consequent devaluation of our dollar, decreasing its purchasing value, is something of too much importance to be trifled with or allowed to drift. Every life insurance policy holder, every one now enjoying or expecting to enjoy pensions, would be vitally affected by such a change in our money. Therefore, instead of avoiding the discussion of the problem because of its delicacy, we ought to insist on the discussion because of its vital importance.

The Secretary, in his recent announcement, referred to the Act of Congress authorizing our agreement to the International Monetary Fund which, he said, prevents any change in the present $35 an ounce price for gold. That certainly is true for the purposes of the International Monetary Fund, but whether it prevents the Treasury from exercising its power under the old gold statutes is a matter for judicial interpretation. It certainly is not a definite prohibition of action under the old statutes and, again, it would seem open to the Attorney General to rule that the old statutes continued to authorize the Secretary to increase the gold price.

Now, if the price of gold were increased under these old statutes, it has been suggested that the increase in price could not be monetized. That's a technical way of saying that the increased price would not add to our money supply; but when the Terasury buys gold at whatever price, it pays for it with gold certificates issued to the Federal Reserve Bank and the price paid becomes a part of the deposits of our banking system and would, it seems, necessarily increase our money supply.

This whole matter is too important to be left in the garbled condition of our present Acts of Congress. It would help if Congress would simply repeal the Gold Reserve Act of 1934. It would be better still if Congress would provide in some way for stability of the purchasing value of our dollar and take the subject out of executive discretion. Stability of the dollar's purchasing power is an essential, and stability can not be expected if these Acts of Congress remain as they are while emergencies, domestic and international, threaten at any moment to tempt our fiscal and monetary officials to action which will, in effect, devalue the dollar.

Certainly some kind of convertibility of our paper money into stable values must be provided for or we must expect to drift further and further into devaluation and inflation. We cannot refrain from repeating our oft-expressed belief that these matters should be referred to a Monetary Commission, without further delay, and a basis developed for a sound and stable dollar which would put our financial house in order and be a refreshing inspiration to all civilized countries.

*A statement by Mr. Parkinson distributed through Continental Press Syndicate, Brightwaters, New York.

Le Boutillier OK's Truman's Stand on Gold

N. Y. State Chairman of Gold Standard League, however, takes exception to statement of Allan Sproul in San Francisco that same groups which desire free gold market also advocate restoration of convertible currency.

Philip Le Boutillier, President, Best & Co., New York and New York State Chairman of the Gold Standard League, in a statement issued on Nov. 15, declared that "President Truman's emphatic official statement late last week to the effect that the price of gold will not be raised as long as he is President, is a sound constructive step for the administration to take, and good to hear." "We must hope this will demolish both the domestic and foreign propaganda for devaluation," he said, and added: "As long as either covert or open propaganda for devaluation continued, the worth of all savings and all pension rights, together with the credit of the Federal government itself, would remain suspect. If the administration will restore convertibility, a good start can be made towards getting our extravagant government spending under control."


Philip Le Boutillier

In a previous release, Mr. Le Boutillier announced that the Gold Standard League fully agrees with Allan Sproul's remarks at the American Bankers Association Convention in San Francisco in opposing a free gold market. However, Mr. Le Boutillier denied that "those advocating a free gold market and irredeemable money" are the same as those advocating "convertibility of currency into gold."

"Our people," according to Mr. Le Boutillier, "can never regain control over their public purse until our currency is made redeemable. Under our irredeemable paper money, our Federal government can and does buy the support of vote-delivering pressure groups. Concerned people have organized economy groups, tax groups, and so on to arrest our government's orgy of reckless spending. The money, time and effort that have gone into such enterprises have largely been wasted and the government has gone right on with its spending."

Los Angeles Bond Club Names Manning Dir.

LOS ANGELES, CALIF.—The Bond Club of Los Angeles has elected Stevens Manning, Paine, Webber, Jackson & Curtis, a director to succeed Albert C. Purkiss, Walston, Hoffman & Goodwin. Mr. Purkiss resigned his post since he is being transferred to the New York office of his firm.

F. Stuart Roussell, First California Company, was elected a Vice-President of the Bond Club.

Trend of British Interest Rates

By PAUL EINZIG

Noting Sir Stafford Cripps' reversal of his predecessor's cheap money policy, Dr. Einzig foresees return of use of Bank of England discount rate to control credit expansion. Says current long-term high interest rate in Britain will lead to more bank borrowing because of wide gap between long- and short-term rates. Holds current low short-term rates will continue.

LONDON, ENG.—A recent circular issued to all British banks by the Bank of England, acting under instructions by the Treasury, emphasized the need for avoiding the granting of credits which would tend to accentuate the inflationary trend. This resulted in a revival of the old controversy about the wisdom or unwisdom of achieving the desired end by means of raising interest rates. On the present occasion the orthodox arguments in favor of resuming the control of credit by means of the bank rate seems to carry more conviction than they did during recent years, owing to the sharp rise of long-term borrowing rates.

Dr. Paul Einzig

Since Sir Stafford Cripps replaced Mr. Dalton as Chancellor of the Exchequer in 1947, the yield on British irredeemable loans increased from about 2½% to about 4%, as a result of the persistent decline in the market for government loans. This decline assumed a slump-like character after the devaluation of sterling. Admittedly, the rise of 2½% Consols to parity during Mr. Dalton's Chancellorship was largely the result of his cheap money policy under which not only short-term interest rates but also long-term interest rates were brought to an artifically low level by means of credit expansion. The convertibility crisis was the first serious setback to this policy. The unexpectedly rapid using up of the proceeds of the American Loan gave rise to fears that Britain's gold and dollar resources might soon come to an end. The anticipation of a crisis arising from this undermined confidence in everlasting cheap money.

When Sir Stafford Cripps assumed office it soon became evident that he did not share Mr. Dalton's views on cheap money through credit expansion. Being in his heart of hearts an austere deflationist, he was expected to reverse his predecessor's policy. In any case, he never made any secret of his desire to pursue different courses from those of his predecessor. Government loans were no longer bolstered up systematically by means of official buying. The only means by which the Treasury continued to exert influence on long-term interest rates was through controlling new capital issues. Apart from this the market was allowed to find its own level, which meant a series of falls or declines.

During 1949, the anticipation of devaluation tended to accentuate the downward trend of government loans. Every new rumor resulted in a rise of gold mining shares and industrial stocks and a fall in government loans. This was in keeping with the rule that a depreciation of the currency affects securities with fixed interest. Moreover, the accentuation of the gold drain also tended to accentuate pessimistic expectations of a crisis. There was a moderate recovery in government loans immediately after devaluation as a result of the reinvestment of funds formerly invested in gold mining and industrial stocks in anticipation of this rise through a devaluation. But the rise was short-lived, and the ensuing fall brought the level of government loans below the point reached during the darkest days of the war.

With the long-term government borrowing on a 4% basis, and with the possibility of a further increase, it has become impossible for private borrowers to issue fixed interest-bearing securities on such favorable terms as during the last few years. This means that there is bound to be a tendency to finance capital requirements by means of bank loans for interest on these is still determined by the 2% bank rate and the ½% Treasury bill rate. It is partly in order to prevent a large-scale credit expansion resulting from the wider difference between long-term and short-term rates that Sir Stafford Cripps now considered it expedient to discourage the granting of bank credits. Some of his critics are of the opinion that this action disclosed once more his lack of understanding of fundamental economic principles. If a business house is unable to obtain enough credit from its bank then it is likely to realize some of its investments, a large proportion of which consists of government loans. This means that the natural consequence of the Treasury's action is a further accentuation of the decline in government loans.

The view is widely held that it would be wiser to accept the defeat of the cheap money policy and to allow short-term rates to adjust themselves to the higher level of long-term rates. Those who are of this opinion would prefer the automatic contraction of credit through higher interest rates to an artificial contraction through instructing the banks not to grant credits which are liable to accentuate inflation. It seems most unlikely, however, that the government would accept their point of view. For one thing, there is no desire in official circles to prove a sharp contraction of credits that may cause unemployment, least of all on the eve of the general election. In any case, it would mean the creation of additional purchasing power through an increase of the amount paid out in interest on Treasury bills, and an increase of government expenditures. While the Treasury is unable to prevent the increase of the burden of long-term issues, it is not likely to agree of its own free will to double or treble the amount paid to its short-term creditors. It still controls short-term rates, and there are no indications that it will relinquish or even relax this control.

Moreover, it would be contrary to everything this government stands for if it were to revert to the much-criticised "automatic" system under which credit facilities would become inaccessible, through their high cost, to industries engaged in the production of goods which are useful both socially and commercially. Under the discriminatory system the banks are required to deny loans primarily to borrowers wanting it for unproductive purposes. A higher level of short-term rates might leave some unproductive borrowing unaffected and it might discourage productive borrowing. Last, but no means least, it would add to the cost of production at a moment when the government is particularly anxious to prevent a rise in prices.

Thus, while it would be unwise to commit ourselves to a prediction regarding long-term interest rates, it seems safe to assume that there will be no marked change in the level of short-term interest rates, at any rate until after the general election. The advent of a Conservative Government might mean in this respect, as in so many other respects, a fundamental change of policy.

Detroit Stock Exchange To Retain Own Identity

DETROIT, MICH. — The Governing Committee of the Detroit Stock Exchange has informed the Mid-West Stock Exchange that their invitation to merge had been declined by formal resolution of the Governing Committee.

L. A. McDowell Joins Wm. J. Mericka & Co.

Wm. J. Mericka & Co., Inc., announce that L. A. McDowell is now associated with the firm as a Special Representative in its New York office, 150 Broadway. Mr. McDowell was formerly associated with Hecker & Co., Philadelphia.

Laemmel Addresses Bond Club of New Jersey

The Bond Club of New Jersey held a luncheon meeting at the Robert Treat Hotel, Newark, N. J. on Nov. 16 at which Wm. G. Laemmel, Vice-President of the Chemical Bank & Trust Co., New York, was guest of honor and principal speaker. His topic was "The New Housing Bonds."

G. E. H. Werhan With Craigmyle, Pinney Co.

Craigmyle, Pinney & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that G. E. Haden Werhan has become associated with the firm. Mr. Werhan was formerly Sales Manager for James D. Cleland & Co.

Raymond Hindle Pres. Of Sabanita Trading

Raymond B. Hindle has resigned as Comptroller of Hayden, Stone & Co., to accept the position of President of Sabanita Trading Corp., the American subsidiary of Central Violeta Sugar Co., S. A.

Nominate Hargrave to Head Midwest Exch.

CHICAGO, ILL. — The Nominating Committee of the new Midwest Stock Exchange has pro-

Homer P. Hargrave Clemens E. Gunn

posed Homer P. Hargrave, Merrill Lynch, Pierce, Fenner & Beane, and Chairman of the Chicago Stock Exchange, as Chairman of the new organization. Clemens E. Gunn, Gunn, Carey & Co., Cleveland, President of the Cleveland Stock Exchange, has been nominated for Vice-Chairman.

Nominees submitted for a Board of Governors to consist of eighteen men were: John W. Billings, Chicago; Ralph W. Davis, Paul H. Davis & Co., Chicago; John R. Burdick, Chicago; Walter J. Buhler, Chicago; Chancellor Dougall, Chicago; Norman Freehling, Freehling, Meyerhoff & Co., Chicago; Reuben Thorson, Paine, Webber, Jackson & Curtis, Chicago; Andrew M. Baird, A. G. Becker & Co., Chicago; Frederick M. Tritschler, First Boston Corp., Chicago, Lloyd O. Birchard, Prescott & Co., Cleveland; Richard A. Gottron, Gottron-Russell & Co., Cleveland; Theodore Thorburn, Hayden, Miller & Co., Cleveland; Merrill M. Cohen, J. M. Dain & Co., Minneapolis; Guybert M. Phillips, Caldwell, Phillips Co., St. Paul; Robert M. Rice, R. M. Rice & Co., Minneapolis; John H. Crago, Smith, Moore & Co. St. Louis; John A. Isaacs, Semple, Jacobs & Co., St. Louis; and Spencer H. Robinson, Hill Brothers, St. Louis.

James M. Day, President of the Chicago Stock Exchange, it is expected, will be appointed to a similar paid post with the Midwest Stock Exchange, after the Board has held its first meeting.

It is anticipated that the new Exchange will go into operation Dec. 1 unless some interruption of the installation of the wire system should occur.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to have a good tone, despite signs of skepticism and some profit-taking which should not be unexpected after the uptrend which carried certain issues to new highs for the year. . . . Each time prices push up to new high levels as they have done in the recent past, concern is expressed over the ability of the market to maintain existing quotations because of the increased supply of non-government issues that will be reaching the market in the not distant future. . . . No sharp or sizable decline, however, is looked for, even if the trend should temporarily be reversed, as some believe is likely. . . .

Bank issues have made progress but they have not been as well taken as the taps, especially the longer category, which have set the pace in the market. . . . Buying has been good, according to reports, and government securities are still moving into strong hands. . . . The Vics are the leaders of the market and the ineligible list. . . . The bank 2½s due 9/15/67-72 are the pace setter of the eligibles, although the 2¼s due 1956/59 are being well taken, much of which comes from switches out of short-terms. . . . A good demand is still around for near-term obligations. . . .

RECENT FAVORITES

Treasury figures for the month ended July 31 showed a continuation of the trend into long-term government issues but at a reduced rate from the previous month. . . . Among the commercial banks, the most popular higher income obligation again was the 2½% due 9/15/67-72, but this time only about one-third as many bonds were bought as during June. . . . Next came the 2¼s due 1956/59 but in this instance also commitments amounted to just slightly more than 50% of those taken on in the previous month. . . . The 2% due Dec. 15, 1952, which was the third most sought after issue in June was sold in small amounts by the deposit banks during July. . . .

The shorter 2s were bought in a fairly sizable way during July, with the 2s due March and Sept. 15, 1950/52, the leaders among the nearer-term taxable obligations. . . . The 1⅛s due 12/15/50 were not far behind the aforementioned 2s. . . . The commercial banks during July seem to have gone a little more to the shorter end of the list than in June, with purchases of near maturity bonds aggregating or, as in one case, exceeding those of the longer-term obligations. . . . The most heavily bought eligible issue during July was the 3% due Sept. 15, 1951/55. . . .

ON THE SALES SIDE

As to the sellers of the bank issues, they were mainly other investors, which includes dealers. . . . Federal did not let out any government securities during July, which was the first full month of the new policy of not selling Treasury bonds, to keep prices within established limits. . . . In the 3s due Sept. 15, 1951/55, the only liquidator was other investors. . . . The 2s due March 15, 1950/52 were sold principally by life insurance companies, whereas the 2s due Sept. 15, 1950/52 were disposed of mainly by other investors. . . . The 2¼s of 1956/59 were sold by savings banks and other investors in about equal amounts. . . .

The longest eligible issue, the 2½% due 9/15/67-72, was supplied to the market by other investors and savings banks with a few bonds being let out by life insurance companies. . . .

HOW THE INELIGIBLES FARED

In the ineligible list, during July, the leading commitment was made in the 2¼% due June 15, 1959/62, with savings banks, fire and casualty companies and life insurance companies buyers in that order. . . . The main sellers were other investors and commercial banks. . . . Following in order was the 2½% due March 15, 1965/70, with the main buyer being the savings banks, and the largest liquidator being life insurance companies. . . . Next came the 2½s due Dec. 15, 1964/69, with savings banks again the largest buyers as the life insurance companies likewise supplied the bonds. . . . The 2½s due June 15, 1962/67, and the 2½s due June 15, 1964/69 were taken on in not too sizable amounts by savings banks with other investors the principal sellers. . . . Life insurance companies and savings banks were the main sellers of the 2½s of June and Dec. 15, 1967/72 with other investors the principal buyers of the longest tap bonds. . . .

Purchases of ineligible bonds during July were somewhat different than those in June, when the largest commitments were made in the 2½s due Dec. 15, 1964/69, the 2½s due March 15, 1965/70, the 2½s due Dec. 15, 1963/68, and the 2½s due June and Dec. 15, 1967/72. . . . Savings banks were the largest buyers of these bonds in both June and July, but Federal was the principal seller in June as against no sales of Treasury bonds at all by them during July. . . .

SCORE FOR TAP ISSUES

Pension funds continue to be active in the tap issues especially in the Victory bonds, with some sizable operations being reported in the longest ineligible obligations. . . . The 1964/69s and the 1965/70s are also in considerable favor, according to advices from some quarters of the money markets. . . . The partially-exempts are likewise being taken out of the market, with the 2¾% due 1960/65 continuing to be the main attraction in this group. . . . This issue is being used for switching purposes, with the funds realized from sold obligations going into the longest tax-sheltered obligation. . . . The Dec. 2s of 1952/54 have been under accumulation by some of the large commercial banks.

Foresees 1952 as Crucial Year for Treasury Mart

Aubrey G. Lanston & Co. Inc., reviews outlook of next three years for Federal securities. Predicts, because of approaching maturities of long-term issues, funds seeking long-term investment in government bonds will be greater than securities available.

In a comprehensive study entitled "1950-1952—The Next Three Years in the Treasury Security Market," Aubrey G. Lanston & Co. Inc., specialists in U. S. Government securities, declared that a "crucial point in the Treasury security markets" will be reached in 1952.

Pointing out that during the years 1950-1952, $44 billion of marketable bank-eligible Treasury bonds—three-quarters of the total outstanding — will be refunded, the booklet said that "based on the Treasury's ownership survey (as of June 30) commercial bonds will lose through these refundings about three-quarters of their present eligible-bond portfolios"; that unless the Treasury or the Federal Reserve System, or both, make additional ineligible bonds available, "non-bank holders who wish to acquire such bonds will be unable to do so"; and that "with the year 1952, we will reach the high point in these refundings and a crucial point in the Treasury security markets."

General conclusions drawn by the firm, on the basis of its appraisal of the picture as it may develop during the next three years, are:

"(a) Between now and 1952, the issues selected by the Treasury for refunding purposes may be limited to a term of five years or less at yields that will fail to replace the income received from maturing bonds. This means higher bond prices in general.

"(b) Barring a demand for capital and credit that would be consistent only with a substantial and protracted business boom, the amount of funds seeking investment in government securities of more than five-year term will be greater than the amount of such securities available. This also means higher bond prices in general.

"(c) If, for any unexpected reason, Treasury security prices were to undergo any material price decline, official support would be rendered Treasury bonds to whatever extent was needed, although not necessarily within the same pattern as the support of 1947-1948.

"(d) The passage of time has so shortened the term of outstanding Treasury bonds that the longer maturities may reach a new low level in yield; (1) the longest-term ineligible obligations currently offer the best protection against both a strong and a weak market, and (2) the longest-term bank-eligible issues offer the best protection of income for a stable to a strong market."

The booklet declares that "estimates of net cash payments to and from the public by the government are not the measure of the potential amount of new marketable-securities borrowings, nor are they a measure of the inflationary impact on the economy. For example, for the fiscal year 1950 to date, the Treasury has met its cash needs largely by selling savings notes to corporations. Such financing of a Treasury deficit is non-inflationary. Even the sale of Treasury bills for new money have been or will be largely offset by the redemption for cash of small portions of maturing issues not refunded on exchange offerings. To the extent that the additional Treasury bills may have been acquired by business corporations, such financing could be either non-inflationary or deflationary.

"Based on the historical pattern of sales and redemptions of savings bonds and on an adjusted pattern of sales and redemptions of savings notes, the Treasury, during the calendar year 1950, would need to sell marketable securities of from $2 billion to $5 billion against a cash deficit of $5 billion to $8 billion. For the calendar year 1951, the indicated change in the marketable debt ranges from a retirement of $2 billion of marketable securities to a need to sell $2 billion. If the new issues took the form of other than savings notes and bonds (such as a nonmarketable 2½% issue) and were acquired by non-bank investors, the result might be non-inflationary also.

"Our conclusions with respect to the general background are that nothing short of a protracted business boom would generate a need for capital and credit sufficient to prevent an increasing imbalance, wherein investable funds exceed the amount of investment media, and that the governing factors in the course of bond prices will be resolved by Treasury and Federal Reserve decisions with respect to the refunding of the $44 billion of marketable Treasury bonds over the next three years.

From an assumption that the market will remain at the Nov. 1 level or move higher, the three best bank-eligible issues are the 2½s of 1967-72, the 2¾s of 1960-65, and the 2¾s of 1958-63. The three worst are the shorter-term bonds, such as the 2s of June, 1952-54, the 2s of December, 1952-54, and the 2s of 1953-55. In any extremely weak market, the above longer-term bonds are the worst and the shorter-term bonds the best. Those who hold more of the shorter-term bonds than they need as a secondary reserve would appear to be speculating on the probability of a weak market. Investors who wish to protect themselves against lower yields and a scarcity of offerings in the future and, at the same time, to hedge against the risk of a weak market might be well advised to shift to the longer-term bonds and use the additional income to set up a depreciation reserve.

"Among the ineligible bonds, the best returns and the maximum safety are simultaneously afforded through the two issues of 1967-72. The worst issues to hold appear to be the two issues of 2¼s of 1959-62 and the 2½s of 1962-67.

"We appear to be at a point in the Treasury markets that was reached once before. For many years, the intermediate bonds such as the 2¾s of 1948-51 and the 2¾s of 1951-54 commanded higher premiums than the longer-term 2¾s of 1956-59, 1958-63, and 1960-65. Then the relationship was reversed. The longer-term 2¾s sold higher in price than those of intermediate term. This study indicates that such a change in relationship may occur in the instance of the ineligible 2½% bonds. The longer-term bonds will gain in price relative to the shorter bonds and may eventually command the highest premium."

Charles H. Tuttle Joins Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, FLA.—Charles H. Tuttle has become associated with Thomason & McKinnon, 272 South County Road. He was formerly local manager for Daniel F. Rice & Co.

Jones and Walsh to Form

Herbert B. Jones and Richard A. Walsh will shortly form Jones and Walsh with offices at 25 Broad Street, New York City. Both were formerly with C. J. Devine & Co. Prior thereto Mr. Jones was with J. & W. Seligman & Co. and Mr. Walsh was with De Coppet & Doremus.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Richard R. Wening has become affiliated with A. M. Kidder & Co., Alfred I. du Pont Building.

Wm. S. Beeken Adds

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.— Mrs. Catherin O. Smith has joined the staff of William S. Beeken & Co., Harvey Building.

Canadian Securities

By WILLIAM J. McKAY

The announcement of further relaxation of exchange controls in Belgium contrasts somewhat strangely with the simultaneous publication by the Canadian Ministry of Finance of the renewal of restrictions on Canadian tourist expenditures. During the coming year the maximum amount of U. S. dollars obtainable by a Canadian resident will remain at $150. The reason advanced for the maintenance of this restriction was the sharp rise (approximately $50 million) in tourist expenditure in the United States for the twelve months period which ended Sept. 30, 1949 in comparison with the previous year.

Any hopes that Canada would follow the current Western European movement toward the lifting of wartime controls and restrictions have been further dashed by a recent speech of the Canadian Secretary of State for External Affairs. At a luncheon in New York of the Overseas Press Club, Mr. Pearson stated that Canada can not go on indefinitely buying $2 billion worth of goods annually from the United States while selling only $1 billion worth here. During the course of this speech the Canadian Foreign Minister strongly intimated that this condition could only be remedied by the imposition of further foreign trade restrictions.

The curtailment of ECA offshore purchases in Canada, and the inability of the United Kingdom to continue to furnish U. S. dollars in payment of imports from Canada on the scale hitherto maintained, will undoubtedly impose a severe strain on the Dominion's exchange reserves. But do exchange controls and foreign trade restrictions provide a satisfactory solution of the problem? The British situation certainly affords an example that demonstrates the inefficacy of restrictive methods. On the other hand the Belgian, French and Italian experiments in the direction of freedom of trade and exchange provide clear evidence of the wisdom of the liberal approach to the solution of world's foreign trade problems.

In view of the basic strength of the Canadian economic situation it would appear that little risk would be involved in following the example set by Continental Europe. Canada moreover has more at stake on the restoration of multilateral trade and foreign exchange freedom than any other country. Canadian dependence on foreign outlets for her enormous export surpluses together with the glaring inadequacy of the domestic market virtually dictate an economic policy directed toward world trade expansion.

A great opportunity was missed to relinquish controls immediately after the war. Then it would have been politically and economically possible to arrange a peacetime extension of the Hyde Park Agreement that would have solved the Dominion's U. S. dollar problem. This would also have avoided the shocks administered to the Canadian economy by the arbitrary manipulation of the exchange rate and the abrupt changes that have since been made in the Foreign Exchange Control Board regulations. Current conditions, however, still permit the abolition of exchange controls and the lifting of trade restrictions with little risk of disrupting consequences. Canadian credit was never at a higher level and in the event of exchange freedom it is unlikely that there would be an overwhelming volume of U. S. capital repatriation. Any initial exchange decline, moreover, would act as a natural governor on the U. S.-Canadian trade balance and would tend to stimulate the influx of new U. S. capital and check the liquidation of old investment funds.

During the week there was a good demand for external bonds but with the continued lack of supply the turnover was negligible. The internals were dull and inactive with the longest Dominion 3's unchanged at 91½-92. There was little movement in free funds but there are now indications of an easier undertone after a long period of sustained strength. The corporate-arbitrage rate was distinctly weaker at 14¾%-14%. Stocks after earlier strength reacted sharply from their recent peak levels. The golds group led the decline following President Truman's denial of any contemplated action on the offcial gold-price; whether this expression of pious intention will be ranked with previous classic denials will depend on the extent of any future economic decline or the manageability of the budgetary deficit. As the decline extended also to previous market favorites such as the base-metals and Western oils it is probable that the gold-denial served merely to spark a normal technical reaction after a period of sustained strength.

New York Stock Exchange Weekly Firm Changes

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

Andrew P. Gies retired from partnership in J. J. B. Hilliard & Son on Nov. 5.

Interest of the late Robert R. Crookston in Singer, Deane & Scribner ceased Nov. 3.

Transfer of the Exchange membership of Howard R. Stone to Robert T. Stone will be considered by the Exchange on Nov. 23.

J. J. Hindon Hyde withdrew from partnership in Van Alstyne, Noel & Co., Sept. 21.

Walter C. T. Allen, partner in T. L. Watson & Co., died on Nov. 7.

Interest of the late J. Norman Whitehouse in Whitehouse & Co. ceased Nov. 6.

Such Is the Fact!

"Education must be kept free and clear of government domination. The time has come when our business institutions and corporations must assume the responsibility for supporting technological institutions.

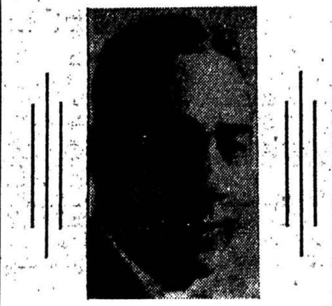
"So let's spend our money and get something for it while we can. The way our country has been going lately, God only knows how much your dollar will be worth five years from now. We are spending our way into bankruptcy, so we might as well get something for our money now." — Alfred P. Sloan, Jr.

"Our institutes of technology, because of their close relationship both to government and to industry, have a special obligation to maintain their independence. An institute of technology, serving and strengthening a prosperous economy, deserves enough support from free enterprise to insure its own independence."—James R. Killian, Jr., President of the Massachusetts Institute of Technology.

The task of keeping education "free and clear of government domination" is growing more difficult and more vital with each passing day. The more government "soaks the rich," the more difficult the task, but free enterprise cannot afford to let the matter go by default.

W. R. Wittich Becomes Partner in Grimm & Co.

Wilbur R. Wittich has been admitted to general partnership in



Wilbur Wittich

Grimm & Co., 44 Wall Street, New York City, members of the New York Stock Exchange. He was formerly Resident Partner of Maxwell, Marshall & Co. in that firm's New York office, and has recently been associated with Walston, Hoffman & Goodwin.

His admission to Grimm & Co., was previously reported in the "Chronicle" of Nov. 3.

Railroad Securities

Southern Railway

Securities of Southern Railway have been giving a relatively poor account of themselves for some time past despite the evidence of management confidence in the outlook implicit in declaration of the regular $1 quarterly dividend on the common at the last meeting of the directors late in October. The common has recently been selling just about 10 points below the 1949 high, the preferred is available on close to a 10% yield basis, and even the relatively short terms of, 1956, are selling at a substantial discount from par. Admittedly the Southern Railway picture is not completely without its problems. However, rail analysts generally consider that what problems do exist are more than discounted at current levels.

One of the most favorable aspects of the Southern picture is its long term traffic record and prospects. The lines literally "cover the South." Thus, the road has reaped the fullest possible benefits from the industrial development that has been taking place in that area for many years. This territorial growth received substantial additional stimulus from the war and even since the end of the war the trend has continued. It is indicated that it has not even yet run its full course. Additionally, new cash crops have been exploited in the rural areas, reducing the traditional dependence of this segment of the population on cotton and tobacco and strengthening the overall economy of the area.

The management has been quite aggressive in consolidating its offices and services and in eliminating, so far as is possible, unprofitable operations Large sums of money have been spent on the property in the past 10 years. Despite the fact that a substantial volume of coal is handled, the road has gone in quite extensively for diesel operations for both freight and passenger business. All of these factors have tended to improve the operating efficiency, to soften the impact of wage increases granted in recent years, and higher fuel and material costs. They also augur well for future efficiency of operations.

One factor that may be adversely affecting public sentiment towards the road's securities is the problem of bond maturities in early future years. In the period of recovery from the severe depression of the 1930s the management showed itself fully aware of the necessity for reducing debt and the burden of fixed charges. Temporary loans and maturing bonds were paid off. Then the company started a program of open market purchases of its junior bonds which mature in 1956. When prices for these bonds advanced sharply above par this practice was discontinued. One big handicap the company had was that most of its debt is non-callable. It was not able to take advantage of bond market conditions in 1945 and 1946 to do a comprehensive refunding job.

While the management did meet with considerable success in its debt retirement program (more than $70 million of direct and leased line non-equipment debt was retired in the years 1941-1948) it was not able to eliminate the near-term maturity problem entirely. Based on the 1948 annual report the direct and guaranteed non-equipment debt falling due in the years 1951-1956, inclusive, amounted to more than $111 million. By far the bulk of this, nearly $85 million, is represented by the 1956 maturities. Admittedly this is a sizable requirement to be met. However, it should be borne in mind that maturities rarely, if ever, precipitate a crisis if earning power is sufficient to support the charges on the debt. At worst, then, a voluntary extension of part of the maturities might be necessary if bond market conditions at the time were not conducive to refunding.

In the current year, with the early loss of export coal and with textile mills operating at a particularly low rate, the company got off to a poor start. Heavy maintenance outlays were continued despite lower traffic. More recently the company has been hard hit by the steel and coal strikes. As a result, earnings on the common for the nine months through September declined to $2.13 a share compared with $8.87 a year earlier. Last quarter comparisons should be materially better and the company should be able to report between $5.50 and $6 for the full year. While this would be less than 50% of 1948 share earnings it is hardly, under conditions faced by the road this year, any cause for such pessimism as had been indicated by recent market action.

Park Sheraton Hotel Has Television Sets In Every Room

World's first hotel to furnish service to clients.

The Park Sheraton Hotel, located at Seventh Avenue and 55th Street is the only hotel in the world which has television in every room.

The Park Sheraton can be reached in 16 minutes from the Wall Street district by the West Side Subway and is one of the 28 Sheraton Hotels in 17 cities.

This hotel chain is owned by the Sheraton Corporation of America, of which Ernest Henderson is President, with offices at One Court Street, Boston.

With Kennedy-Peterson

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—John A. Peterson, Jr., has been added to the staff of Kennedy-Peterson, Inc., 75 Pearl Street.

Florida Security Dealers Association

F. Boice Miller of B. J. Van Ingen & Co., Inc., Miami, Fla.,


F. Boice Miller


Howard S. Wheeler

former Secretary-Treasurer of the Florida Security Dealers Association, was elected President for the ensuing year. Howard S. Wheeler of Leedy, Wheeler & Alleman, Inc, Orlando, is the new Vice-President, and Norman E. Sterling of A. M. Kidder & Co., Jacksonville, replaces Mr. Miller as Secretary-Treasurer.

The Security I Like Best for the Future

(Continued from page 2)

the future of this stock is very bright.

WALLER C. BRINKER

J. K. Mullen Investment Co.

The security I like best for the future. In a recent commencement address, James F. Byrnes, former Secretary of State, in speaking of the current political and economic trends, said:


Waller C. Brinker

"We are going down the road to Statism. Where we will wind up, no one can tell, but if some of the new programs seriously proposed should be adopted there is the danger that the individual, whether he is a farmer, worker, manufacturer, lawyer or doctor, will soon be an economic slave pulling an oar in the galley of the State."

And, later on, he said, "We should not have the Federal Government regimenting our lives from the cradle to the grave."

And in a broadcast to the nation Ex-President Hoover admonished the American people in these words: "No nation can remain static and survive, but dynamic progress is not made by dynamite, and that dynamite today is the geometrical increase of spending by our governments—Federal, State, and local.

"Twenty years ago, all varieties of government, omitting the Federal debt service, cost the average family less than $2 annually. Today, also omitting the Federal debt service, it costs them an average of $100 annually.

"Along this road of spending, the government either takes over, which is Socialism; or dictates the constitutional and economic life, which is Fascism.

"We have not had a great socialization of property in this country, but we are on the last mile, now, to collectivism, through governmental collection and spending of the savings of the people.

"A large cause of this growing confiscation of the work of the people by our various governments is the multitude of pressure groups among our citizens."

In order to realize what the combined force of these pressure groups amounts to, the editors of the conservative Baltimore "Sun" have estimated, and I quote:

"That the Administration's Fair Deal Program would, in the course of the next forty years, cost in the aggregate one trillion, 250 billion dollars. This is about equivalent to the wealth that the world has accumulated over the centuries."

Senator Byrd, who for many years has fought for economy in government, has this to say:

"Without American solvency, our constitutional freedoms would disappear at home and there would be no deterrent to Communism abroad. Under existing circumstancces, it is no exaggeration to say that there is literally nothing on earth more important than the preservation of the fiscal integrity of the Federal Government of the United States, and the financial establishment of our free enterprise system."

But there are many threats to that establishment which you and I may not disregard, and I believe that you will agree with me that these statesmen are calling the attention of the American people to a crisis in domestic affairs.

One pressure group, the American Federation of Labor, announced in the past two weeks, through its top officials, that it will raise millions of dollars and wage the greatest political campaign in history for the Congressional election of 1950, in order to elect what is to them a friendly Congress.

They have marked for defeat thirteen Senators who will be up for election at that time, including Senator Taft, our own Senator Milliken, Senator Hickenlooper, Senator George, of Georgia; because of those Senators have refused to vote to repeal the Taft-Hartley Act and otherwise bow down to the dictates of the labor bosses.

If labor unions, which represent only a minority of the workers of America, can defeat these men and elect in their place their own party sons, they will bring about a Labor-Socialist Government in this country which will bring a complete change in the economy, and institute a state of affairs that Secretary Byrnes and Ex-President Hoover and Senator Byrd have described, and that is why the Congressional elections of next year are, in my opinion, the most important and momentous in this nation's history.

And that is why I answer your question, sir—the security I like best for the future—in the words of Senator Byrd:

"The preservation of the fiscal integrity of the Federal Government of the United States and the financial establishment of our free enterprise system." Given that, the stocks and bonds of many American corporations will continue to be attractive investments, and without that, I cannot predict.

E. WARREN WILLARD

Boettcher & Co.

The security I like best for the future, which security may be listed or unlisted, may be a speculation or investment, I feel that such a security should be of an industry and of a company which meets the following requirements:


E. Warren Willard

The minimum labor problems, the minimum inventory risks, the minimum or no governmental regulation or competition, top management personnel an effective personnel which is conscious and considerate of the stockholders' interests, a balanced capital ratio, adequate working capital, strong balance sheet and a strong, growing demand for its product.

There are other qualifications for this security which I like best for the future, but these represent the salient requirements. The $64 question is the name of the security which measures up to all these requirements, and I can't help but feel that if such a security were actually available, we would not have the interesting business in which we participate today.

There are securities of all types, as there are people, and our problem is to try to fit the security to the needs. Changing conditions affect securities as they affect business.

I am glad to enumerate some of the various types of securities which I favor. I like natural resources companies — natural gas companies—especially those which have large reserves. Cities Service, which is not a popular name, is gradually developing into the largest natural gas company in the country. I have favored it for a long time. United Gas Corporation, Republic, National. I like the pipeline securities, with gas reserves. In the metals, Kennecott Copper, and I can't help but feel that Climax, under the new management, will do much better.

In the oils, the majors are always looked upon with favor. Of late, I have liked Lion Oil, due to certain important developments. I also favor Pure Oil and Ohio Oil.

I like stocks of industries which cater to the masses. J. C. Penney has been one of my favorites.

In the utilities, our own Public Service of Colorado, Consolidated Edison of New York, Southern Company, and others.

In the locals, I like Potash Company of America, a natural resource company, and Ideal Cement, they are my top favorites. But that doesn't mean I am not favorable to all of them; as I think, in most cases we are the closer to the operations of our locals, I have confidence in all of them.

Why isn't the investment trust the answer? I think the investment trust is a fine investment medium and fills a certain need; but it does not supply the answer to every problem. The same applies to a tax-free municipal bond, which certainly has a very definite place in most investment programs.

In the field of closed-end trusts, I like Lehman Corporation for investment; Tri-Continental for speculation.

In the open-end trusts, there are so many good ones whose historical background and future possibilities I respect, that I hesitate to name one above the other. You can liken securities to clothes. If you have made up your mind that you definitely have to have a blue suit to fill out your wardrobe, you will not be happy if the salesman insists and finally sells you a gray suit, of which you already have two.

Of course, if you are running around in shorts, then you have a complete wardrobe to buy, and you might end up with one of those glamorous Jack Good outfits and, by the way, he's a municipal man.

Research and individual aggressiveness make for our business and the success and confidence of our clients. New issues are periodically available and they might be outstanding values for our clientele.

I strongly favored Rohm and Haas, a fine chemical company, when first offered to the public some months ago; Southern Company; New York State Electric and Gas, and there are many more in the offing.

I cannot name one security to fulfill all requirements, and await enlightenment from my colleagues.

DONALD BROMFIELD

Garrett-Bromfield & Co.

The company I am going to suggest for your consideration is one that has a number of unique qualities. It has no market problem at all. There is always the same market, and the price is there and there is no limit to the market.


Donald Bromfield

Another unique quality is that during times of depression the company should make more money than they do in times of prosperity. The company has no sales problem whatsoever, so therefore they don't have to have a sales organization, and they don't have to advertise their product.

The company that I am referring to is Homestake Mining. As a matter of fact, in my judgment—and I am sticking my neck out, of course, because it's only my opinion — the value of their product will increase and never decrease, so that you have an opportunity there of getting into a security with the best prospects that I can think of.

Now, I am not going to give you any statistics on the company, what they have laid out for the future, or what their earnings are, because it's all in the book and you boys are perfectly capable of reading it.

JOHN J. SULLIVAN

Boswith, Sullivan & Co.

The industry that I like best is the industry that John L. Lewis has made, namely, the natural gas industry, and in particular the transmission end of that industry.

John J. Sullivan

It is to comment on the obvious to say that because of John L. Lewis and the gutless, politically - minded government with which he is dealing, coal as a source of heat is being priced out of the market and has become extremely unreliable because at any time that John L. decides, either the supply can be cut off or the price can be raised.

Again, it is to comment on the obvious to say that natural gas is much cheaper, cleaner, easier to handle, and a much more reliable heating method, or medium, than is coal. Because of these factors, the natural gas industry has had an extreme growth in recent years and, looking to the future, I think that growth will continue.

In many ways, I think the natural gas transmission industry is as near an ideal industry as you can find. At one end, i.e., in the Southwest, there is, according to geologists, a very ample supply of gas. At the end of 1948, natural gas reserves were estimated at 174 trillion cubic feet.

Withdrawals, during 1948, totaled 5.8 trillion cu. ft., which were offset by new discoveries of 8 trillion cubic feet. There has never been a year in which new discoveries have not been greater than withdrawals and the present known reserves are sufficient to meet withdrawals at the 1948 rate for a period of 29 years.

At the other end, the tremendous markets of industrial and individual consumers — in most areas, the transmission companies are being hard-pressed to keep up with demand for traditional supplies and, in addition, of course, there are many sections of the country which do not as yet have natural gas for fuel, and which are clamoring for it.

In between the source of supply and the market extend the pipelines of the transmission companies. These companies have what to me is a super-important advantage, under present conditions, namely, they have an extremely low labor factor.

The average is only around 12% to 15% of gross, compared with about 26% for electric operating utilities and, of course, on to a much higher percentage in industrial operation.

The natural gas industry has no inventory problem. I think this factor is extremely important. Operating expenses are usually very stable. The cost of fuel for operating compressors is known, because it is part of the gas supply that is purchased and usually the transmission companies contract for gas supplies on a long-term basis, at set prices.

These purchase contracts are usually matched at the other end by a long-term fixed-price contract for the wholesalers or retailers, so in the natural gas industry you have an ample supply of the product, an ever-increasing market, an extremely low labor factor, and no inventory problems.

It is obviously a pretty safe place to have some money. I'm sorry I didn't get into the details of the individual companies. The two that I was going to suggest, the one on the conservative side, Tennessee, the other on the more speculative side, Trans-Continental.

BURDICK SIMONS

Sidlo, Simons, Roberts & Co.

I made a quick check of the figures that John just gave you, a mental check, and I assure you he is correct in all of his statements as to the figures.

Burdick Simons

It occurs to me that there is an advantage in being at the head of the batting list. When we received the letter asking us to talk about our favorite stock, it said don't worry about picking the same one as someone else picked as that will only be emphasis and show that it is liked most, so I have picked the same one that Gerald Peters picked; Frontier Refining Company is my favorite stock for the future.

Gerald covered the subject so thoroughly that there isn't a lot left for me to say, except to reiterate a few of the things that he said and add one or two other little points.

I want to say that I think Gerald is absolutely right when he says that Maurice Robineau, President of Frontier Refining Co., has set up a most intelligent and aggressive management, and that he has surrounded himself with a group of young men who are doing a wonderful job. I want to mention, again, that the Frontier plant in Cheyenne is the second largest plant in this area, this territory, and doubtless the most modern plant, with the possible exception of the addition which Continental is just opening up and showing to the public today.

That is a catalytic plant, too, and the plant which Frontier bought from the government, at a very nice price, is also a catalytic plant.

Frontier has two cracking plants and one catalytic plant. One point that Gerald didn't mention which I might bring out is that Frontier has just signed a contract for a coking plant which will make the plant at Cheyenne the most flexible refinery in this region. The cracking plant allows the company to shift its end-point products from fuel oil down to asphalt, or just whatever is needed much more easily than other types of plants can do.

Also, a coking plant will allow Frontier to get a greater percentage of gasoline out of the crude oil which runs through its plants.

Now, Gerald mentioned some of the production properties that Frontier has acquired; the most interesting and the newest one is the Fiddler Creek field. Frontier has just brought in a well up there which is noted, to begin with, at 4,000 barrels a day.

Frontier is taking out, at the present time, 1,000 barrels a day. Frontier believes that it has seven more good locations.

Now, I'll let you figure out for yourselves what this might mean to Frontier if it really has eight wells comparable to the first one. Gerald said $2,000,000, but I could easily get a figure of twice that amount. When you consider that Frontier has outstanding only 429,000 shares of common stock, consider what it has made in the past, $901,000 in 1948, and almost $700,000 in 1949—May 31, 1949—what it may make this year, plus what it can add to its earnings with the new oil fields, the new oil production, you can see that that figure, divided by 429,000, might come out to something that would really astonish you.

AARON W. PLEASANTS

The International Trust Co.

Frankly, I don't know of any one security or group of securities which I think best for the future. I have had some difficulty in getting the significance of the word "best," which connotes the highest degree of safety.

Aaron W. Pleasants

I think the answer is obvious, the United States Government bonds. They are certainly the premier securities of the world. On the other hand, if by "best" is meant "the most suitable" security, I would want to know a number of factors that would have to be predetermined, among them, the type of investor and, if that particular investor had a list of securities, I would want to know if there was sufficient diversification.

In the case of common stocks, I do not pose as an expert, but I think I would buy two types, oil stocks and gas stocks, and then utility stock, in order to attempt to catch it, either way, whether this inflationary tendency persists, or a deflationary period ensues.

Municipal men, up until very recently, have been very much disturbed at the prospect of approximately five billion Federal Housing bonds—which are tax-exempt and compete directly with the municipals—hitting the market beginning this Fall, and late dispatches from Washington indicate that, aside from two issues of funding bonds, the proceeds are to be used to retire local housing obligations.

There will be no new issues of Federal Housing bonds until next Summer. This assurance, and you might say favorable development for municipals, is somewhat tempered by the knowledge that next month they are going to vote on approximately two billion municipals. That is an all-time high.

The largest issue involves half a billion Pennsylvania bonus bonds. I think they can be taken in stride, provided they don't change the plan and issue those Federal Housing bonds. I don't contemplate that there is going to be any particular change in the character of the municipal market.

Finally, I want to say a word in behalf of municipal revenue bonds. In my judgment, a carefully selected revenue bond of a substantial community, for a very essential purpose, is a very high-grade security. They have made a most enviable record and I think such instruments deserve careful consideration on the part of conservative investors.

(Continued on page 24)

Securities Salesman's Corner

By JOHN DUTTON

IS IT LISTED?

(Third Article)

In the two previous articles on this subject we have dealt with some of the problems which the retail dealer must face today in handling unlisted securities. This was done to clarify the situation and certainly not to disparage the unlisted market. No class of securities, no market place, and no individual security is not without some disadvantages.

There are several avenues that the retail Dealer can take today in handling the only merchandise (with the exception of the funds and some occasional new issues that are attractive for individual placement) that he can make a living selling—we mean unlisted seasoned issues that are normally traded over-the-counter.

Experience has proved that no business can remain static but it must have a definite program. This program should be basic and fundamental. It should guide the operations of the entire organization from top to bottom, with deviations only in minor cases and not in fundamental policy. This holds true of a small or a large business. A ship must have a chart and it must have a destination. Otherwise it drifts.

Now what kind of policy is best suited to today's conditions? Opinions will vary but the following are some suggestions that have come from the experience of successful dealers who have tried them out and found that they worked.

No business can last or grow unless it SERVES well. This means that all policies concerning merchandising should be directed toward customer welfare. Starting here we find that it is necessary to make clients instead of making sales. There is a difference between a client and a customer. A client gives you ALL his investment business—a customer buys securities from you and also from several other dealers or brokers. You never control a customer's business, you can never count on his continued patronage. Clients are foundation stones of your business—customers come and GO.

You keep clients by performing a service better than anyone else performs it. You obtain clients the same way. You can conduct your business almost anyway you desire regarding listed and unlisted items. You can sell unlisted, you can act as agent or dealer, you can charge an extra service fee on listed, you can act as broker on both listed and unlisted, PROVIDING YOU HAVE CLIENTS.

How do you obtain clients? There are thousands and thousands of people all over the country that never see a security salesman today, they never go to a broker's office and they rarely read the financial columns of a metropolitan newspaper or a financial publication. It has been said that millions of dollars are burned up every year because people don't turn in their rights, or sell them, which they receive on stocks that they hold. There are people all over the country that own real property and securities who throw away all kinds of unnecessary money in taxes every year because they don't even know about the capital gain and loss provisions in the income tax setup. There are people that are absolutely befuddled with the income tax every year. Just think what these two tax problems offer to a retail dealer (when it comes to an opportunity) to perform a service. What better method of obtaining lists of holdings could any one have than to make up a tax form for capital gain or loss purposes? How about a watching service? Many of these people hold stocks and see them go down, and up, and stand still, and they don't KNOW WHAT TO DO. No one tells them when a security is overpriced, or an industry begins to look tired, or the market is at a point where highly speculative items should be sold, or vice-versa. No one tells them what to do with their E bonds, or their cash; it sits there at 1½ and 2%. Or they have some bonds called, or a preferred stock called, or they get rights, and need advice. They have a collection of securities, stocks, bonds, real estate, cash, etc. It is a haphazard collection of assets. They HAVE SELDOM SEEN THE WHOLE PICTURE PUT DOWN ON PAPER IN A WAY THAT THEY COULD UNDERSTAND. How much of their assets are stable? How much is for their reserves? If they needed cash in a hurry would they have enough of it? How much is invested in speculative securities? Do they have too much or too little to suit their individual needs and the present phase of the business cycle?

When you begin to answer these questions for your clients and perform these services for them, it follows logically that they are not going to ask you IS IT LISTED? They are going to make certain adjustments in their financial program that are demonstrably beneficial to them. They are going to know why these things are done. They are going to let you accomplish them AND NO ONE ELSE. And it seems to me that they are going to be pleased to see to it that you get paid for your work, **whether or not you bill them as agent or as principal, and whether or not you sell them listed, or unlisted, or the funds,** or the combined three major classes of securities we have been discussing.

Fred Goth V.-P. of Irving J. Rice & Co.

ST. PAUL, MINN. — Fred S. Goth has become associated with Irving J. Rice & Co., First National Bank Building, as Executive Vice-President.

Mr. Goth, well known in the industry, was formerly with Merrill Lynch, Pierce, Fenner & Beane.

With National Company

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—John T. Bressler, Jr., has become affiliated with the National Com. of Omaha, First National Bank Building.

Bache & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

AKRON, OHIO—John H. Miller has become affiliated with Bach & Co., Second National Building.

Joins Vercoe Co. Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—Walter C. Gummere, Sr., has become affiliated with Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

With Edwards & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTSMOUTH, OHIO—Adrian B. Arganbright has joined the staff of Edwards & Co., Inc., National Bank Building.

The Security I Like Best for the Future

(Continued from page 23)

AMOS C. SUDLER

Amos C. Sudler & Co.

I have always specialized in Ideal Cement Company stock and I believe it still will be one of the leaders in this territory due to the fact that it has operated successfully here since 1908 when the original Cement Securities Company was organized. It has paid a dividend in each year since 1912. I started selling Cement Securities stock at 110 and I have seen figures which show the results of an investment in this stock in 1920 when the average market value of 10 shares of stock was $1,205.

Amos C. Sudler

According to this data, an originay investment of $1,205 in 1920 yielded dividends in the amount of $5,366.45 up to Oct. 1, 1949. There have been a number of stock split-ups since 1924 when the corporate name was changed to Ideal Cement Company. As a result of the cash retirement in 1936 of debentures which were issued in 1928 on an exchange basis to preferred stockholders, the original owner of 10 shares of Cement securities got back slightly more than his original investment. In addition, the amount of stock he would now own would have a market value of $4,620 and he is now receiving dividends at the rate of $224.40 per year.

While I do not think the past record can be duplicated, I nevertheless feel that the outlook for a building stock of this kind is very bright and I recommend Ideal Cement as one of the premier stocks of Denver.

EDWARD COUGHLIN

Coughlin & Company

In selecting a stock that I would like best for the future, I have given consideration first of all to the industry in which it is placed, the outlook for the industry as a whole, the territory in which it is located, its growth possibilities, its financial structure, its management, and its marketability.

Edward Coughlin

Such a stock, I believe, can be found in the Southwestern Public Service Company. This company is the outgrowth of two holding companies, namely the Community Power and Light Company and the General Public Utilities Company.

This company has been operating as it is now set up since September of 1942, and it is now exclusively an operating public utility with approximately 92% of its revenues derived from the sale of its electricity. Incidentally, all of which is generated by the company itself.

It is a completely inter-connected system serving a population in excess of a half a million, located in Texas and Oklahoma Panhandle, and the Pecos Valley of New Mexico. The principal cities served are Amarillo, Plainview and Lovett, Texas, Roswell, Carlsbad and Clover, N. M.

The growth of the company is best reflected in its gross revenues which have increased from $8,-400,000 in 1943 to $14,700,000 in 1948. I give you round figures there. Its net has shown a corresponding increase, and breaking it down to per share earnings and adjusting it to the shares outstanding, we have this to record: In 1943, the earnings were 88 cents per share; in 1940, 90 cents; in 1945, 94 cents; in 1946, $1.46; in 1947, $2.11; in 1948, $2.63, and for the 12 months ending July 31, 1949, $2.68 a share.

Dividends have risen from 22 cents in 1943 to $2 in 1948. The first three dividends of this year were likewise 50 cents a quarter, but the company had previously announced that the fourth quarter dividends, payable Dec. 1 to stockholders of record Nov. 15, will be 55 cents, which places the stock on a $2.20 basis.

The capitalization of the company as of Dec. 31, 1948 consisted of mortgage debt 54.7% on its long-term debt, 3.7% preferred stock, 16% common stock, and surplus 25.6%. Let me say, briefly, the entire mortgage debt is owned by New York Life, Mutual Life and Equitbale Life of New York.

ERNEST E. STONE

Stone, Moore and Company

All of the good things that Don Bromfield said about Homestake Mining apply to the stock and security that I am going to talk about, namely, Golden Cycle Corporation.

Ernest E. Stone

First, a little of the past history. The company has paid $102 per share in dividends. Paid $36 per share in the years 1933 through 1942. It completed the Carlton drainage Tunnel in 1941, lengthening the life of Cripple Creek District by at least 25 years.

Let's take a look at a few items contained in the 1948 annual report. We find an item in the asset column entitled "Corporate Stocks" carried at $83,000. Included in this is the rich Ajax property which has produced $20,-000,000 in ore with $10,000,000 now in sight. Also various other properties namely: Anchoria Leland, Index, Cameron, Bonanza, Granite, Dillon, Wilson and several dumps. All of this is carried at $83,000!

Another item is entitled "Others" and with italics they state, "Quoted value substantially above cost." This is carried at $41,000. Included in this is 1,250,-000 shares of United Gold Mines, valued in current market at $500,-000. Also many other securities. All of these carried at $41,000!

Another item entitled "Other Real Estate" is carried at $93,000. In this item is included the Golden Cycle Building, which is carried at $60,000, value at least $300,000. Also The Union Ice and Fuel Company properties and other buildings carried at $33,-000. Value at least $150,000.

Now, looking at Cycle's future: First, The Carlton Tunnel already is draining an additional 1,-100 feet of ore thereby eliminating former expensive pumping costs.

Second, As much gold is left in Cripple Creek as has been taken out.

Third, Abandonment of Railroad and Old Mill, eliminating losses of $100,000 per year.

Fourth, Completion by end of next year of new efficient $1,500,-000 mill to handle ore in units of 333 tons each. Each unit will be profitable to operate by itself.

Fifth, Millions of tons of dump ore available.

Sixth, New lime plant now completed at the Pike View Coal Mine. The new kilns will burn spalls of ore formerly rejected.

Seventh, New rock crushing plant now completed to be worked in conjunction with lime plant.

Eighth, Pike View Coal Mine will have new mechanized equipment thereby cutting costs.

Ninth, Likely free market for gold or an increase in the price of gold.

Finally in conclusion:

All of this with only 187,000 shares of stock outstanding. At present price of $20 this gives a total market value of only $3,-740,000 or little more than the cost of the Tunnel, Laterals and the New Mill. Company has excellent management. Holders of this stock will be amply rewarded regardless of increase in gold price. If increased it will only accelerate the great future of Cycle.

WILLIAM McCABE

McCabe, Hanifen & Co.

My topic here was more or less covered by John Sullivan and a few of the other boys. However, I feel that if I wanted to suggest my choice of securities for the future, I wouldn't want to pick any security for any length of time, in view of the confusion, as Wally Brinker pointed out, in this country and throughout the world.

William McCabe

But I do feel my choice would be the public utility industry and the natural gas industry, pretty well combined, due to the fact that they are both not vulnerable to high labor costs, or inventory problems, and we like the industry primarily in the Southwest territory, where they do not have large cities, big industrial loads, and have natural gas for fuel. In view of the present outlook for the world today, however, it is pretty hard to pick any safe security except for the very near future.

ALEXANDER FORSYTH

Calvin Bullock

I know what most of you fellows are thinking—here comes a talk on investment trusts. Well, I wouldn't disappoint anybody for the world. I have chosen a group of securities which I feel have the most promising future, three funds under the capable management of Calvin Bullock, namely, Dividend Shares, Nation-Wide Securities, and Bullock Funds.

Alexander Forsyth

We all know that there are certain requirements of any investment — safety of principal, marketability, and yield—and, in my opinion these three Funds fulfill these requirements to a high degree.

Time will not permit going into the merits of each of these three Funds in detail. However, briefly, Dividend Shares is a common stock fund with 105 very high-grade companies represented in its portfolio, and is designed primarily for income. Nation-wide Securities is a balanced fund. The portfolio contains at all times at least one-third invested in bonds and preferred stocks and its aim is stability of principal. Bullock Funds is a growth fund with a portfolio of securities not too well known to the general public but which, in the opinion of the management have excellent growth possibilities.

A person owning all three of these funds has a complete investment program and receives a dividend every month. Why do I think that this group of securities has a promising future?

First, the investor is always assured of an income. Can you ever picture a time when all of the leading stocks of the country would stop paying dividends? If you can, well, you can look to the investment trusts of the Calvin Bullock to stop paying dividends.

Second, the investor is always assured of a ready market, since regulated investment companies are required to redeem their shares at asset value on the day that they are submitted for redemption.

Third, because I know these funds will always follow the market and never go contrary to the general trends as some individual stocks sometimes do. With such broad diversification in the industries of our country, these Funds are bound to share in whatever business prosperity lies ahead for the United States.

Could you ask for any more promising future for any investment? Dividend Shares, for dividends, Nation-Wide, for stability, and Bullock Funds, for growth.

KARL MAYER

J. A. Hogle & Co.

The security we like best for the future is the common stock of a corporation formed way back in the early part of the century, October, 1915, being the outgrowth of the company which originated in 1903; the original business of this latter company was started in 1802, with an investment of $36,000. Now, the resources approximate $1,347,000,000. The annual report for 1948 was the 147th. The quarterly dividend paid on the common stock in September, 1949, was the 180th quarterly consecutive disbursement; 45 long years of unbroken dividend record.

Karl Mayer

Stock split-ups? Many of them. Two-for-one in 1915. Two-for-one in 1926. Three-and-a-half-for-one in 1929, and four-for-one in June of this year. One single share acquired in 1915, at the cost of $347, now represents 63 shares worth $3,419.

The company, since its small beginning in 1802, has kept pace with the growth and the development of our country and has become a large enterprise with corresponding large responsibilities.

The company considers their responsibilities to include adequate profits for stockholders, expanding opportunities for employees and the development and production of a variety of useful products which can be sold at fair prices to the consuming public.

The steady development of new products and production techniques is the main basis for the progress that this company has made in the chemical business. The earnings come mainly from the diversified chemical activities, with the balance largely from dividends on 10,000,000 shares of General Motors, being 22.7% of the outstanding stock. Holdings in the big motor company are equal to approximately one-quarter share for each share of the chemical company outstanding.

The last Annual Report shows General Motors carried on the books of the company at $29.15 per share, compared to the present market value of approximately $64.

The financial position is very strong, with current assets of $400,000,000 comparing with current liabilities of $87,000,000, a little less than five-to-one. There are 44,000,834 shares of common stock held by about 85,000 stockholders. Per share dividend of $2.60 affords a yield of approximately 5%. Balance of the capital structure consists of 1,000,000 shares of $3.50 preferred and 1,689,000 shares of $4.50 preferred. There is no funded debt.

The common stock sells at $54 per share, a high price-earnings ratio, reflecting strong finances and growth prospects in the chemical business in which it is one of the leaders.

The end of the government's anti-trust suit against the company is years away, and regardless of the outcome is favorable to the stockholders.

For an investment — and we mean an investment—in the common stock of a company with growth possibilities, good earning record, good dividend record, good employee relations, having a 45-year-old pension and bonus plan, good top management and good selected investments in other companies, we like the common stock of E. I. du Pont de Nemours best for the future.

If you possess sufficient funds, you can buy this stock at a 14% discount through the purchase of Christiana Securities, which owns 81.2 shares of du Pont common, and one-half share of General Motors for each share of Christiana, which now sells at around $3,600 per share.

NORMAN DAVIS

Merrill Lynch, Pierce, Fenner & Beane

We had a hunch we would be at the end of the line here, and, not to conflict with anybody else, we have changed the title of the meeting a little and we have selected the security we dislike best for the future. We feel that American Telephone and Telegraph has lost, through circumstances beyond the control of its able management, a good part of its investing quality and the growth potentialities which it has had in the last analysis, and which has made it such a prime favorite with the conservative investor.

Norman Davis

A relatively unfavorable outlook for American Telephone and Telegraph is based upon, one, the high and still rising level of cost; two, the consequent down-trend in the return, per dollar invested, and, three, the very serious dilution of earnings per share of common stock resulting from debenture conversions and stock purchase plans for employees.

Illustrative of points one and two, it can be noted that the system's gross plant rose from $4.7 billion in 1940 to $8.6 billion, in 1948; System debt increased from $1.2 billion, to $3.4 billion, excluding the recent $395 million issue, while the System's then operating income rose from $221 million to $254 million.

Per share earnings of common stock, reflecting dilution of additional shares, dropped from $11.26 to $9.86. As far as future dilution is concerned, if all potential debenture conversions are effected, 8.5 million more shares come into being, and if all of the 2.8 million shares of stock offered to employees are taken, the company will have outstanding 34.6 million shares of common stock.

To maintain the $9 annual dividend on the increased number of shares, the company would have to earn approximately $158 million more before taxes, at the present tax rate, than it did in 1948. Giving consideration to interest savings on converted bonds, this would require a 44% increase in gross income.

The picture, of course, has its other side. Rate increases are being granted here and there and the company, through its long-range mechanization program, hopes to reduce its labor costs. It does not seem to us that the government is likely to consider itself obligated to guarantee the $9 dividend rate and, in fact, this rate has been the subject of considerable criticism in Congress in the past.

It should be borne in mind that 25 years ago, Western Union Telegraph Company securities were considered prime investments, which is certainly not the case today. By this we do not mean that American Telephone and Telegraph is likely to decline to the low estate in which Western Union finds itself, but only to indicate the fact that change is always with us and to point to our aversion to permanent investments.

EARL M. SCANLAN

Earl M. Scanlan & Co.

The security I like best for the future: I like Dixie Cup, for the following reasons: One: It is the leading company in a growing industry.

Earl M. Scanlan

Two: 1949 sales and earnings will probably exceed 1948.

Three: The dividend rate, which was recently increased, is still less than 25% of the present earnings. It will undoubtedly be progressively increased if expected earnings materialize.

Four: The small number of outstanding shares, 200,000, plus senior securities, give a sharp earnings leverage.

Five: This stock is undervalued at present price, based on present and future earning prospects.

Six: This stock becomes increasingly recognized as a public growth situation. It will undoubtedly sell at a higher price-earnings basis.

Seven: Selling a low-price consumer product, this operation can't get hurt much if general business should decline markedly.

Eight: In summary, I feel the odds are heavily-weighted for this stock to have market appreciations over the coming years, based on higher and staple earnings and dividend increases.

Dixie Cup is the leader in the paper cup industry, whose trade name, Dixie, is known everywhere. Consumption of paper cups and food containers increased during the war, when they were used around the world by the armed forces and at home for in-plant feeding operations.

This acceptance of paper cups and containers to a degree not achieved before the war, has increased per capita consumption. There has been an increased use of paper cups and containers at ball parks, factories, railroads, hospitals, and soda fountains. Soda or soft drink automatic vending machines, which use paper cups, are beginning to be noticeable in metropolitan areas, and will be in more locations.

It will be recalled that only a few years ago it was a novelty for people to use paper napkins and handkechiefs. Now, it is considered economical and hygienic to do so, and the same philosophy applies to paper cups and containers.

I believe over the next few years this industry will continue to show a growth trend. In 1948, Dixie earned $6.70 per share. I believe 1949 results will be slightly better, and I think the company can earn $10.00 per share in the near future, because of the growth and leverage factors.

Furthermore, these earnings should be pretty stable and not too badly affected by a general business recession, inasmuch as its product is a consumers' one.

I do not think that a price of fifty for Dixie in the next few years is unreasonable, or a fantastic assumption. This would represent a substantial appreciation from the present level, in its low thirties, and undoubtedly it will be accompanied by dividend increases in line with earning trends.

The Maloney Act

(Continued from page 3)

and jury, is an alien departure from our democratic institutions.

(4) Market liquidity has been woefully impaired and venture capital discouraged.

These and other complaints just as cogent have caused us to ponder upon the legality, or absence of legality, of the Maloney Amendment. The desirability of erasing this law is obvious. This, of course, can be done legislatively. We, however, address ourselves to its content. What are some of the matters which, when weighed, may result in a judicial determination that the Maloney Act is invalid?

That those who framed this law entertained doubt of its validity is apparent from the last sentence in it. "If any provision of this section is in conflict with any provision of any law of the United States in force on the date this section takes effect, the provision of this section shall prevail."

We regard this as a demonstration of ignorance and impudence. The Constitution of the United States is the basic law of our land. If the Maloney Act is in conflict can the authors have hoped that this postscript would have the effect of an amendment? But the Constitution in its text provides how it shall be amended and the process requires ultimate ratification by the States.

Does the Maloney Act and the methods used in its enforcement involve a constitutional question? We can see one in the combined use that the Commission and the NASD have exercised in their "rule making" powers. Many fundamental legal changes have thus been brought about which should have required legislative action for their origin. However, the power to make laws is given by our Federal Constitution to the Congress and this may not be delegated. We believe that through the medium of the Maloney Act the SEC and the NASD have taken on the legislative function which belongs exclusively in the Congressional province.

The power to regulate commerce among the several States is also exclusively vested in the Congress. The extent to which the interstate commerce in securities is regulated by rule of the Commission and the NASD and how this invades the Congressional area is also worthy of study.

Is the NASD trial system, wherein it serves as investigator, prosecutor, judge and jury, *dehors* the "due process" clause? By this means may not a man be deprived of his property without due process of law?

We leave the Constitution and approach the question of whether the Maloney Act is violative of any statutes which were in existence at the time of its passage and which are still in force. Immediately we think of the anti-monopoly laws.

The only existing national securities association is a tightly knit club enjoying the monopolistic privilege of sharing certain financial advantages between and among its member brokers, dealers and underwriters which are denied to all non-members. The provision of the Maloney Act hereinbefore referred to which compels dealing with non-members on a parity with the public is intended to, and does have the effect of, augmenting that monopoly. The resulting damage to the public interest is incalculable.

We would like to see these issues determined by the courts of last resort. This must await the involvement of courageous litigants who have the will and the means to test them to the ultimate. Meanwhile, we hope that addressing attention to these problems will help to awaken public opinion, and enable our legislators to realize their responsibility so that the Maloney Act may be repealed and make unnecessary going through a long and expensive process of interpretation.

Public Utility Securities

By OWEN ELY

Northern States Power of Minnesota

Northern States Power Company of Minnesota is both an operating and holding company, and the consolidated annual revenues of over $75 million place it among the large utility systems. The company controls Northern States Power Company of Wisconsin and a number of smaller subsidiaries, the combined system serving 496 communities and adjacent rural areas in Minnesota, Wisconsin, North Dakota, South Dakota and Illinois. A considerable amount of wholesale business is handled through 33 rural co-ops, 35 municipal systems and 16 other electric companies. About 89% of revenues are from electricity, 7% from sale of gas, and 4% from heat, water and telephone service. Important cities served include the Twin Cities (St. Paul and Minneapolis), Sioux Falls, (S. D.), Fargo (N. D.), and LaCrosse and Eau Claire (Wisc.). About 81% of electric output is steam-generated, 14% hydro and 5% purchased.

The area served by the system is largely farm country, with related activities such as dairying, milling and meat packing. However, manufacturing includes a wide range of products with emphasis on building materials and equipment of various kinds. Industry furnishes only about 21% of gross revenues as compared with some 30% or more for many utilities.

The company's stock has only been known to the investing public for only about a year. Early in October, 1948 the holding company, Northern States Power of Delaware, was dissolved and the stock of the Minnesota company was distributed to the four classes of Delaware stock (Standard Gas & Electric received a small amount). Later the stock of the Minnesota company was listed on the New York Stock Exchange. The 1948 range was 9¼-7¾, and in 1949 to date has been 11-8⅝.

The company is currently offering to stockholders 1,584,238 shares of common stock at 10¼ (about a half-point under the closing price before the announcement) on a 1-for-6 basis. Warrants are being issued to stockholders of record Nov. 17 and will expire Dec. 6. Each employee will also have the privilege of subscribing for as much as 150 shares of any stock not taken up by stockholders, and later stockholders in turn will have a conditional purchase privilege for any remaining left-over stock. In addition the issue will be underwritten, by competitive bidding; fixing the subscription price in advance is an unusual feature.

Including the heavy new issue of common stock, capitalization will be approximately as follows:

Long-term debt	$134,000,000	54%
Preferred stock	48,000,000	19
*Common stock equity	68,000,000	27
	$250,000,000	100%

*11,089,667 shares.

In the above table the common stock equity has been reduced by about $12.2 million representing estimated net intangibles (including a large amount of deferred charges). Without this adjustment the ratios would be as follows: debt 51%, preferred stock 18%, common stock 31%.

Current dividends are at the rate of 70 cents per annum. Earnings in recent years have been as follows, based on the old and new number of shares:

	Based on Millions of Shares *9.5	11.1		Based on Millions of Shares *9.5	11.1
12 Mos. End. Aug. 31,			Calendar Year—		
1949	$1.09	$0.94	1943	$0.54	$0.46
Calendar Year—			1942	0.52	0.45
1948	0.91	0.78	1941	0.69	0.59
1947	0.90	0.78	1940	0.39	0.59
1946	0.93	0.80	1939	0.61	0.52
1945	0.50	0.43	1938	0.50	0.43
1944	0.52	0.44	1937	0.64	0.55

*Based on the reclassification of Oct. 4, 1948.

About 83% of the system business is done in Minnesota, where there is no regulation of rates. Following a long period of rate reductions the company late in 1948 put into effect rate increases amounting to about $5,250,000 per annum, which are not fully reflected in the 1949 interim earnings. Wage increases amounting to $750,000 per annum were granted May 1, this year. For several years the company has been considering a pension plan which will cost about $1,980,000 annually and this will probably become effective Jan. 1, 1950. (All of these items are before income taxes.)

It is difficult to attempt any projection of share earnings based on these changes, since the construction program is also an important factor. The company spent about $60 million in 1947-48, is expending nearly $43 million in 1949, and plans to spend another $57 million during 1950-51. Additions to electric generating capacity include about 19,000 kw. in 1947, 64,000 in 1948, 105,000 in 1949, 99,000 in 1950, 12,000 in 1951 and 68,000 in 1952. It will be noted that the largest additions are in 1949-50 and the results may be reflected in improving share earnings, unless offset by pension and wage costs, etc. As the present stock offering is rather heavy, it seems likely that further equity financing should prove necessary for at least another year or so.

Thomson & McKinnon Add

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Theodore L. Bradfisch is with Thomson & McKinnon, 319 Clematis Street.

Newhard, Cook & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Alice H. Budde has joined the staff of Newhard, Cook & Co., Fourth and Olive Streets, members of the New York and St. Louis Stock Exchanges.

Joins Vance Securities

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—C. B. Souther has become associated with Vance Securities Corp., Jefferson Building. He was formerly with Municipal Securities Co.

Hayden, Miller & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO. — Arthur E. Danforth has become associated with Hayden, Miller & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Charles J. Stewart was elected President of the **New York Trust Co. of New York** at a meeting of the board of trustees of the company on Nov. 9, succeeding John E. Bierwirth, who resigned as Preident to become President of Natinal Distillers Products Corp. Mr. Stewart, a native Texan, graduated from Yale University, Class of 1918. He has been associated with the New York Trust Co. since 1930. Appointed an Assistant Vice-President in 1931, he was in charge of the company's branch office at Madison Avenue and 40th Street. Following his election as Vice-President in 1934 he has directed the company's commercial banking activities at the Main Office. He has been a trustee since 1945.

At the same meeting Adrian M. Massie was elected Executive Vice-President of the company, a newly created office. A graduate of Yale University, Mr. Massie, who has been a member of the board of trustees of the trust company since 1945, has been in charge of its Investment Division since joining the company as a Vice-President in 1934. He was formerly associated with the Bank of America in New York and City Bank - Farmers Trust Co. Mr. Bierwirth will continue as a trustee of the New York Trust Co.

* * *

The merger of the **Bank of Yorktown** with the **Marine Midland Trust Co., both of New York,** became effective Nov. 14. The management of the former Bank of Yorktown will cotinue to operate the office at 7th Ave. and 37th St. as a branch of the Marine Midland Trust Co. This makes the 99th banking office for Marine Midland Corp. banks in 47 communities in New York State which banks on Sept. 30 had aggregate resources of $1,092,042,800. Reference to the plans for the merger of the two institutions was made in our issue of Sept. 15, page 1060, at which time the approval of the directors was noted. The stockholders of both institutions ratified the merger plans on Nov. 7.

* * *

Benjamin Strong, President, has announced that the Board of Trustees of the **United States Trust Co. of New York** has promoted Archibald C. Curry, Jean Mauze and Joseph Pickard from Assistant Secretaries to Assistant Vice-Presidents. The new appointees are officers of the company's investment department.

* * *

C. d'W. Gibson has been elected a Director of the **J. Henry Schroder Banking Corp. of New York,** it was announced on Nov. 10. Mr. Gibson is Vice-President-Sales and a Director of Air Reduction Co., Inc.; he is also a Director of Airco Corp. (International) and of American Insulator Corp.

* * *

Benjamin J. Weinberg, Vice-President and Chairman of the Advisory Board of the **Pennsylvania Exchange Bank of New York,** died on Nov. 10. Mr. Weinberg, who was 50 years of age, had been with the bank for two years; he had previously from 1927 to 1930, been Assistant Vice-President of the International Madison Bank & Trust Co. of New York; in 1930 he joined the Chatham-Phoenix Bank & Trust Co. as Assistant Vice-President, and from 1937 to 1947 he was a financial consultant with offices on Fifth Avenue. Mr. Weinberg, who was born in Odessa, Russia, came to the United States in 1926, after receiving a law degree from the University of Odessa and graduating from the Polish Institute of Commerce and Banking. He was a member of the Executive Committee of the American Jewish Congress and the World Jewish Congress and served as Chairman of the Russian division of the United Jewish Appeal.

* * *

Murals portraying persons, places and events of historical importance in Bronx Borough, New York City, were recently unveiled in the Parkchester office of the **Dollar Savings Bank of New York,** on Hugh J. Grant Circle at East 177th Street. Among those present for the occasion were Robert M. Catharine, President, and other trustees and officers of the bank; Arthur Crisp, the mural artist; and representatives of other banking institutions and business organizations. The largest and central mural portrays Jonas Bronk purchasing the site of the Bronx from the Indians in 1639. In the background is a map of the Bronx, with groups depicting various historical events. Shown are the "Restless," the first decked ship built in this part of America; the executive mansion of President John Adams; Anne Hutchinson and her home at Pelnam Neck; the signing of the first deed in the Bronx; Adrian Van der Donck, the first lawyer to practice in this area; Edgar Allan Poe, the poet and story writer, and his cottage which is still preserved in Poe Park; the old De Lancey Mills, and Fort Schuyler.

* * *

Edwin P. Maynard, retired Chairman of the Board of Trustees of **Brooklyn Trust Co. of Brooklyn, N. Y.,** died on Nov. 10. He was 85 years of age. Mr. Maynard had returned home a few days prior to his death from Brooklyn Hospital where he had gone for treatment for injuries received in a fall at his Summer home in Westhampton Beach, L. I.

Mr. Maynard, who was born in Brooklyn in 1864, was President of Brooklyn Trust Co. from 1913 to 1927. During his administration the building occupied by the company's main office (at 177 Montague Street) was erected. He served as Chairman of the Board of Trustees from 1927 until his retirement early in 1947, and as a member of the Board of Trustees thereafter.

Mr. Maynard spent nearly 65 years of life in banking, having begun his banking career in Sept., 1882, when he joined the staff of the Brooklyn Savings Bank. During the next twenty years he filled various positions through successive promotions, and in 1902 was appointed Comptroller of the bank. In 1912 he was elected President. In May, 1913, he was elected President of the Savings Bank Association of the State of New York. On July 1, 1913, Mr. Maynard left the savings banking field to become President of the Brooklyn Trust Co. He continued in that office until Dec. 1, 1927, when he became Chairman of the Board of Trustees, in which capacity he served until his retirement in January, 1947. In addition to his banking activities, Mr. Maynard had many business, philanthropic, civic and social connections. At his death he was a director of the New York Telephone Co., Equitable Life Assurance Society, John Englis & Son, Inc., and the Downtown Brooklyn Association; also a Trustee of the Brooklyn Savings Bank and of the **Brooklyn Trust Co.** During World War I, Mr. Maynard served as Brooklyn Chairman in the Liberty Loan drives, and under his leadership over $300,000,000 of Liberty Bonds were sold in the borough. In World War II he served for a time as Chairman of the Kings County War Finance Committee, until failing health compelled him to relinquish active duties, and thereafter as Honorary Chairman. Mr. Maynard is survived by his widow and two sons, Dr. Edwin P. Maynard, Jr., and Richard S. Maynard, a partner in the firm of Stillman, Maynard & Co., members of the New York Stock Exchange.

* * *

James J. Conway has been elected President of the **Long Island City Savings Bank, of Queens, Long Island,** succeeding the late George J. Ryan former President of the New York City Board of Education. Mr. Conway, an Attorney, has been counsel to the bank since 1935, and a trustee since 1928.

* * *

Myron C. Mitchell, a trustee of the **Roslyn Savings Bank of Roslyn, N. Y.** since 1936, has been elected President to succeed the late Cornelius R. Bergen, Jr. Mr. Mitchell has been associated with the bank since 1916.

* * *

C. C. Pearson, President and General Manager and a director of the Glenn L. Martin Co., Baltimore, Md., has been elected a director of the **Baltimore National Bank of Baltimore, Md.,** according to announcement following a meeting of the bank's board of directors on Nov. 10. Mr. Pearson, who was elected to his present position at the Martin Co. on his 43rd birthday last July 15, is a native of California and a veteran of more than 20 years in the aviation industry, having formerly been general manager of Douglas Aircraft's Oklahoma City plant, assistant to the President of Douglas Aircraft, and general manager of the Curtiss-Wright Airplane Division, Columbus, Ohio. Immediately prior to joining the Martin organization he was Vice-President of Curtiss-Wright Corp. at New York City.

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Errett Van Nice was elected a Vice-President of the **Harris Trust and Savings Bank of Chicago** at the Nov. 9 meeting of the directors. Mr. Van Nice has been with the bank since 1932, except for three years of military leave as a Commander in the Navy during the war. He was elected Assistant Cashier in 1939 and an Assistant Vice-President of the bank in 1945. The board also acted upon the following promotions: In the banking department, Kent Duncan was advanced from Assistant Cashier to Assistant Vice-President. In the trust department, Thomas C. Barnes was advanced from Assistant Secretary to Assistant Vice-President, and Robert H. Long was elected Assistant Secretary. Also at the Nov. 9 meeting the directors of the Harris Trust & Savings approved the transfer of $3,000,000 from undivided profits account to surplus account. After giving effect to this transfer and adding estimated earnings for the remainder of the year, the invested capital of the Bank on Dec. 31, 1949 will be: Capital, $8,000,000; surplus, $15,000,000, undivided profits in excess of $5,000,000, a total of $28,000,000.

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The election of Sam Schultz as President of the **Merchants Bank of Kansas City, Mo.,** to succeed H. R. Lebrecht was announced on Nov. 4. At the same time the post of Chairman of the Board was created, and Mr. Lebrecht was elected thereto. The Kansas City "Star" of Nov. 3 reported the purchase of a substantial stock interest in the bank by Mr. Schultz, the "Star" adding that Mr. Schultz was at the same time retiring as President of the Peoples Bank of Kansas City, following the sale of his controlling interest in that institution to his brother, J. Victor Schultz, head of the Rosedale State Bank.

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The sale of new stock to the amount of $60,000 by the **American Exchange National Bank in St. Louis, Mo.,** has increased the capital, effective Oct. 26, from $340,000 to $400,000, the Comptroller of the Currency reports.

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Transfer of one and a half million dollars from undivided profits to surplus, action taken by the directors on Nov. 8, gives the **Citizens & Southern National Bank of Atlanta, Ga.,** a total capital structure of $16,791,515, the largest capital structure of any bank in the ten Southeastern states, according to President Mills B. Lane, Jr. Mr. Lane undertook to emphasize the bank's policy in the matter of building capital structure as a principal of sound banking, and by way of illustration took the 15 year period between 1935 and the present time and traced the development in capital structure of the Citizens & Southern during that period. "In 1935," Mr. Lane said, "our capital structure totaled $7,338,835, or about 44% of our present figure. Measured merely in terms of protection against loss to the depositors, this means that the bank is more than twice as strong as it was in 1935. In like manner the same figures indicate that the bank has doubled its capacity to handle large credits and to keep pace with the growth of business and industry. This last ties in closely with the condition so ably outlined five years ago by my father when he pointed out that the South was possessed of a new economic emancipation in that it was no longer dependent on other sections of the nation for money, either as venture capital or for operating credit."

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Ratification by the stockholders of the **Texas Bank & Trust Co. of Dallas, Tex.,** of the proposal to increase the capital structure of the institution by $562,500 through the sale of 12,500 shares of stock at $45 per share was announced on Nov. 3 by W. W. Overton, Chairman of the Board. The action taken by the directors on Sept. 30 toward increasing the capital was referred to in our issue of Oct. 13, page 1486. On Nov. 3 the Dallas "Times Herald" had the following to say in the matter:

"Present stockholders will have until Nov. 10 to purchase the new stock on the basis of one share of the new for each two they now hold.

"Total capital of the bank, following sale of the new stock, will be $1,985,000, which will include capital of $750,000, surplus of $750,000 and undivided profits and reserves of $485,000. The present capital of the institution is $500,000."

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The **Merchants State Bank of Dallas, Texas,** on Nov. 3 opened its new banking home at Ross and Henry Streets. The opening of the new quarters was marked by the presentation of savings accounts of $25 each to all Dallas County children born on the date the bank first opened for business, viz., Jan. 9, 1946. W. M. Beavers is President of the bank, which, says the Dallas "Times Herald," has resources of $3,565,000.

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Climaxing a drive in which the officers and employees of the **Highland Park State Bank of Dallas, Texas,** produced new business in excess of $500,000, the employees were tendered a banquet Nov. 5, when prizes were presented to the winning employees. The occasion, said the Dallas "Times Herald" also marked the 10th anniversary of the bank, which was organized in 1939 with a capital of $100,000. Two increases in the capital have since been made, bringing it up to the present amount of $300,000. Luther M. Jordan, the present President, assumed that office in 1942; the assets, it is stated, then $2,000,000, have since increased, being now, in excess of $11,000,000. Eugene B. Germany, one of the bank's organizers, elected Chairman of the Board at the start, continues in that post.

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The consolidation of the **First National Bank of Phoenix, Ariz.,** and the **Phoenix Savings Bank & Trust Company of Phoenix,** became effective at the close of business on Oct. 31 under the charter and title of the First National. According to the Nov. 7 Bulletin of the Office of the Comptroller of the Currency the initial capital stock of the consolidated bank is $1,430,000, divided into 143,000 shares of common stock of the par value of $10 each. The initial surplus of the consolidated bank is $2,000,000, with initial undivided profits of not less than $900,000. The continuance of operation of the seven branches of the First National is authorized under the consolidation plans.

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On Nov. 9 W. W. Crocker, President of **Crocker First National Bank of San Francisco,** awarded gold watches to four members of the staff who recently completed 25 years of service with the institution. Attilio Dagnino, clerk in the safe deposit vault, Walter F. Ross, senior audit clerk, Lambert Becker, business development department and John C. Stephens, commercial teller, were the recipients of the awards. Mr. Crocker said that the 25-Year Club is comprised of 114 members whose combined service amounts to more than 3,633 years.

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J. W. Lewis, Vice-President of the **Union Bank & Trust Co. of Los Angeles, Cal.,** died on Oct. 31, following a heart attack. Sixty-one years old, and a native of New Orleans, Mr. Lewis became associated with the Union Bank & Trust Co. in June, 1917; he was successively Assistant Cashier, was named Assistant Secretary in 1922, Assistant Vice-President in 1925 and Vice-President in 1945. He was a member of the California Bankers' Association, Los Angeles Interbank Mortgage Associates; past President, Los Angeles Retail Merchants Credit Association, director Southern California Mortgage Bankers' Association, and had been a lecturer on credits and collections at the College of Business, University of Southern California, and on home mortgage lending at the Los Angeles Chapter, American Institute of Banking.

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Clyde H. Brand, Sacramento attorney and partner in the law firm of Downey, Brand, Seymour & Rohwer, has been elected a director of the **Anglo California National Bank of San Francisco,** to fill an existing vacancy on the board, it was announced Nov. 10 by Allard A. Calkins, President. Mr. Brand for many years has been a director of the Capital National Bank of Sacramento and of the Natomas Company.

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Announcement is made of the appointment of J. G. Hungerford as General Manager of the **National Trust Co., Ltd., head office Toronto.** The Montreal "Gazette" of Nov. 4 states that he succeeds Terence Sheard, who resigned to join the Toronto law firm of Johnston, Heighington & Johnston. Mr. Hungerford the "Gazette" says, joined the National Trust in 1929 as a trust officer. In 1944 he was appointed manager of the trust department at Toronto office, and in 1948 was made an Assistant General Manager of the company, continuing in charge of the trust department at Toronto.

Chairman McCabe Wants No Change in Gold Value; Advocates Increasing Fed. Res. Powers

(Continued from page 9)

rencies as remain unchanged in terms of gold. Conversely, if prices in the outside world were higher than in the given country, the country might reduce its price of gold in order to help bring about a better realtionship.

"During the spring and summer of 1949 price levels in many foreign countries were too high in relation to prices in the United States. To attempt to correct the disparity by a change in our price of gold (assuming that other countries made no change) would have called for a reduction in the gold price from $35 to some lower figure, that is, by an upward valuation of the dollar in terms of gold and of other currencies. This, however, would have caused serious dislocations in many foreign countries and would have had severe psychological consequences domestically. The needed adjustments were brought about in September by devaluations (in terms both of dollars and of gold) of a number of foreign currencies.

"(2) A change in the dollar price of gold would alter the dollar value of all existing gold reserves in direct proportion to the change in price. Thus a 50% increase in the price of gold would result in a 50% increase in the dollar value of gold reserves, both in the United States and throughout the world.

"In the case of the United States, it is clear that a rise in the price of gold is not needed to augment the value of domestic gold reserves, since these are more than adequate for present and foreseeable monetary needs. Under persent legislation, the Federal Reserve System is required to maintain a reserve of 25% against Federal Reserve notes and deposits, but the present ratio is actually about 55%. Even if the latter ratio were to fall to the legal minimum, an increase in the gold price would not be an appropriate means of correction.

"In the case of foreign countries, the situation varies. Many countries, because of postwar dislocations, are seriously handicapped at the present time by a domestic shortage of gold and dollar reserves. But a rise in the price of gold would help most those countries which already have large reserves. Every country which holds gold would automatically receive an increase in the number of dollars available to it, so that the largest increases would go to the largest holders, which are the Soviet Union and Switzerland as well as the United Kingdom. Under present and prospective circumstances, if the United States wished to make more dollars available for foreign reserves, it would be preferable to do so by extending stabilization credits to those countries whose reserves we wish to increase. Making dollars available to selected countries by means of credits would cost the United States less, in real terms, than trying to help these countries by making dollars available indiscriminately in exchange for gold.

"(3) A change in the dollar price of gold would alter the profitability of gold mining, and thus the level of gold production. Following the increase in the dollar price of gold in 1933-34 (from $20.67 to $35 per ounce), gold production, both in physical volume and even more in dollar value, was greatly stimulated all over the world. Because of the worldwide rise in costs of labor and materials which occurred as a result of World War II, the profitability of gold mining has sharply fallen, and production has contracted considerably from the peak level of 1940. Accordingly, proposals have been freely forthcoming from world gold-producing interests to raise the dollar price of gold. The dollar price of gold, however, is still higher relative to the general level of commodity prices than it was in the 1920's, and gold production remains above the level of that period.

"An increase in the price of gold would no doubt stimulate gold production. As for the United States, however, there is clearly no need for an increase in domestic gold production, since gold reserves in this country are far in excess of minimum requirements. An increase in the dollar price of gold obviously cannot be justified on the sole ground that it would increase the profits of gold mining.

"In the case of foreign countries, those producing gold—which would be the immediate beneficiaries of a rise in the gold price—are not the ones whose need for assistance is greatest. While they might use the augmented value of their gold to pay for imports from Western Europe and thus enable Western Europe to do more toward balancing her trade with the United States, it would be much more to the advantage of the United States to accomplish this end by extending grants or loans.

"(4) As to the effects that an increase in the price of gold might have on our domestic monetary system, it is important to emphasize that this country's existing gold holdings, valued at the present price of gold, would support a far greater volume of money than needed for any likely future contingency.

"The immediate monetary effect of an increase in the price of gold would be a 'profit' from the revaluation of our existing gold stock. Expenditure of this 'profit,' which presumably would be within the discretion of the Treasury, would increase commercial bank reserves, and thereby foster a multiple expansion of bank credit, subject to the reserve requirements of banks in effect at the time. Increased bank reserves and resulting multiple expansion of bank credit would also be fostered by accelerated inflow of gold from foreign sources and domestic output. These developments would expose the economy to great inflationary dangers.

"The Federal Reserve has no means adequate to cope with such a danger. In the absence of greatly expanded authority to absorb or immobilize the inflationary reserves thus created, the Federal Reserve would be incapable of performing its function of adjusting the credit supply to the needs of a stable economy.

"Increasing the price of gold would be an awkward and dangerous instrument for this country to use, particularly in view of the fact that other more effective and far less risky means are available or could readily be found to accomplish anything constructive that would be accomplished by changing the price of gold.

"(5) Lastly, it should be emphasized that any change in the price of gold would constitute a major change in the foreign economic policy of the United States. Since January, 1934, the price of gold in terms of the dollar has remained unchanged at $35 per ounce. Thus, for over 15 years there has been a fixed relationship between gold and the dollar—one of the few elements of stability in an international economic situation that is only slowly recovering from the ravages and disruptions of extended world war. Changing the dollar price of gold would inevitably weaken the high confidence that this country's currency universally enjoys."

To the query "What would be the principal advantages and disadvantages of restoring circulation of gold coin in this country? Do you believe this should be done?" Mr. McCabe stated:

"The advantages which might be gained by restoring the circulation of gold coin in this country are negligible and serious disadvantages would be incurred. None of the important domestic or international monetary problems now facing us would be appreciably helped toward solution.

"Confidence in money, in our day, is based upon its internal purchasing power and the ability of a country to meet its external obligations, not upon internal convertibility of the money into gold. The currency of the United States is the most generally acceptable currency in the world today. Confidence in it is assured by the productive power of the United States economy. Gold is readily available and existing reserves are more than adequate to meet any conceivable international drain of funds. Since the chief argument for instituting a gold-coin circulation would be the strengthening of confidence in the currency, it is clear that on these grounds no need for taking such a step exists today.

"The argument that a return of gold-coin circulation would bring about a desirable and automatic regulation of the domestic money supply and would assure the country a 'sound' monetary system—in the sense that such a system would be 'sounder' than the present one—is not valid. On the contrary, the adoption of a gold-coin standard might actually hinder the maintenance of a stable and prosperous economy, since there is no automatic relation between the demand for gold coin and the economy's need for money. The demand for gold for individual use, as contrasted with its use to balance international payments, reflects various speculative and capricious influences which should not affect monetary policy, and fails to indicate other conditions which ought to guide monetary policy. Thus a strong public demand for gold coin might arise in time of depression, as occurred in 1931-33, imposing a restrictive monetary policy at the very time when the opposite policy is necessary. In time of rising prices, when shifts from money to commodities are likely, demand for gold might be small, so that the necessary restrictive action would not automatically occur. If during wartime, moreover, heavy demands for gold should appear, free sales of gold would reduce our gold stock, stimulate speculation against the currency, and hinder the financing of the war. Furthermore, depletion of gold reserves resulting from private hoarding could conceivably impair our ability to meet extraordinary wartime expenditures abroad.

"An overriding reason against making gold coin freely available is that no government should make promises to its citizens and to the world which it would not be able to keep if the demand should arise. Monetary systems for over a century, in response to the growth in real income, have expanded more rapidly than would be permitted by accretions of gold. In the United States today our gold stock, although large, is only 15% of our currency in circulation and bank deposits, and less than 7% of the economy's total holdings of liquid assets. The retention of a gold base is desirable in order to maintain international convertibility, and a gold-standard system has therefore evolved in which the various forms of money and near money in the country are ultimately convertible to gold, where that is necessary to meet the country's international obligations. Return to a gold-coin standard, however, would clearly expose the economy to the risk of drastic and undesirable deflation at times of high speculative demand for gold for hoarding, or else the government would have to withdraw its promise of gold convertibility. Conjecture as to the possibility of such a withdrawal would stimulate a speculative demand for gold and might precipitate the event feared. The long-run effect would be to weaken rather than to strengthen confidence in the dollar.

"In regard to the international effects, it is often contended that if gold were made freely available by the United States, whether in the form of coin or otherwise, one effect would be to eliminate the premium at which gold is quoted, in relation to the United States dollar, in black or free markets abroad. However, the present premium of gold over the dollar in foreign markets is a matter of very limited importance. It reflects chiefly the special suitability of gold for hoarding, its great familiarity, and its anonymous nature. It cannot even remotely affect the stability of the United States dollar."

Broadening Powers of Federal Reserve

In line with his previous statements before Congressional committees, Chairman McCabe in his report to the Joint Committee on the Economic Report proposed further broadening and intensifying the powers of the Federal Reserve Board over the credit and the reserve operations of commercial banks, whether member or nonmembers of the Federal Reserve System. According to Mr. McCabe:

"The authority to change reserve requirements is an important instrument for generally contracting or expanding the liquidity position of the banking system and for making other credit instruments effective. It may be needed particularly to absorb excessive reserve funds of banks obtained from large gold inflows or return of currency from circulation, and perhaps also from Federal Reserve purchases of government securities in maintaining orderly markets. Although the Federal Reserve now holds about $17,000,000,000 of government securities which might be sold to absorb reserves arising from inflows of gold or currency, these inflows could over a period of years be so large as to deplete the System's resources to below a reasonable operating level. Moreover, it would be disruptive for the System to endeavor to sell government securities at a time when other holders would be selling on balance.

"The Federal Reserve should have authority broad enough to meet its responsibilities under different situations. The Federal Reserve cannot function properly if it must go to Congress for adequate authority after an emergency has arisen. Monetary and credit actions work best when they can be applied in time to prevent a crisis from arising.

"Reserve requirements are imposed on banks in the national interest and in the interest of the entire banking system. They are part of the necessary mechanism by which the supply of money and credit may be influenced to promote economic stability. To the extent that banks do not bear their fair share in what is a national responsibility, the effectiveness of monetary policy is weakened, to the detriment of all banks. It is clearly unfair and inequitable to ask member banks alone to bear the burden."

Regarding direct lending by Federal Reserve banks, Chairman McCabe remarked:

"The 12 Federal Reserve banks, as permanent credit institutions, are especially qualified to provide financial assistance to business enterprises through the regular banking channels. With their 24 branches, the Reserve banks constitute a regional organization to which financing institutions and businesses in all parts of the country have convenient access. Because of their long experience in the credit field and their daily relationships with banking institutions, they are thoroughly familiar with credit needs and problems of both banks and businesses. For these reasons, the Reserve banks are especially fitted to assist local banks in making credit available to borrowers who, though otherwise meritorious, may present credit risks of a character which banks will not ordinarily accept; and, by such aid, the Reserve banks can help to restore and maintain normal credit relationships between such borrowers and the banks. The Reserve banks gained additional valuable experience in the field of business loans as a result of their active participation in the wartime V-loan program under which guaranties of war production loans aggregating nearly 10½ billion dollars were processed.

"Notwithstanding their qualifications for the task, the Reserve banks have been handicapped in carrying out their industrial-loan function by the restrictive provisions of section 13b of the Federal Reserve Act. Under present law, they may make commitments and loans only for working-capital purposes, only to 'established' business, and only with maturities not exceeding five years. These are severe limitations upon the ability of the Reserve banks to render effective assistance in meeting the requirements of smaller businesses.

"Unless appropriate changes are made in the law to place the authority of the Reserve banks in this field on a more effective basis, I believe that it would be preferable to repeal the present limited authority of the Reserve banks in its entirety.

"If it is the desire of Congress to utilize effectively the services of the Federal Reserve System in the extension of financial assistance to small business in time of need, the Reserve banks should be authorized to enter into participations and commitments with financing institutions with respect to loans made to business enterprises, on a basis under which a Reserve bank might assume not more than 90% of the risk involved and under which loans would not be limited solely to working-capital purposes or restricted to established businesses. The maximum maturity on any such loan should be fixed at 10 instead of five years. It would be the policy of the Federal Reserve to have the local bankers assume as much of the risk as possible. The Reserve banks would be prepared to release to the banks at any time within the life of the loan any part of their participation."

Regulation of Margins

Answering the query as to suggested changes in the Federal Reserve's power to regulate margin requirements on security loans, Mr. McCabe stated that present provisions "have worked reasonably as they stand," but suggested, without much comment, that Congress might amend the Securities Exchange Act by authorizing credit transactions in unlisted securities in the over-the-counter market under Federal Reserve supervising, adding:

"There is a possibility that need for a provision permitting regulation of bank loans for the purchase or carrying of unregistered securities might develop at some time in the future, but up to the present there has been no evidence of the necessity for such authority."

Planning Your Sales Talk

(Continued from page 4)

needs to be worked out, I sit down, get a pad of paper and a pencil, and put my thoughts down, trying to write things out the way they should be. I come away from it with a much clearer idea of the answer to the problem.

You have been putting in a lot of time, over here, listening to these talks, and in order to derive the most good from them I do recommend that you write out some of these things, as far as the sales story, itself, is concerned. Get these points into some kind of a usable order for yourself.

You will say, "Well, what, do you deal with, in a sales story?". I am going to read, just briefly, a few points that you will be playing around with.

The first things that you will take into consideration are the component parts of the sale. You know what they are, because we have discussed them here. You have the approach, the main presentation, the development part of the sale; and then the demonstration; the convincing part; and the place, somewhere in the solicitation, where you remove the objections. You come to a step where you will quote the price, and then the final step, of closing the sale.

You might just put down those things, somewhere, to give you a basic outline of what you are going to go into in this sales story.

The next factor you have to deal with concerns the buying motives you are going to appeal to. You might just list the five or six that you think are the most important ones for your work.

The third thing to deal with are the creative and selective selling points, certain selling points that do a primary selling job for you and certain other selling points that do a selective selling job, to have the buyer buy from you, rather than from some other salesman or investment house.

The fourth factor that you have to deal with is supplementary subject matter, to fill out the complete canvass. That would concern your opening social conversation and your closing conversation, when you are leaving.

The fifth item to consider is the material aspects of your demonstration. We talked, the other day, about using certain material things to bring the sales story home to your buyer, so when you are considering what to talk about when you see these people, you have to give some consideration of what you are going to say to make a demonstration.

Sixth is the subject matter, to refute the objections that you feel may come up.

Seventh, the timing of all this. If you are going to do any preparation of this business of doing good sales work, you have to pay some attention to the timing of your sales story.

The eighth and last factor that you have to deal with, in preparing a good sales canvass, is the effectiveness of your use of language, how you are going to say all that.

I just put these thoughts out as suggestions to you gentlemen, because I know that if you spend a small amount of time in doing some intelligent planning on what you are going to say, that it will save you a lot of years of low-volume work.

If you bounce in upon a customer without having some kind of a plan about what you are going to say, you do not have too much confidence in yourself, and you don't radiate too much confidence to the buyer.

On the other hand, if you go in there and you know pretty well just about what you are going to say to this man, you have your material all lined up in your mind, then you will feel pretty confident and say to yourself, "Well, this fellow isn't going to throw me, I know how I am going to try to sell a block of securities to this person," and you get a plan and go ahead and work according to that plan.

Just as in any other worthwhile endeavor in life, there must be a plan laid down, ahead of time, in selling work. There was a plan to this building, and a plan to any smart political campaign, a plan for the promotion of all new products in business. And a salesman, if he is smart, uses that same system. He has a plan to sell by. If he is not smart, he just goes about his work in a hit-or-miss fashion, and he usually misses.

Without a plan, the sales interview is often reduced to simply a rambling conversation which gets nowhere, and with the salesman losing control. But if a salesman knows exactly what he is going to say and what he wants to accomplish, then he works a lot better.

Memorizing Your Sales Story

I know of a fountain pen concern that had two sales stories written out, for the salesmen to use. The management didn't care what the men had done before they worked for this company. They hired old baseball players or anybody else, as long as that man could memorize both of these sales stories.

One of these sales stories was 17 pages long. The other was somewhat shorter. But once a week these salesmen were required to report in to the office in their territories and recite the sales story onto a record which was then forwarded to the main office, here in New York and listened to, and if the spiel didn't come out pretty well on that record, the fellow got a fast letter, right away. Believe it or not, that is true.

Now, the seventeen-page story, I don't know when they used that, but they used this shorter sales story for selling this pen to the retailer. When the man walked in, he carried no brief case, no samples with him, and he went in there and started giving this canned talk.

That talk was on "the dollar bill." It was not about the pen at all, had nothing to do with the pen. All these fellows were doing was merchandizing a certain scheme where the retail manager could make some money if he would handle that pen. They didn't say anything about the pen at all, just talked about the profits and the volume that could be realized, in handling this promotion. That went over with a bang.

A great many lost sales are the direct result of lack of preparation, on the part of the salesman. If a man would put a little more preparation into the methods by which he wanted to sell and what he was going to say, he certainly would not have lost the sale, in many cases.

Again, if you do not have any planned canvass in mind, very often the sales interview is reduced to nothing but a series of questions, with the buyer asking the questions and the seller answering them, following along like a dog on a leash, and that kind of a solicitation doesn't bring in any sales.

No Need of Excessive Elaboration

In planning what you are going to say, there is no need in getting too elaborate. All you have to do is select, for any particular canvass, three or four or five strong selling points that appeal to what you believe the the right buying motives for that buyer, and use them in an intelligent way.

Here are a few things that you can use—at some time during the course of that interview—for new business:

You might describe to that buyer what he is losing out on by not owning securities. In my opinion, that is a potent way of selling. You tell him what he is not getting, by not being in on your securities.

You know that you have opened up the business pages of the newspaper and you have seen where some fellow has just been promoted to a new job, and you will see somebody else has just been made a Vice-President, and someone else was just made President, and you will read stories of a lot of people going way up the line, and you know how you feel, down deep inside, upon reading these stories.

You always compare the progress of these others with your own progress, and you think about what you are not getting and what they are gaining.

Well, the buyer feels the same way, and if you can stir him up by using what you might call a "fear motive", that he is losing out on what a lot of other people are getting, why, then that might move him right over to buying something from you.

People always want to be in on the gravy train, and they want to get ahead and be promoted. They want progress, and if you can somehow make them feel that they are losing out on that by not doing something about buying these things from you, that will certainly help them to feel that they ought to go ahead and do it.

I am just talking about a few things that you can put in as points in your selling canvass, now, and another appeal that you can make is that successful people own securities. It is a mark of some success in life to own some securities.

Presenting Motives for Investments

Here you are appealing to one of the basic buying motives, self-approval, and keeping up with the Joneses, the economic emulation. Just use that in a sales canvass, in a tactful way, and list some of the people who are doing busines with your house, very successful people. "Why are they successful? Because they are dealing in securities."

That can be turned around, another way, that investments help a person toward success. If a person is working along, very hard, in a job and perhaps not progressing as fast as possible, then if a salesman came around and talked to them, pointing out some other way that they could be successful, I think they would be inclined to listen to you.

Perhaps you are all acquainted with the adjustment theory of psychology, that you make so many types of attacks on barriers, or problems, that come up in life, and that the best attack you can make is the direct attack. Go ahead and do the thing. And the next attack you make is a substitute attack, or a transfer, which could also be good.

An example of the second type of attack is when a man tries to be a success in business but falls short of his goal, and then, on the side, he might start writing. He transfers his energy to something else away from his main attack, and he can become successful in the second one, because it is still a constructive thing to do.

Lots of people, out in business and in other fields in life, are not meeting with great success in their main objectives. If a salesman can come in and show them that by some other way, by some substitute act, they can reach their goal, then they are certainly going to listen to that salesman.

Another point you might use is that a good investment program leads a person towards more independence. People want to be independent and that depends pretty much, as you know, on how much you have. If you can point out that a successful investment program will gain independence for them, enabling them to do what they want to do in life, that would be a pretty potent selling point.

Another point is that you could show these people how their savings can work for them. They, themselves, work, but the savings from their work can also be put to work for them and help contribute toward their success.

These are all personal gain motives that I'm discussing. Of course, the one big point that you should always bring out is that buying securities can make money for them. That's why people buy securities, it is to realize more money on them.

A lot of other things can be derived from making this money. You can have security and independence, and success, but it all comes from the desire to realize a monetary gain from the investment and, naturally, if that is the primary and basic reason for buying securities, then any salesman surely must hit hard at that point, in his talk.

Interesting Clients in an Investment Program

A lot of people do not have any particular plan in their lives. You might ask yourself, "Do I have any long-term plan, as far as my future is concerned?" All of us possess rather vague hopes and desires, but there are few people who have laid out any definite plan of accomplishment, either in business or in a profession, or socially.

If you, as an investment salesman, can show to your new business prospects how you might cooperate with them in setting out a specific plan of progress for them, they will be interested and they will listen to you.

We are talking now about certain selling points to include in your sales solicitations. I believe that these I am talking about have a very personal attraction to investors, or to potential investors.

Many people have an insurance program set up for them, and they feel rather cozy about it. There is no reason why just as many people should not have investment programs. The reward could be a lot more immediate, and with that reward so immediately gained, there is no reason why they could not be sold, because I think just from a layman's point of view, that a lot more insurance is sold to the consumer than investments, over the period of a year. Is that right or wrong?

Voice: That's right.

Mr. Sutton: There are definite benefits from having a plan of insurance, but they are not better than you could derive from a plan in investments.

The insurance salesman has his selling campaign very carefully prepared. He does not have to rely on inspiration or extemporaneous mood, or the spur-of-the-moment spark when he gets into the fellow's office.

No, he has his business all laid out, very carefully, on paper. and he just turns the pages and somebody has very carefully planned that solicitation as he goes along. I am just recommending that you people can do the same thing.

Let me give another instance of a planned method of selling, right out of the New Yorker Magazine, here, in the "Profile" that was written about Captain Angelina Nawkins, of the Salvation Army. Here is what it says about her:

"In her soul saving, she depends more upon technique than upon inspiration. She b r e a k s soul saving down into nine parts which are, in the terminology of her training, going to sinners, attracting them, interesting them, convincing them of a sense of guilt, removing their hinderances, bringing them to repentance, leading them into faith, and giving them suitable aftercare."

If that isn't a planned sales solicitation, I have never heard of one. Those are the exact steps of a sale followed very carefully, by a Salvation Army lass.

If a Salvation Army lass can use a planned method of selling, in saving souls, then a person who is paid to be a salesman could benefit by doing the same thing. It says that she depends more upon technique than upon inspiration, and my point is that too many salesmen depend upon inspiration, rather than a planned technique of selling and that is why they lose out, in making sales.

Selling Plan of National Cash Register

The first company that ever did any really modern selling in this country was National Cash Register, under John H. Patterson, who founded the company and inaugurated modern sales management. That company had a very difficult time, in the early sale of its product.

The main point on which they used to sell the cash register was to eliminate theft on the part of the clerk. Before the cash registers, they had tills. The money would be put into tills, one-half for the till and one-half for the clerk's pocket. They were not paid very much money, these clerks, and they had a gravy train, without the cash register.

Naturally, the clerks didn't want the cash registers around. They would see a National Cash Register salesman coming in the door and they would go and beat him up. They wouldn't let him enter. Then, a letter would come in, to the boss, from the Cash Register Company, and they would tear it up and throw it away.

If a cash register did get put into the store, they would sabotage the machine so it wouldn't work, and the cash register company had a terrible time, not only in getting the owners to buy the machines, but also merely in getting past the clerks.

Patterson worked out a method of selling and sent it to all his agents to use and, to make a long story short, when the agents, after years and years of denial, finally agreed to use this method of selling, they sold the cash registers.

Here are just a few items that I want to tell you about: First, when people get out of their own field they aren't very smart. A very smart executive in the retail field can be quite stupid about investments. There are not many people who go to see a play or a movie or who hear a concert, who come away and really know whether it was good or not. They may enjoy it, but until they read what somebody else says, in the New York "Times," or in the "Tribune," the next morning, they pretty much reserve their judgment. They don't know.

There are not many people who, when they go to buy a table, know much about tables, the wood in it, how the table is made. There are not many people who, when they go to buy a lamp know much about lamps, who would even think of asking about how many foot candles of light they are going to get on their books, if they use a hundred-watt bulb in this lamp. They don't even know enough to ask how much light they are going to get from this lamp, and yet they buy the lamp for light.

Educating Clients on Investments

And certainly there are not many people who know much about investments. A person can be very smart in his own field, but when he gets out of that field and into some other activity in life, he is lost.

When people get out of their own fields and come into your field, it is up to you to take care of them, to educate them, and to guide them, as far as your investments are concerned. So, do not take too much for granted, on the part of any new customer, or of any present customer. Some of them may think they are smart because they made a couple of good buys, but you have to help them and let them know that you know a lot more about investments than they do, and that they will do well to rely upon you.

Here is another point, quite important in selling—the other noon I drifted into a music store, uptown. I was looking over the records. They had hundreds of records, all kinds of records, all over the store. I didn't know just what I wanted.

The salesman, a young fellow, came up and said, "Did you have any particular record in mind?". I said, "No, I don't." He sort of looked at me and said, "I have something I think you would like. Have you heard Sibelius' First Symphony, done by Radio Symphony, of Stockholm, a Capital-Telefunken record, just in? It's beautiful!" He said, "Let me get it for you."

He went over and found the record, and I own it. Out of all those records there, I bought Sibelius' First Symphony. I'm glad I have it. It is a very good long-playing recording, and my wife likes it. That salesman certainly narrowed my choice down —but abruptly—and I bought it.

You have seen those cartoons and funny pictures of the counters in a store littered with many bolts of cloth, all over the place, where the salesman has been showing them to a woman shopper, and she is leaving the store because she couldn't decide, among those hundreds of samples, which she liked.

There is a good reason why she couldn't. It's because the salesman wasn't smart. If you allow anyone too much choice, out of their own field, they can't make up their mind about it.

There is a particular dress store on Fifth Avenue that my wife drags me into, occasionally, a very large room with women all over the place. Lots of dresses are on the counters and stands and hangers, and there is too much going on, there, too many dresses, too many things around there. I just sit there and watch, and I see one woman after another leave that place without buying a dress.

On the other hand, down in Washington, D. C., where my wife buys quite a few of her clothes, I go with her in a store there, sometimes, partly to see what is going on in selling, and when you enter there you are shown into a small room, with perhaps one other person making purchases in that room.

There is no dress, anywhere. It is very quiet. You sit there comfortably and a sales lady will bring in "A" dress — singular. There is nothing else to see, anywhere. You just look at that dress, and she talks about that dress.

There you have a chance to make your mind up, as to whether you like this dress or not. You don't have to compare it with a lot of other things. Your attention is not diffused so much that you can't concentrate it on one thing. When we go into that place, we come out owning new dresses.

Keep Your Offering List Small!

Now, a person comes in to you, wanting to buy some securities, doesn't know what securities — well, pin him down. You have to do it. How many stocks are on the big board, 1,300? This man doesn't know what to buy, and may be confused, just like the situation where there are too many dresses about.

Once you have a person interested, you must immediately start narrowing down the choice for him, in that selection, otherwise, like the woman with all the bolts of cloth, your customer will be out the door.

So, do their thinking for them, as far as their particular commitments are concerned, and you will find your selling is a lot easier.

Here is a pamphlet, "Merchandizing Securities," put out by the IBA of America. I was reading this the other night, and one of the speakers at this meeting has this to say:

"A receptionist in an office is used to taking instructions that executives and other people give her—to get this number, or call this man, or do such and such."

Then, this speaker goes on to this conclusion, that a salesman should speak to this receptionist with courtesy and consideration, but like one of her superior associates, he should tell her what to do.

"Will you be good enough to tell Mr. Smith that Mr. Davis is here to see him?" and then turn away.

Now, that is the recommendation in this book. I don't like to take exception to such an authoritative piece of literature, but I don't think that is a very good approach to a receptionist. I would never try it, myself. It might work on the girl, but the girl calls in and she says to Smith's secretary, "Mr. Davis is here to see you"—period.

What question is she going to get? "Who is Mr. Davis?" naturally! You aren't going to let somebody walk in, or your secretary is not going to let somebody walk in, merely by presenting the name. The full information has to go in, somehow.

They ask the question and it is going to come right back to the receptionist, "Who is Mr. Davis?" and the receptionist is going to be a little bit nettled about the whole thing, and she is going to turn and ask you who you are. You are going to have to tell her, any how, so why not tell her in the first place?

This business of treating the receptionist as a superior would is also a wrong attitude for people in the investment business to adopt, because that doesn't make friends, and you don't get into the office of the boss that way.

"Cold Turkey" Selling

One of the gentlemen here wanted to know a little bit about "cold turkey" selling. That is when you walk in, off the sidewalk, to see a person whom you have never met before. You don't know him, and you have not telephoned him.

Here in New York City, "cold turkey" selling works very well. It is difficult to get in to see executives in this city. They are very busy. It seems to me that Manhattan is just a place to maintain a desk to come back to and start away from again, sometimes, because a lot of executives are traveling out of the city continually and therefore when they are present they are very busy and want to conserve their time.

If you call up on the telephone you can get killed very quickly, and salesmen do get killed that way. But there seems to be an unwritten code here, among a great many companies, and individual executives, that if a person takes the time to come over in person and asks to see someone, they are not as readily turned away.

I have found that out from a great deal of experience here in this city, myself. You can often get to see a man if you go over, personally, and ask for him. If you can not see him at that time you can then make an appointment to see him later on.

But don't be afraid of "cold turkey" selling. Now, when you approach the receptionist, or the telephone girl, introduce yourself and give your company's name, and ask to see the person whom you came to see.

"I dropped in, this morning, to see Mr. Brown, if I could. Or, if he is busy, may I make an appointment to see him within the next few days?"

Now, you are friendly to this girl. The first thing you have said to her was a very polite "Good Morning," or something that breaks the ice a little bit, just a few words in a friendly gesture.

Remember, we talked for a long time about attitude. That's where it counts. Just have a smile and say something to let them know that you are a good egg and that you have come on a friendly mission. You've got to break that girl down a little bit, to make her work for you, and she is not going to do a thing for you if you go in with an imperious tone that the fellow talks about in the book I mentioned.

This girl calls in, to the inner office. Often, you will find that you will just walk right in, pretty soon afterward, to see your prospect. If you do, of course, you've got your first step taken care of. Sometimes, the person's secretary will come out to see you.

When that girl comes out, you have to do a selling job, right there. Again, tell her your name. You have a nice clean card. Give it to her, because sometimes it isn't easy to get a name just from the pronunciation of it, so she can see the name and the company you represent.

Say that you have dropped in there to have an interview with Mr. Brown, if you could. Then she is going to say, "Well, what do you want to see Mr. Brown about?" You'll get that question, often, and you have to tell her, no use trying to get away from it.

Tell her that you are there to discuss investments with Mr. Brown, but don't say too much to her. Just tell her you are there to discuss investments, or that you would like to talk over securities. That's enough. She will go back in again.

There are not too many people, believe it or not, being called on personally, for the sale of securities. You've got a pretty good chance of getting in. There is something about the market that is fascinating. I think that investment salesmen can get in to see people a lot faster than a lot of product salesmen can, and as I said before, there are thousands of people with enough purchasing power to buy securities that have never been called on by an investment salesman in this city, who would, in a way, feel flattered to have a person come in and ask to see them.

Then, when you get into Mr. Brown's office, it is just as if you had had an appointment, outside of the first few words. Again, you will introduce yourself, tell him that you certainly appreciate being given this opportunity to talk to him for a few minutes, and that you do have something that he might be quite interested in.

Always thank him, just for giving you the interview, because he didn't have to do it. There, again, that lets him appreciate the fact that you know you came in "cold," and you appreciate getting in. After that, you just go right on with your sales story as if you had had an appointment.

The only difference in "cold turkey" is in the introduction and the approach. Otherwise, it is just the same. Of course, you don't have anything prepared ahead of time, but your sales story is just about the same, except a little more inclusive, perhaps.

Conversation—Important Selling Tool

I wanted to bring to your attention the subject of conversation. Conversation is your most important selling tool. That is what you work with — what you say. A plumber works with certain tools to get his job done. A carpenter works with a saw and a plane, and if you have ever watched a good carpenter work you will know that they have a great deal of skill with the various tools that they use.

It just seems logical that if the most important tool a salesman uses is conversation, that he should develop some skill in using it. If you don't, you limit your stature, as a salesman. On personal calls and over the telephone, what you do is talk, and if you do not know how to talk, then you cannot sell.

Language is used primarily for two things, to convey information, and to elicit certain responses from the people you address. That is just what a salesman does. He gives certain information on what he sells, and he tries to get the person to buy it. If you do not know how to use language, you are not going to sell.

Just another point about conversation: You must control it. If you don't control the conversation, you don't control the interview. If you lose control of the conversation, you lose control of the interview and find yourself out of the door pretty soon.

Another thing to watch is the continuity. It is your responsibility to guide that conversation in the direction that you want it to take. If it doesn't go the way you want it to go, you have lost control, and you have lost the continuity. That is your own responsibility.

Immediately, try to find out what amount of common experience there is, in investments, between you and your customer, and always find out what community of language exists between you and your customer. Does he know what you are going to talk about, when you use technical terms? Does he know what a stock is, even? Does he know what a mutual fund is? You bat those terms around all the time, but he may not know and you have to be careful in developing new business that you talk way, way down, so he can understand you.

You speak with your voice, with your facial expression, with your general animation, and with your gestures. You use these four things, in communication. Now, for goodness sake, have them all agree. If they don't agree, you're out of luck.

To maintain a painful expression while saying, "Oh, I'm having a wonderful time," that doesn't work, but if you say, "Oh, I'm having a wonderful time," and show it, with facial expression and gestures and attitude, all coordinating appropriately, that will produce the result you want.

If you say, "I'm very enthusiastic about this stock," but your facial expression and entire manner indicates the reverse of enthusiasm, you lose the point you are trying to make. When you make an enthusiastic statement, animate it and speak out clearly.

Also, watch your enunciation. You do a lot of work over the telephone. Enunciate your words correctly so that you are understood clearly. Have you ever met a new personality and the first thing that impresses you about him is his ability to speak very well? Occasionally, we meet people who have either studied voice or who know something about enunciation, and they are very careful about those things so that it is a pleasure to listen to them.

If you can develop your speaking ability that is just one more added asset in your column. Too many speakers place most of their emphasis upon the consonants. Use your vowels. Open your mouth up a little bit, and don't just mumble between your teeth and your lips.

The tone of your voice is most important. Is your voice shrill, or harsh, or is it pleasant and smooth, and nice to hear?

And your inflection — don't talk constantly in the same tone all the time in a monotonous fashion that induces drowsiness in your listeners. Go up and down. Use four or five different levels of pitch, to keep your listener interested in you.

Your gestures, your vivacity of expression, your forcefulness — you have to possess a certain amount of conviction while you talk, in order to put this real selling program over—all those things are most important.

A few other points on conversation — your sincerity, the clarity of your thought, the selection of your words, those things can count for you.

Also, do you talk too fast, or do you talk too slow? Do you know? Did you ever ask anyone? Are there times when you should talk faster, or slower? Do you ever think of changing your pace while talking, either over the telephone or in person?

The length of your whole solicitation, we have talked about that already, but it is important. Choice of topics — sometime just ask yourself, "What am I talking about? Is it what I should be talking about? Is it right for this time?".

Two other things: the first is to relax when you are talking with your customers. Don't be taut and tight and tense, or be nervous and busily tapping your finger on the desk because that makes the prospect fidgety and may make him nervous too, and anxious to put an end to the interview.

That is one of the first things to remember when you enter someone's office, that you should not be all tense and afraid. You will find that when you are relaxed and taking things easier your conversation will be better, and you will get along better in general.

One other thing to consider is your general poise, the way you carry yourself, and your general manner of delivery.

These are things that a salesman must give some thought to, and must develop and improve.

J. Barth & Co. to Admit Grunigen, Kimball

SAN FRANCISCO, CALIF.—J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges, will admit Arnold Grunigen, Jr., and Vernon E. Kimball to partnership on Dec. 1. Mr. Kimball has been with the firm for some time in the municipal department. Mr. Grunigen was formerly with Weeden & Co.

J. Henry Schroder Promotes

J. Henry Schroder Banking Corp. and Schroder Trust Co. announced the promotion of Joseph J. Granahan and Karl H. Lehmann, heretofore Assistant Secretary and Assistant Treasurer, respectively, to Assistant Vice-Presidents.

The institutions also announced the election of William D. Brown, Henry F. Mende and John S. Nichols as Assistant Treasurers and the election of Robert Sieger and Philip H. Stroh as Assistant Secretaries. Horatio N. Young has been elected Auditor of both institutions.

Mutual Funds on Buying Side, but With Decreased Enthusiasm

(Continued from first page)

larity, although in this group, too, enthusiasm was less marked than in the previous period. The building construction and equipment companies, however, received even more support than during the second quarter, with the cement equities continuing in particularly pronounced favor. The nonferrous metals and merchandising groups, each accounting for slightly more than 5% of the total volume of purchases, likewise maintained their status among the buyers. Interest was pronounced in tobaccos and foods, reflecting a trend toward the more stable consumer lines, which was also noticeable during the previous quarters. Such individual issues, with recent excellent earnings statements and handsome dividend declarations, as General Motors and Westinghouse, were well bought.

No concentrated selling was noticeable in any particular industrial group. Sales about matched purchases in the chemical, drug and steel stocks, and in no instance did liquidating transactions overshadow the buying. In the latter industry there were a few large sales of United States Steel and in the oil group there was a fair amount of liquidation in Standard Oil of New Jersey.

Cash Reserves Increased

In spite of the preponderance of purchases, the investment companies increased their total reserves of net cash and governments by over $18 million. Grouping the companies by type, the increase occurred for the most part among the open-end funds. Part of this increase resulted from the record-breaking sales of the trusts' own participations to the public. For example, one small fund, Axe-Houghton "B," doubled its size to over $4½ million during the 3-month period. But a greater portion of this increase in reserves than during the previous quarter can also be attributed to sales on balance of the trusts' own portfolio securities. Out of the 62 companies covered in this survey only 33, a little over half, bought on balance and half of these committed themselves in very light volume. The major part of the increase in reserves among the *balanced* open-end funds was contributed by two funds, Investors Mutual and Wellington Fund. Additions among the *stock* funds were more generally distributed. This increase in cash reserves enabled the funds to continue their defensive positions in almost the same amount percentagewise as at the end of the previous quarter despite a 10% rise in the stock market averages, as measured by Standard & Poor's Composite Index of 90 Stocks. This is illustrated by comparison of the average percentage of total net assets in the equity sections for the ends of June and September:

	June	Sept.
Open-end balanced funds	65.8	66.0
Open-end stock funds	84.2	83.4
Closed-end companies	79.7	81.6

The June figure for open-end stock funds differs from that given in a similar table in the previous second-quarter's survey due to the fact that the Loomis-Sayles funds were excluded at that time. It is interesting to observe that both these trusts have only 55% of assets invested in the equity sections of their portfolios, which represents little change from the semi-annual figure.

Portfolio Acquisitions

New additions to portfolios which are of interest because of their unfamiliarity to the general investor include Dwight Manufacturing, a textile company, added to the holdings of both the Axe-Houghton funds, and Goebel Brewing, purchased by General Investors Trust. The Wisconsin Investment Company made a new commitment in Compo Shoe Machinery Corp., while the George Putnam Fund introduced its investors to Bangor Hydro-Electric and International Cellucotton Products. A portfolio transaction of particular interest is the excursion into the steel industry by the Lehman Corporation for the first time since the early part of 1948. The trust purchased 12,000 shares of Bethlehem and 2,500 of Youngstown.

Interest in Gold Shares

The continued interest of certain funds in the gold mining shares is of particular concern at this time. The Wisconsin Investment Co. had 10½% of its assets invested in these companies on June 30, which amount had subsequently been cut down to 7.7%. The comments of its Secretary-Treasurer, Fernand Paternotte, are thus very pertinent:

"The attitude of our investment committee toward gold shares has for the last two years or so been that they were not only good hedges against deflationary tendencies, if that occurred, but also suitable speculative media in view of what appeared to be a certainty of devaluations of numerous currencies in spite of repeated denials by officials of the countries involved. While we have taken some profit and sold approximately one-third of our gold stocks, we are still of the opinion that a substantial position in them should be kept as the possibility of an eventual devaluation of our own currency will grow as time goes on in view of the New Deal's ideology of expansion in the economy of the nation through budgetary deficits. On the other hand, if such a thing should not happen and we should run into a depression, we cannot imagine a better hedge than gold mining stocks against such an eventuality."

Now that the devaluation step has been taken, appraisal of its affect on investments remains uncertain. A good summary of one body of opinion is presented to this author by Walter Morgan of the Wellington Fund:

"Although there may be some short-term dislocations, I believe the effect will be minor because imports only amounted to 3% of national income in 1948 and there has been some tendency for foreign countries to increase prices, offsetting the effect of devaluation. However, on long-term balance, the effect should be good, because countries devaluing can buy more from us if they sell more in dollar volume, regardless how slight. This could help offset the decline in our exports which resulted from the previous shortage of dollars."

Although there has been no rush to buy equities by investment managers and, aside from oils and metals, those that have been bought are not of the type generally thought of as protection against inflationary trends, the feeling among many trust people is that continued budgetary deficits must lead in that direction and this has been an important reason for the stock market's present strength. As D. Moreau Barringer states in the Delaware Fund's "Directors' Letter" of October 7:

"If there is to be no will on the

Balance Between Cash and Investments of 61 Investment Companies

End of Quarterly Periods June and September, 1949

	Net Cash & Gov'ts Thous. of Dollars —End of— June	Sept.	Net Cash & Gov'ts Per Cent —End of— June	Sept.	Invest. Bonds & Preferred Stocks Per Cent* —End of— June	Sept.	Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of— June	Sept.
Open-End Balanced Funds:								
American Business Shares	5,176	3,262	16.6	9.7	14.5	17.2	68.9	73.1
Axe-Houghton Fund	697	523	9.5	6.2	7.3	6.8	83.2	87.0
Axe-Houghton "B"	309	789	13.5	17.0	16.0	14.1	70.5	68.9
Boston Fund	5,761	5,897	15.3	13.9	24.6	22.7	60.1	63.4
Commonwealth Investment	572	794	9.0	9.1	26.4	25.9	64.6	65.0
Eaton & Howard Balanced	4,240	3,863	10.4	8.4	27.6	26.5	62.0	65.1
Fully Administered Shares	577	969	15.5	23.5	20.1	16.9	64.4	59.6
General Investors Trust	304	298	18.4	15.8	5.4	5.0	76.2	79.2
Investors Mutual	4,919	15,205	3.6	9.7	30.9	27.5	65.5	62.8
Johnston Mutual Fund	104	109	24.7	23.7	11.0	10.1	64.3	66.2
§Mutual Fund of Boston	340	285	25.4	19.4	29.0	32.0	45.6	48.6
National Securities-Income	411	560	3.4	4.1	17.1	15.2	79.5	80.7
Nation Wide Securities	310	994	2.7	7.8	29.7	34.7	67.3	57.5
Nesbett Fund	88	73	21.4	16.7	20.6	25.3	58.0	58.0
George Putnam Fund	3,432	3,416	11.9	10.6	20.2	20.9	67.9	68.5
Scudder Stevens & Clark	3,608	†	14.2	†	25.5	†	60.3	†
Shareholders Trust of Boston	572	375	12.3	7.5	30.2	29.1	57.5	63.4
Wellington Fund	9,581	14,147	12.6	15.9	22.6	21.9	64.8	62.2
Whitehall Fund	19	25	2.3	2.7	43.9	41.1	53.8	56.2
Wisconsin Investment	307	337	18.1	17.9	7.0	7.2	74.9	74.9
Open-End Stock Funds:								
Affiliated Fund	3,600	2,132	4.1	2.0	None	None	95.9	98.0
Bowling Green Fund	59	79	11.5	13.8	1.9	3.7	86.6	82.5
Broad Street Investing	737	612	8.0	5.8	6.8	6.2	85.2	88.0
Bullock Fund	311	635	5.4	9.6	None	None	94.6	90.4
Delaware Fund	31	297	1.6	10.8	8.7	10.0	89.7	79.2
Dividend Shares	4,546	6,756	7.5	9.8	0.9	None	91.6	90.2
Eaton & Howard Stock	256	298	11.7	11.6	2.8	1.3	85.5	87.1
Fidelity Fund	2,414	1,575	11.3	6.0	0.5	0.3	88.2	93.7
First Mutual Trust Fund	128	70	4.3	2.1	20.9	23.6	74.8	74.3
Fundamental Investors	3,407	3,006	9.8	6.9	1.3	1.9	88.9	91.2
General Capital Corp.	459	688	5.6	7.7	None	None	94.4	92.3
Incorporated Investors	3,747	3,947	6.6	6.0	None	None	93.4	94.0
Institutional Shares—Stk. & Bd. Gr.	121	183	6.1	8.5	None	None	93.9	91.5
Investment Co. of America	1,266	1,379	24.9	23.6	None	None	75.1	76.4
Investors Management Fund	685	406	8.2	4.4	1.3	2.4	90.5	93.2
Knickerbocker Fund	206	484	2.6	5.2	None	None	97.4	94.8
Loomis-Sayles Mutual Fund	2,157	2,323	42.5	41.5	3.5	3.5	54.0	55.0
Loomis-Sayles Second Fund	3,403	3,680	41.0	40.5	4.5	4.0	54.5	55.0
Massachusetts Investors Trust	9,495	10,363	4.4	4.2	None	None	95.6	95.8
Massachusetts Investors 2nd Fund	528	810	3.5	4.7	None	None	96.5	95.3
Mutual Investment Fund	57	75	9.6	11.6	18.7	22.3	71.7	66.1
National Investors	640	570	4.3	3.4	None	None	95.7	96.6
New England Fund	493	461	20.1	16.6	4.0	3.9	75.9	79.5
Republic Investors	100	292	6.8	16.4	5.2	2.4	88.0	81.2
Selected American Shares	2,936	3,597	21.8	24.4	1.4	1.5	76.8	74.1
Sovereign Investors	22	45	6.1	11.6	22.9	21.7	71.0	66.7
State Street Investment Corp.	13,572	15,694	22.1	22.4	None	None	77.9	77.6
Wall Street Investing Corp.	312	312	26.9	24.5	None	None	73.1	75.5
Closed-End Companies:								
Adams Express	4,518	4,926	12.8	12.8	6.2	5.3	81.0	81.9
American European Securities	1,713	1,629	21.2	18.0	16.3	15.7	62.5	66.3
American International	2,004	2,123	11.7	11.8	4.4	7.0	83.9	81.2
Blue Ridge Corp.	6,064	5,996	20.8	18.3	0.9	0.9	78.3	80.8
Capital Administration	648	558	9.4	7.4	10.7	10.0	79.9	82.6
General American Investors	6,496	6,646	19.1	17.5	3.7	3.4	77.2	79.1
General Public Service	406	323	10.0	7.1	None	None	90.0	92.9
Lehman Corporation	14,927	13,482	17.7	14.2	3.5	2.9	78.8	82.9
National Shares Corp.	2,304	2,191	25.6	22.1	5.3	4.7	69.1	73.2
Selected Industries	2,682	2,151	6.5	4.8	13.9	12.4	79.6	82.8
Tri-Continental Corp.	3,884	3,340	6.3	4.9	13.1	12.1	80.6	83.0
‡U. S. & Foreign Securities	532	1,924	1.7	5.4	None	None	98.3	94.6
U. S. & International Securities	8,044	7,974	23.0	20.6	None	None	77.0	79.4

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †No interim reports issued to stockholders on this date. ‡Portfolio exclusive of securities in subsidiary or associated companies. §Name changed from Russell Berg Fund.

SUMMARY

Change in Cash Positions of 62 Investment Companies

	Plus	Minus	Unchanged	Totals
Open-End Companies:				
Balanced Funds	10	5	5	20
Stock Funds	19	8	1	28
Closed-End Companies	4	7	3	14
Totals—All Companies	33	20	9	62

part of Congress to balance the budget even while 60,000,000 people are employed and tax receipts are high, there is less likely to be any if things get less favorable. The inflationary effect of this attitude may well be the chief support and stimulus of the present market."

An exceedingly interesting overall summary of the present picture, as it concerns the managers of investment companies, is presented by Edmund Brown, Jr., President of Fundamental Investors, in the quarterly report to shareholders dated Oct. 14:

". . . Employment and personal incomes while declining have been well sustained. On the other hand, business still has to reckon with serious labor disputes and the possible effects of devaluations as regards international trade and domestic prices. Also, there is the obvious possibility that further adjustments will take place in important industries such as automobiles and steel. The situation is not without its risks, but certain things seem to be clear. (1) The government authorities have indicated a policy of easy money under present business conditions. (2) The deliberate pouring out of Federal funds in excess of tax receipts adds to purchasing power. (3) Forced liquidation of commodities, real estate or of securities is not imminent. . . ."

Utility Holding Company Distributions

There were several distributions resulting from dissolution programs of utility holding company systems in addition to the large volume of outright commitments made by the investment companies. A dozen or more trusts acquired shares of Middle South Utilities and United Gas in exchange for their holdings of Electric Power and Light common. The same stocks had been distributed to holders of the preferred issues during the previous quarter. Five funds received shares of Southern Co. and three Ohio Edison for Commonwealth and Southern common and several more were allotted equity interests in Consumers Power and Central Illinois Light Co. in exchange for the preferred issue. Some of these certificates had not yet been distributed at the close of the quarter. North American declared a partial liquidating dividend in shares of Kansas Power and Light which was distributed to 14 investment companies. Several other trusts acquired utility issues through the exercise of rights. Three funds purchased shares of Dayton Power and Light in this manner and two more added Pennsylvania Power and Light also largely through rights. Rochester Gas and Electric rights were issued by General Public Utilities to five investment trusts. Shares in Utah Power and Light were similarly acquired.

Most Popular Utilities

General Public Utilities was the most popular issue among this group to be bought without the

(Continued on page 32)

Changes in Common Stock Holdings of 45 Investment Management Groups

(June 29-September 30, 1949)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues more heavily sold are in italics. Numerals in parentheses indicate number of managements making entirely new purchases of an issue or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
3(1)	13,800	Deere and Co.	600	1(1)
4	8,800	International Harvester	3,800	1
1	*10,100*	*Caterpillar Tractor*	*1,100*	*3*
		Auto & Auto Parts:		
4(1)	12,000	Borg Warner	6,200	1(1)
3(1)	11,200	Doehler-Jarvis Corp.	None	None
3(2)	11,800	Electric Auto-Lite	None	None
3(1)	12,500	General Motors	3,200	3
2(1)	7,700	Smith (A. O.)	None	None
None	*None*	*Thompson Products*	*5,100*	*2(1)*
		Aviation:		
3(2)	23,000	American Air Lines	800	1
3	8,000	Bendix Aviation	1,000	1
3	1,000	Douglas Aircraft	None	None
3(1)	3,500	Eastern Air Lines	None	None
		Beverages:		
2(1)	800	Coca Cola	None	None
None	*None*	*Canada Dry*	*25,300*	*3(2)*
		Building Construction & Equipment:		
3(1)	59,900	American Radiator	2,300	1
2	5,000	Certain-Teed Corp.	None	None
3	19,800	Crane Co.	None	None
7(3)	29,000	General Portland Cement	None	None
2	7,380	Glidden Company	None	None
3(2)	7,200	Lehigh Portland Cement	1,000	1(1)
5(1)	1,500	Lone Star Cement	900	2(1)
4(2)	2,800	Otis Elevator	500	1(1)
3(2)	8,500	Pennsylvania Dixie Cement	None	None
2(1)	500	Ruberoid	None	None
3	4,700	United States Plywood	None	None
None	*None*	*Eagle Picher Company*	*7,500*	*2(1)*
1	*2,000*	*Pittsburgh Plate Glass*	*10,400*	*3(1)*
		Chemicals:		
3(1)	8,275	Dow Chemical	500	1
3	2,800	Eastman Kodak	None	None
3	13,900	Koppers Company	1,000	1(1)
3(2)	6,800	Mathieson Chemical Corp.	2,200	1(1)
3	*6,600*	*DuPont*	*13,900*	*6(2)*
None	*None*	*Pfizer (Charles) Co.*	*2,800*	*2*
3	*6,500*	*Union Carbide & Carbon*	*22,400*	*6(4)*
		Containers & Glass:		
8(1)	14,000	Continental Can	200	1(1)
1	*300*	*Corning Glass*	*13,500*	*3(2)*
		Drug Products:		
3	16,400	Colgate-Palmolive-Peet	2,200	1
2(1)	3,500	Parke Davis & Company	None	None
2	*3,800*	*American Home Products*	*22,500*	*4(3)*
None	*None*	*Bristol-Myers*	*8,500*	*2*
None	*None*	*Merck and Company*	*11,100*	*3(1)*
		Electrical Equipment:		
6(1)	5,400	General Electric	36,900	4(2)
3	8,300	Sylvania Electric Products	None	None
7	57,100	Westinghouse Electric	9,200	4(1)
2	*1,200*	*Philco Corp.*	*17,800*	*4(3)*
		Financial, Banking & Insurance:		
2	3,500	Bankers Trust Co., N. Y.	None	None
5(1)	14,300	C.I.T. Financial	14,000	3(1)
2	1,500	Guaranty Trust, N. Y.	None	None
4(1)	4,432⅓	Hartford Fire Insurance [1]	2,500	1(1)
2(1)	7,700	Home Insurance	None	None
2	2,500	Standard Accident Insurance	None	None
1	*4,600*	*Associates Investment Co.*	*9,300*	*3(1)*
None	*None*	*Chicago Corp.*	*13,700*	*2*
		Food Products:		
3	21,430	National Biscuit	None	None
7(2)	12,400	National Dairy Products	6,000	1(1)
2	3,700	Stokely-Van Camp	None	None
2(1)	2,400	United Fruit	None	None
1(1)	*1,000*	*Corn Products Refining*	*6,700*	*4(3)*
		Machinery and Industrial Equipment:		
4(2)	2,500	Allis Chalmers	2,000	1(1)
4(2)	15,035	Food Mach'y & Chemical Corp.	4,005	2(1)
2(1)	600	National Acme	None	None
2	700	Sundstrand Machine Tool	None	None
None	*None*	*Babcock and Wilcox*	*5,200*	*2(1)*
None	*None*	*Dresser Industries*	*15,000*	*3(1)*
		Metals and Mining:		
5	11,800	Aluminum Co. of America	3,000	1(1)
2	1,000	Aluminium, Ltd.	None	None
5(1)	9,000	American Smelting & Refining	10,400	1
3(1)	27,600	Dome Mines	200	1
6	38,600	International Nickel	3,900	2(1)
5(1)	8,200	Kennecott Copper	14,400	2
4(1)	16,300	Phelps Dodge	29,300	2(1)
16(16)	80,840	West Kentucky Coal [2]	1,500	1(1)
1	*2,000*	*Homestake Mining*	*6,500*	*3(1)*
		Office Equipment:		
2	2,500	Burroughs Adding Machine	None	None
2	3,750	International Business Mach.	None	None
		Paper and Printing:		
2(2)	8,000	Champion Paper and Fibre	None	None
9(4)	27,900	International Paper	1,600	1
		Petroleum and Natural Gas:		
4(1)	10,600	Cities Service	700	2(1)
2	16,000	El Paso Natural Gas	None	None
4(3)	56,624	Louisiana Land & Exploration	2,000	1
2(1)	16,300	Mississippi River Fuel Corp.	None	None
3	1,460	Northern Natural Gas	1,000	1
4(1)	19,700	Ohio Oil	2,000	1
		Petroleum and Natural Gas—(Concluded):		
4(2)	22,200	Pure Oil	None	None
3(1)	13,200	Republic Natural Gas	None	None
3(3)	39,900	Richfield Oil	None	None
5(2)	14,100	Seaboard Oil (Del.)	8,500	2
2(1)	1,200	Shell Union Oil	None	None
12(1)	9,448	Skelly Oil [4]	340	2(1)
4	68,000	Socony Vacuum	100	1
3	2,200	Southern Natural Gas	50	1
3	7,650	Standard Oil of California	None	None
10(1)	79,700	Standard Oil of Indiana	None	None
2	1,000	Standard Oil of Ohio	None	None
9(1)	43,130	Texas Company	200	1(1)
4	*26,325*	*Gulf Oil*	*4,000*	*7(3)*
None	*None*	*Hugoton Production*	*8,400*	*2(2)*
1(1)	*13,300*	*Standard Oil of New Jersey*	*9,325*	*6(3)*
		Public Utilities:		
2(1)	800	American Gas and Electric	None	None
5(1)	14,420	American Natural Gas	10,900	2(1)
2(1)	1,100	American Tel. & Tel.	None	None
4(2)	10,600	Brooklyn Union Gas	100	1
3(3)	4,320	Central Illinois Light Co. w/d [5]	None	None
7(7)	25,020	Consumers Power w/d [5]	None	None
3(1)	33,997	Dayton Power and Light [6]	None	None
3	47,000	Electric Bond and Share	2,300	1(1)
8(2)	30,900	General Public Utilities	22,000	3(2)
2(1)	3,100	General Telephone Corp.	None	None
2(1)	5,250	Houston Light and Power	None	None
7(3)	44,100	Illinois Power Co.	7,600	2
2(1)	2,200	Indianapolis Power and Light	None	None
4(3)	10,965	Kansas Gas and Electric	None	None
14(14)	199,675	Kansas Power and Light [2]	4,000	2(1)
14(1)	45,376	Middle South Utilities [7]	21,400	5(1)
6(2)	59,000	Niagara Hudson Power	11,000	2(2)
2(1)	13,000	Northern Indiana Public Service	None	None
3(3)	22,100	Ohio Edison w/d [5]	None	None
2	6,628	Pennsylvania Power & Light [6]	None	None
3(2)	1,900	Peoples Gas Light and Coke	None	None
4(3)	54,000	Philadelphia Electric [6]	None	None
3	8,500	Public Service Electric & Gas	700	1(1)
5(5)	27,000	Rochester Gas & Electric [3]	None	None
2(1)	1,200	Southern California Edison	None	None
5(5)	98,800	Southern Co. w/d [5]	None	None
10(2)	162,161	United Gas [7]	80,350	5(2)
3(1)	21,337	Utah Power and Light [6]	None	None
5	72,813	Virginia Electric & Power	1,000	1(1)
3	*1,800*	*Cincinnati Gas & Electric*	*4,233*	*5(5)*
None	*None*	*Cleveland Electric Illuminating*	*20,400*	*4(3)*
None	*None*	*Madison Gas and Electric*	*3,500*	*2(1)*
2(2)	*4,500*	*North American*	*15,600*	*6(2)*
4	*17,700*	*United Light and Railways*	*65,300*	*7(4)*
None	*None*	*Wisconsin Power and Light*	*17,000*	*3(1)*
		Radio and Amusement:		
2	47,200	Loew's	None	None
4(2)	15,400	Paramount	7,500	2(1)
2(1)	2,900	Technicolor	None	None
4(1)	11,100	Twentieth Century-Fox	None	None
		Railroads:		
4(1)	21,400	Chicago, Rock Island & Pacific	3,200	2
4(1)	8,800	Great Northern preferred	900	1
2	1,300	Illinois Central	None	None
3	2,300	Union Pacific	None	None
None	*None*	*Atlantic Coast Line*	*4,100*	*2*
		Railroad Equipment:		
2	8,000	General American Transportat'n	None	None
None	*None*	*Pullman Co.*	*25,900*	*2(1)*
		Retail Trade:		
3(1)	6,700	Allied Stores	None	None
3(1)	8,200	Federated Department Stores	None	None
2	16,000	Grant (W. T.)	None	None
2(1)	550	Great Atlantic & Pacific	None	None
2(1)	1,200	Melville Shoe Corp.	None	None
4(2)	23,900	Safeway Stores	200	1
None	*None*	*Green (H. L.)*	*2,600*	*2(2)*
1	*1,300*	*Woolworth*	*4,300*	*3(1)*
		Rubber and Tires:		
4(1)	7,500	Goodrich	200	1
		Steels:		
3(1)	36,000	Bethlehem Steel	22,000	1(1)
4(1)	12,500	Youngstown Steel & Tube	None	None
None	*None*	*Republic Steel*	*4,600*	*2*
None	*None*	*United States Steel*	*72,200*	*3(1)*
		Textiles:		
5(1)	36,800	Celanese Corporation	3,500	2(1)
2	4,500	United Merchants and Mfrs.	None	None
		Tobaccos:		
5(2)	5,000	American Tobacco	10,700	1
2(1)	1,500	Liggett and Myers	None	None
3	11,500	Philip Morris	10,000	1(1)
2	2,200	Reynolds Tobacco	None	None
		Miscellaneous:		
3	*31,200*	*Greyhound Corp.*	*25,000*	*6(2)*
1(1)	*3,000*	*Minnesota Mining and Mfg.*	*4,900*	*3(1)*

SUMMARY

Balance Purchases and Sales Portfolio Securities 62 Investment Companies

	Bought	Sold	Matched	Totals
Open-End Companies:				
Balanced Funds	15	3	2	20
Stock Funds	11	7	10	28
Closed-End Companies	7	3	4	14
Totals—All Companies	33	13	16	62

FOOTNOTES TO ADJOINING TABLE

1 1,532⅓ shares declared as stock dividend of 33⅓%.

2 Partial liquidating dividend on North American.

3 Purchased through rights issued by General Public Utilities.

4 8,878 shares acquired as 10% stock dividend.

5 Liquidating dividend on Commonwealth and Southern preferred and common issues.

6 Purchased in part through rights.

7 Greater percentage of these additions received as liquidating dividends on Electric Power and Light common.

NOTE—This survey covers 62 investment companies, but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by J. & W. Seligman are considered as having the weight of one manager. Overseas Securities is included in addition to the companies listed in the companion table.

Mutual Funds on Buying Side, But With Decreased Enthusiasm

(Continued from page 31)

stimulus of rights. Eight companies purchased a total of 30,900 shares, two of which were new commitments; three companies sold. Illinois Power was also well liked. It had been well bought in the previous quarter and top favorite in the first period of the year, although purchases had been stimulated through rights at that time. Seven funds acquired 44,100 shares, three of which had not held the stock previously. Sales were comparatively light. Niagara Hudson's popularity increased as simplification plans neared completion and six managers acquired a total of 59,000 shares. However, two companies completely eliminated the issue from their portfolios. Five trusts each acquired shares in American Natural Gas and Virginia Electric Power, adding 14,400 shares of the former and 72,800 of the latter. Two others sold American Gas and one company eliminated 1,000 shares of Virginia Power. Brooklyn Union Gas was purchased by four funds as in the previous quarter. Sales were negligible. 54,000 shares of Philadelphia Electric were also added to four portfolios, three of which represented new commitments. Opinion was divided on Central and Southwest Corp., which had been one of the favorite issues in this group during the first half of the year.

Rather heavy selling occurred in United Light and Railways, seven companies disposing of a total of 65,300 shares, three of which completely eliminated the issue from their portfolios. Offsetting this, in part, was the purchase of 17,700 shares by three other trusts. Profit-taking occurred in North American, 15,600 shares of which were sold by six funds. Two managements, however made new commitments. Five companies also lightened holdings of Cincinnati Gas and Electric while four more sold Cleveland Electric Illuminating. Three managers liquidated 17,000 shares of Wisconsin Power and Light.

Oil and Gas Moderately Favored

Although purchases of oil and natural gas securities still accounted for a good proportion of portfolio additions, they were 27% less than in the previous quarter. Standard of Indiana was best liked, 10 funds adding 79,700 shares. Nine companies purchased a total of 43,100 shares of Texas. Selling was confined to the elimination of 200 shares by one fund. Seaboard Oil of Delaware was next in demand, five companies acquiring 14,100 shares, two of which represented new commitments. Two managements sold. Louisiana Land and Exploration was added for the first time to three portfolios and increased in a fourth. 56,600 shares were bought; there was a lone sale of a block of 2,000. Four managements also each purchased Ohio Oil and Socony Vacuum. Another fund lightened holdings of both issues. Pure Oil, likewise, was purchased as a new commitment by two trusts and increased in the holdings of two others. 10,600 shares of Cities Service were bought while there were two small sales totaling 700. New commitments were also made by three managements in 39,900 shares of Richfield. Almost the entire increase in Skelly holdings resulted from a stock dividend.

In contrast to its popularity in the previous quarter, Gulf was eliminated from three portfolios and lightened in four others. However, the volume of shares purchased by four managements was 6½ times greater than the number sold. Three funds also completely disposed of holdings of Standard of New Jersey while three others decreased commitments. There was one new purchase.

Interest in the natural gas stocks also fell off considerably from that of the previous quarter. Three trusts each purchased shares in Republic, Southern and Northern Natural Gas. A block of 2,000 shares of Northern Gas was disposed of, but liquidation in the other two issues was negligible. 16,000 shares of Mississippi River Fuel and El Paso Natural Gas were each acquired by two managements.

The cement industry again was featured among the building stocks as in the second quarter of the year. Foremost in popularity was General Portland Cement. Three managements made new commitments while four others increased holdings to total 29,000 shares; there were no sales. Five funds also purchased a total of 1,500 shares of Lone Star, but these were partially offset by two sales of 900. Two trusts each made new acquisitions of Lehigh-Portland and Pennsylvania-Dixie while there were also single additions to lots already held of each one of these cement companies. Otis, an old-time favorite, was well liked for the first time during the year. Four managements purchased a total of 2,800 shares and two of these were new commitments. American Radiator was added in fairly sizable volume, three funds taking a total of 59,900 shares. Offsetting was one sale of 2,300. Crane, U. S. Plywood and Ruberoid also were favored. Sales on balance were confined to Pittsburgh Plate Glass and Eagle Picher, three funds selling 10,400 shares of the former and two others liquidating 7,500 shares of the latter company.

Nickel the Metals Favorite

International Nickel was first favorite among the nonferrous metals, six managements purchasing a total of 38,600 shares. Sales of 3,900 shares were made by two other funds. Along with Nickel, Kennecott was still liked by the investment companies as during the previous quarter, although there were only five purchases as contrasted with the nine made in the earlier part of the year. There were also two sales which exceeded in volume the amount of stock bought. American Smelting was likewise well liked by five funds with one offsetting sale. The same number of managements made additions of Aluminum of America, while Phelps Dodge was added to four portfolios as contrasted with its previous liquidation on balance. A contrast was offered by transactions in gold mining stocks. Three funds purchased a total of 27,600 shares of Dome, but the same number sold 6,500 shares of Homestake.

Retail Stocks

As during the previous quarter, Safeway was the outstandng favorite among the retail issues. Two new commitments and the same number of portfolio additions totaled 23,900 shares. This compares with the five purchases of 44,600 shares made during the second quarterly period. Three purchases each were made of Federated Department and Allied Stores; there was no liquidation of either issue. Federated has been a prominent favorite among the investment managers for some time. Grant, Melville Shoe and Atlantic and Pacific were also each added to the portfolios of two trusts. Sales of Woolworth and H. L. Green were made by three and two managements, respectively. Volume of activity was weighted on the buying side of Montgomery Ward as contrasted with the reverse in the June quarter, although number of managements making purchases and sales was well divided. One interesting transaction in this issue was the purchase of a lot of 18,600 shares by Affiliated Fund, which also sold 35,000 Sears Roebuck during the quarter.

Managements still looked favorably on the tobaccos as they did during the first half of the year. Five funds purchased a total of 5,000 shares of American Tobacco; there was liquidation by one trust of twice this amount. Philip Morris was added to three portfolios, while one management completely eliminated a lot of 10,000. Two trusts each purchased Liggett and Myers and Reynolds Tobacco.

C.I.T. Financial Favored

Among financial institutions, C.I.T. Financial continued to be favored by trust managements, 14,300 shares being added to five portfolios. Two funds lightened their holdings, while a third eliminated the issue from its portfolio. Transactions in Commercial Credit were light, two sales of 1,200 shares contrasting with a small addition of 200 shares. Three trusts, however, sold a total of 9,300 shares of Associates Investment Co.; one purchase totaled 4,600. Two New York bank stocks were each bought by a like number of managers. Additions were made of 2,500 shares of Bankers Trust and 1,500 shares of Guaranty Trust. Scattered individual purchases, as usual, predominated among the insurance equities, although Home and Standard Accident were each acquired by two funds.

Top favorite among the food issues was National Dairy Products. There were five additions to portfolios and two new commitments totaling 12,400 shares. One management cleaned out a lot of 6,000 from its holdings. Three trusts added 21,400 shares of National Biscuit, while there were no sales. Two other purchases were made each in the stock of United Fruit and Stokely-Van Camp. Sales were concentrated on Corn Products, three funds completely eliminating the issue, while a fourth lightened its holdings.

The Rails

Outstanding transaction among the rail issues was the acquisition by Investors Mutual of 13,508 shares of Wheeling and Lake Erie, presumably acquired from Pennroad, which recently disposed of the major portion of its investment in this carrier. This represents about 1% of the net assets of the investment company and 4% of the outstanding issue of the rail's common stock. The investment company increased its net cash reserves during the quarter by $10 million. There has been considerable speculation ever since the management group controlling the trust's portfolio changed direction during the current year whether there would be any major shifts among the investment holdings.

Great Northern preferred and Rock Island were each acquired by four funds. There was one sale of the former carrier and two of the latter. Also favored were Union Pacific by three managements and Illinois Central by two. The only concentrated selling was done by two companies which liquidated 4,100 shares of Atlantic Coast Line. Among the rail equipments, General American Transportation was acquired by two trusts while a like number sold Pullman.

Steel Shares

United States Steel and Republic continued to be sold as in the previous quarter; three managements disposed of 72,200 shares of Big Steel and two others sold 4,000 shares of the latter issue. Contrasted with this continuing attitude of bearishness, there was a switch of sentiment to the bull side on Bethlehem and Youngstown from the pessimism of the previous quarter. Four trusts bought Youngstown and three purchased Bethlehem.

The Motor Industry

Sentiment bettered somewhat also toward the auto and auto equipment stocks. Purchases, although still comparatively light, increased by 50% over the June period. Six funds purchased a total of 12,500 shares of General Motors, one of which made a new commitment; sales by three trusts totaled 3,200. Opinion was divided on Chrysler, four managements purchasing 12,000 shares and a like number eliminating 10,900 completely from their portfolios. There was also a fairly even division on Studebaker. Among the equipments, three funds added to their previous holdings of Borg Warner while a fourth made a new addition to its list. Purchases totaled 12,000 shares contrasted with liquidation of one lot of 6,200. Three funds also acquired 11,200 shares of Doehler-Jarvis and the same number acquired 11,800 shares of Electric Auto-Lite. There was no liquidation in either issue. Neither were there any sales of A. O. Smith which was bought by two managers. A total of 1,500 shares of Thompson Products, however, was lightened in one portfolio and eliminated from another.

Activity in the air transport and manufacturing company equities decreased 50% from the previous quarter during which period interest had been comparatively light. Among the transport companies, American and Eastern were each purchased by three managements. In the June quarterly period there had been divided opinion about both of these issues. Two of the purchases of the former company represented new commitments and there was one small sale of 800 shares as contrasted with total purchases of 23,000. There was no liquidation in Eastern. In the equipment group, there were three additions of 8,000 shares of Bendix contrasted with one sale of a lot of 1,000. Douglas was the only plane builder in demand with three trusts acquiring 1,000 shares. Opinion was divided on both Lockheed and United Aircraft, the latter of which had been an outstanding favorite for some time.

Eight managements liked Continental Can, but American lost its popularity of the previous quarter. Two funds eliminated Corning Glass and another lightened its portfolio; sales totaled 13,500 shares. Westinghouse stepped up its popularity among electrical equipment issues over that which it had held in the June quarter, seven managements purchasing a total of 57,100 shares; four liquidated in considerably less volume. General Electric, upon which opinion had been divided in the earlier period, also was favored, but purchases by six funds of only 5,400 shares contrasted with sales by four others of 36,900. Sylvania Electric was also liked, but Philco was liquidated. Sales matched purchases in both the chemical and drug groups. DuPont, Union Carbide and Pfizer were sold, but Dow, Eastman and Mathieson were bought. Similarly, sales of Bristol-Myers and Merck contrasted with purchases of Parke, Davis and Colgate-Palmolive-Peet. Buying of rubbers was concentrated on Goodrich.

The Regulation of Securities Exchanges

(Continued from page 12)

the salaries and holdings of some of the officers shall be stated, etc.

(2) If a security is listed on another Exchange—the New York Stock Exchange, for example, and there is trading activity in the stock in Philadelphia or in this neighborhood, application may be made by the Exchange for the privilege of trading in that security; and if such activity can be shown and sufficient holders as well as sufficient transactions, then the Commission will extend to the Philadelphia-Baltimore Stock Exchange the privilege of trading in that stock. But not unless it has been registered on another national securities exchange, and the information regarded as so essential made available to anybody who is interested.

Broker and Dealer

There is another thing the Act considers. It deals with the relation between the broker and the dealer. The broker, who is your agent, purchases and sells securities. He is your servant and is paid for his services. The dealer is the person who sells to you, or buys from you—he is the principal. Their positions sometimes present problems of conflicting interest.

The Securities and Exchange Commission has broad powers with reference to the transactions of the broker and the dealer. It is authorized by the Act, if at any time the Commission deems it proper, to segregate the functions entirely. The relations of broker and dealer present problems of a technical character beyond the scope of this discussion.

The SEC has recognized the implications involved. For the present a Plan of Fair Dealing has been adopted by the Exchanges of the country, with the approval of the Commission, which has thus far operated, we believe, very fairly; certainly with fairness to investing public.

Credit

The Act deals also with the subject of credit. That is one of the problems which led to the whole of the legislation. During the period of the tragic inflation of the market prior to 1929, stocks could be purchased on a very small margin — this encouraged wild speculation. As we look back on it, the fact that that was possible contributed to the excessive speculation of the 1920s.

Margins

The Securities and Exchange law permits the Federal Reserve System to fix margins and to regulate the whole field of credit. Through its control of credit the Federal Reserve System seeks to guard against inflation by overspeculation or stimulates investments when the market is reversed.

Proxies

The Commission deals with the question of Proxies, so that investors when asked to vote on questions before the management may have the largest and broadest information.

Exchanges Enforce SEC Policy

Through the disciplinary control of the Exchanges themselves and through the governing Securities and Exchange Commission, there is surrounding you, as investors, the largest possible degree of protection. This is true so far as information is concerned in connection with the securities in which you are interested, and so far as high standards of business ethics are concerned in the handling of your transactions in listed securities.

A most significant thing is that the SEC has placed upon the Exchanges themselves the enforcing of these rules, laws and regulations; it is relying on the Exchanges, because of its recognition of the essential conscientiousness of the Exchange management in the handling of these various problems, and because the Exchanges have exercised responsibility for the conduct of their members in the transaction of their business. You would be surprised to know how few are the occasions when the Disciplinary Committees of the Exchanges are called upon to pass on irregularities of their members.

Missouri Power & Light Bonds Placed on Mkt.

Halsey, Stuart & Co. Inc. is offering to the public today (Nov. 17) $2,000,000 Missouri Power & Light Co. first mortgage bonds, 2¾% series due 1979 at 101% and accrued interest. Award of the bonds was won at competitive sale on a bid of 100.0551.

Net proceeds from the new bonds, together with those from the sale of new cumulative preferred stock, will be added to the company's general funds and used in part to retire unsecured promissory notes aggregating $2,000,000, to reimburse the company's treasury for capital expenditures previously made and to meet in part the cost of additions to its property and facilities now in progress, and for other corporate purposes.

The new bonds will be redeemable at prices ranging from 104% to 100% and at special redemption prices scaled from 101.03% to 100%.

The company is engaged, within the State of Missouri, in the generation, purchase, transmission, distribution and sale of electric energy and in the purchase, distribution and sale of natural gas. It also owns and operates two water works systems, two ice manufacturing plants and one hot water heat system.

Halsey, Stuart Offers New Haven Equips.

Halsey, Stuart & Co. Inc. and associates won the award Nov. 16 of $4,080,000 St. Louis-San Francisco Railway equipment trust, series E, 2¼% equipment trust certificates, due $272,000 annually Dec. 1, 1950 to 1964, inclusive. The certificates, issued under the Philadelphia plan, were reoffered, subject to Interstate Commerce Commission authorization, at prices to yield from 1.25% to 2.60%, according to maturity.

Proceeds from the sale of certificates will be used to provide for the following new standard-gauge railroad equipment estimated to cost approximately $5,414,860: 14 diesel-electric passenger train locomotives and 15 diesel-electric road switching locomotives.

Associated in the offering were: R. W. Pressprich & Co.; A. G. Becker & Co., Inc.; Gregory & Son, Inc.; Otis & Co.; L. F. Rothschild & Co.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co. Inc.; and McMaster Hutchinson & Co.

Joins Burns, Potter Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Willis S. Christie is with Burns, Potter & Co., 202 South Seventeenth Street.

The State of Trade and Industry

(Continued from page 5)

started up on Nov. 1, the rate for this week is 101% of rated capacity. At Cleveland it will zoom from zero to 69% of capacity in one week. The industry as a whole will not come back this fast but this terrific pickup shows what is being done at many plants, the trade magazine notes.

In the race to get back into full production the industry is expected to hit a rate close to 80% next week. Operating men at most major mills are aiming at 100% operations before mid-December, so the rate for that month should top 90% of capacity.

Steel buyers, particularly those in Detroit, are redoubling their efforts to line up conversion steel. This is the technique they used so well last year. It means buying ingots from one source and shipment of the semi-finished product to one or more other mills for conversion into scarce sheet steel. Almost all steel companies were engaged in one or more phases of it last year, helping steel starved customers and making a nice profit to boot. But, states "The Iron Age," it adds as much as 50% to the delivered cost of steel sheets and in effect means higher steel prices to fabricators who use it.

Foundries are beginning to see signs that the business pickup they experienced in August and September will return as soon as the big metal users get back to capacity. Farm implement and auto demand is expected to bounce back but heavy castings for the railroad and heavy machinery fields are not promising. Because many of the merchant pig iron furnaces ran during the steel strike iron is not yet in tight supply. Resumption of coal mining on Nov. 10, concludes this trade authority, saved some merchant furnaces from early curtailment.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 54% of capacity for the week beginning Nov. 14, 1949, an increase of 33 points from the preceding week.

The Institute in reporting this week's output said the sharp spurt was due to the end of the steel strike in most of the nation's mills.

This week's operating rate is equivalent to 995,500 tons of steel ingots and castings compared to 387,000 tons one week ago. A month ago the rate was 9.3% and production amounted to 172,000 tons; a year ago it stood at 99% and 1,784,500 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

CARLOADINGS LOWER AFTER MILD ADVANCE OF PRECEDING WEEK

Loadings of revenue freight for the week ended Nov. 5, 1949, the seventh consecutive week of major industrial strikes, totaled 578,981 cars, according to the Association of American Railroads. This was a decrease of 12,336 cars, or 2.1% below the preceding week. It also represented a decrease of 264,605 cars, or 31.4%, below the corresponding week in 1948, and a decrease of 331,169 cars, or 36.4% under the similar period in 1947.

ELECTRIC OUTPUT RECEDED SLIGHTLY IN PAST WEEK

Electrical production for the sixth 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 Nov. 12 was estimated at 5,434,555,000 kwh., according to the Edison Electric Institute. This represented a decrease of 369,000 kwh. below the preceding week. It was 136,212,000 kwh. lower than the figure reported for the week ended Nov. 13, 1948, but 350,215,000 kwh. in excess of the output reported for the corresponding period two years ago.

AUTO OUTPUT SHOWS MODERATE RISE ON HIGHER PRODUCTION AT FORD PLANT

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada advanced to an estimated 117,438 units from a revised figure of 116,699 units in the previous period.

The increase was attributed to higher output by Ford after an inventory closing.

The total output for the current week was made up of 94,386 cars and 19,565 trucks built in the U. S. and 2,070 cars and 1,117 trucks in Canada.

The week's total compares with 116,020 a year ago and 92,990 in the like week of 1941.

BUSINESS FAILURES HOLD SLIGHTLY UNDER PREWAR TOTAL

Commercial and industrial failures rose to 222 in the week ended Nov. 10 from 196 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were more than twice as numerous as in the comparable weeks of 1948 and 1947 when 96 and 72 concerns succumbed respectively. However, they remained slightly below the prewar total of 269 which occurred in the corresponding week of 1939.

Failures involving liabilities of $5,000 or more increased to 164 from 148 and exceeded the 81 of this size reported a year ago. Small casualties having liabilities under $5,000 rose to 58 from 48; they were almost four times as numerous as last year and were at the highest level since the third week in March 1943.

Retail trade accounted for most of the week's increase with failures in this line rising to 106 from 86, more than doubling the 46 which occurred in the similar week of 1948. The sharpest increase from the 1948 level appeared in commercial service with six times as many failures as a year ago.

The East North Central States reported an increase to 43 from 27 and the New England States to 26 from 13. Slight declines from the previous week prevailed in four regions; failures in the Middle Atlantic States dipped to 57 and in the Pacific States to 44. All regions except the Mountain had more failures than last year; the rise from the 1948 level was especially marked in the Middle Atlantic and West South Central States.

FOOD PRICE INDEX ATTAINS HIGHEST LEVEL IN EIGHT WEEKS

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned upward last week following the irregular movement of recent weeks. The index rose to $5.74 of Nov. 8, up 0.9% from $5.69 a week earlier, although still showing a drop of 10.2% from the comparative 1948 level of $6.39.

WHOLESALE COMMODITY PRICE INDEX SHOWS IMPROVED TONE

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly the past week at a somewhat higher level than a week previous. The index closed at 245.47 on Nov. 7, comparing with 242.72 a week earlier, and with 270.93 on the corresponding date a year ago.

Grain markets were mostly firmer with deferred deliveries of wheat, corn and oats selling at new highs for the year.

Volume of sales on the Chicago Board of Trade rose moderately over that of the preceding week. There was a good demand for cash wheat in both the Northwest and the Southwest, but supplies were rather tight. With ample supplies of moisture in most areas, the condition of the new Winter wheat crop was said to be very favorable. There was a broader demand for cash corn with prices scoring moderate advances as the result of continued small country offerings. Domestic flour bookings remained at a slow pace.

Buyers were very cautious in making commitments and showed considerable resistance to current rising prices.

Trading in cocoa was active and prices trended higher aided by scarcity of offerings from primary markets. Coffee remained in broad demand with prices scoring further advances despite reports that crop damage in Brazil was not as great as had been anticipated. Divergent trends featured the Chicago livestock market. Prime fed steers rose to a new all-time peak of $41.75 per 100 pounds, while live hogs sank to new low ground since OPA controls were lifted. Lard was under pressure and prices declined to the lowest since 1941, reflecting the heavy movement of hogs and continued slow demand for fresh pork.

Cotton values moved irregularly higher last week, aided by continued activity in the domestic cotton goods market, the signing by the President of the Agricultural Act of 1949, and the sustained movement of the staple into the government loan stock.

Mill inquiries were fairly numerous with good demand for both prompt and forward delivery. Spot markets were seasonally active although sales volume in the 10 markets dropped to 367,000 bales, from 407,000 bales the week before. In the corresponding week a year ago sales totaled 242,000 bales.

There was considerable activity in nonferrous metals markets last week. Sales of copper were very heavy; prices were advanced ⅞ of a cent a pound to 18½ cents Valley basis, in the first upward adjustment in the red metal since July 11.

Insistent demand for copper over the past few months has resulted in an extremely tight supply situation.

Demand for zinc continued to improve and prices were moved upward ¼-cent a pound for the second time within a week.

RETAIL AND WHOLESALE TRADE STIMULATED BY PROMOTIONS AND IMPROVED STEEL STRIKE OUTLOOK

Cooler weather and a number of vigorous promotions in many parts of the country during the period ended on Wednesday of last week were reflected in a slight rise in consumer buying from the level of the preceding week. Dollar volume remained slightly below that of the similar 1948 week, states Dun & Bradstreet, Inc., in its latest summary of trade.

There was a noticeable increase in the sale of lower-priced merchandise in many lines.

Consumer interest in Fall apparel increased noticeably last week, as cooler weather coincided with promotions throughout the country. Dresses and accessories were popular items with women.

A considerable volume of cloth coats were purchased in many vicinities, while the demand for fur garments declined generally.

The retail dollar volume of food was slightly lower than that of the previous week. Meat sales were somewhat curtailed with consumer demand centered largely on inexpensive cuts.

House-furnishings sales volume increased slightly the past week with furniture and electrical appliances among the more popular offerings. Consumer interest in floor coverings remained somewhat limited.

The high demand for television sets and automatic washing machines was an exception to the generally moderate interest in large home appliances.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 5 to 9% below that of a year ago. Regional estimates varied from the estimates of a year ago by the following percentages:

Northwest and Pacific Coast —2 to —6; New England —1 to —5; East —8 to —12; South —6 to —10; Midwest —4 to —8 and Southwest —9 to —13.

The aggregate dollar volume of wholesale orders rose slightly in the week, but continued to be moderately below the high level of the similar week in 1948. As agreements were reached in some labor-management disputes, many buyers placed an increased number of advanced orders.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 5, 1949, decreased by 2% from the like period of last year. In the preceding week a decrease of 7% was registered below the like week of 1948. For the four weeks ended Nov. 5, 1949, sales registered a decrease of 9% from the corresponding period a year ago and for the year to date a decline of 6%.

Here in New York the past week retail trade received some impetus from seasonal purchases, but volume continued to remain under the like period of 1948.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Nov. 5, 1949, decreased by 4% from the same period last year. In the preceding week a decrease of 8% (revised) was registered below the similar week of 1948. For the four weeks ended Nov. 5, 1949, a decrease of 12% was reported under that of last year. For the year to date volume decreased by 8%.

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,"

The Stock Market and the Political Situation

(Continued from first page)

tions are—you need not be told except for convenience of classification—(1) foreign affairs; (2) labor; and (3) taxes. I shall discuss them frankly in that order.

However much businessmen may differ on details in such matters as the dismantling of plants in Germany or about the handling of the situation in the Far East, I think we are all happy about the containment of communism in Europe. Unquestionably, American policy has encouraged the spread of Tito-ism. Being impressed by trends or changes in direction, the first tear in the iron curtain leads me to look for others. Soviet Russia has a defeatist complex because the strides in the "decadent" United States and recovery in Western Europe spell defeat for communism in the contest to win the allegiance of peoples through performance rather than promises.

A year ago the election returns were thought to assure repeal of the Taft-Hartley Act. A purely partisan line-up would have resulted in a return to the Wagner Act with but minor changes. The Democratic leadership in Congress itself recognized the futility of trying to pass such a measure and abandoned the Administration-supported bill. I feel confident, in view of recent labor developments, of continued failure to obtain the repeal of the Taft-Hartley Act, and I do not expect any weakening of the country's determination to deflate the position of monopolistic labor leaders. When the Eighty-first Congress met it was almost in a state of hysteria because of the organized demands of organized labor to get immediate repeal of the Taft-Hartley Act. The Congress, however, resisted the pressure successfully.

Tax Outlook

On taxes I would like to review the record for a somewhat longer period than a year. In this area I feel somewhat more at home, although I do not pretend to be an expert. In the Revenue Act of 1942, enacted in the midst of the war and before the dawn of victory, important changes were made following months of discussion. Congress overhauled the excess-profits tax which was almost impossibly complex. It permitted the taxpayer to choose either the invested capital or profits standard. A ceiling of 80% was placed on income and excess profits taxes. The privilege of carrying back operating losses for two years was added to the two-year carry-forward privilege. A series of changes designed to improve the operation of the relief provisions were adopted.

As to capital gains, a six-month holding period was established as a rough dividing line to distinguish the gains and losses of "traders" from "investors." In retrospect, it is significant that the Congress was unwilling to kill all incentive. In 1945, among other changes designed to aid in the difficult transition period from war to peace, corporate surtax rates were reduced and also the normal tax and surtax of individuals effective beginning with the returns for the calendar year 1946.

The Congress, moreover, in the Revenue Act of 1945, wisely repealed the excess-profits tax. This one act more than any other factor released the productive energies of the country. Without the repeal of excess profits taxes, the record of the post-war period would have been very different and the fears of large scale unemployment voiced in some quarters might have been realized. Again, last year the Congress acted courageously. Looking ahead to the time when dollars would no longer be chasing goods, and in spite of severe censure from the White House, the much criticized Eightieth Congress passed the Revenue Act of 1948, giving savers and investors some relief in the form of the national adoption of the community property principle. This "wicked" act in the interest of the "sinister few," if one were to be guided by comments emanating from Administration circles, did what in reality?

The October, 1948, edition of the Department of Commerce's "Survey of Current Business" had this to say about the reduction in taxes of $4,600,000,000:

I quote:

"Of the estimated tax reduction, roughly two-thirds accrues to individuals with incomes of less than $5,000. In this bracket the propensity to spend any increase in income on personal consumption is high. Less than 15% goes to individuals with incomes of over $25,000, where there is a greater tendency to save a part of any increase."

Since one of the puzzling developments of 1948-1949 has been the lower rate of consumer spending in relation to personal income, manufacturers and merchants should be thankful for the work of the Eightieth Congress in sustaining sales and employment at higher levels than they would have been if tax reduction had not been enacted.

Government and Business

Last year, addressing the National Association of Insurance Commissioners, in December, I admonished against a cold war between government and business. For business and government to be at loggerheads in this country at this time is deplorable. May I recall what I then said:

I quote:

"Business and government occupy separate spheres. Each has its duties and responsibilities. A cold war between them can only result in unemployment, a shrinkage in production, a slump in government revenues. On the other hand, cooperative effort will produce a stable prosperity, an unanswerable argument to the claims of the foes of democratic capitalism."

I must say, regretfully, that thus far the spirit in government has not been one of greater cooperation.

The temptation, I know, is great to adopt what I shall call the meat axe approach. Swing widely; hit everything within reach. Government condemns all business, outright or by indirection, without thinking of the main sources of government revenue. Business strikes back and condemns every kind of government activity without thinking of the many services that only government can render. Partisans shout; everybody has a good time in an orgy of wild statements; and the pressing, imperious demands for serious thinking and action go unheard until a catastrophe impends. I, for one, am tired of hearing about the mistakes that business made forty or fifty years ago or more. As someone has said, let us take from the past not the ashes but the fire.

The fire of the American spirit is to make things work and it is that fire from the past that has to be carried on, burning away skepticism and ideologies in the interest of a better life. Making things work—that applies to gadgets and machines, and to government as well. Making things work is good Hoosier philosophy, too. It explains our impatience, and rightly so, with forms of government that promote fifty-eight varieties of parties who cannot get together so that government will function effectively. It explains our impatience with perfectionists, who must have the perfect society overnight. After all, a statesman is best remembered because he asked for a five-cent cigar rather than the moon. Seriously, the plain, humble objective of determining to make things work is one of the most intensely American qualities. See what it has done in the factory and on the farm.

A Selective Stock Market

In the security markets, one of the terms frequently used in recent years is that the market is "selective." The term denotes that not all securities are rising or falling but that investors pick and choose and are inclined to dispose of one class of stocks, for instance, while buying the equities representing another industry. Selectivity is a way of making things work better; it is the opposite of the meat axe approach.

A selective approach is the most satisfactory means of dealing with Federal taxation at this time. I am sure we would all like nothing better than general reductions, but they are not feasible now. That a really determined effort is being made to decrease Federal Government expenditures is doubtful. An attempt by some members of the Congress to cut appropriations by 5 or 10% did not gain strength. Expenditures in the President's recent budget review represent a net increase of as much as $1,600,000,000 above the forecast made last January. This increase is due mainly to increases in outlays for veterans' benefits, for government purchases of housing mortgages and for agricultural price supports. Such increases more than offset cuts made by the Congress for the Department of Defense and in the Eurpoean Recovery Program. Thus, even if the revenue forecasts turn out to be low, the President has paved the way for renewing his request for an increase in taxes. We may as well be prepared for his proposals.

Threat of Higher Taxes

The acute thinking, or gazing into the crystal ball, is necessary to inform us what the Administration is likely to advocate. Judging from Washington reports, proposals will be offered to add to the burdens of business and the middle class, ignoring the lessons that are written large in the British debacle. Their adoption will create the very grave danger of a more pronounced decline in business than the economy recently surmounted. Had the Congress not revealed determination to reject the recommendations on labor and taxes contained in the President's message the recent recovery, before its interruption by work stoppages, in all likelihood, would never have taken place.

One of my reasons for reviewing briefly tax legislation of recent years is that the best hope of the nation seems to be in the independent thought on tax policy displayed in the Senate and House of Representatives. This constructive thinking is illustrated in the bill introduced in the last days of the 81st Congress by the Honorable Walter A. Lynch, of New York City, a member of the House Ways and Means Committee. His bill, H. R. 6393, should be studied carefully by all business groups and I trust the Indiana Manufacturers Association will find time to consider and discuss it. Mr. Lynch has evolved a series of proposals to encourage risk capital and stabilize employment. Essentially, he has used selectivity to make the best of a very difficult situation. The bill contains proposals affecting several kinds of taxation: excises, capital gains, dividends received from common stock holdings. Certain excise taxes that are justly regarded as nuisance levies are reduced or eliminated. Non-luxuries in some instances are exempted. On the other hand, excises on expensive jewelry, furs and luggage are retained. Secondly, the effective maximum tax rate on long-term capital gains is cut from 25 to 10%, the possibility of tax saving through loss offsets against ordinary income is raised to $5,000 per year and the holding period would be reduced to three months. Thirdly, holders of common stocks would have the benefit of a 10% credit on dividends received.

I have covered the Exchange's position on tax policy in our study, "Jobs and Taxes," of which more than 25,000 copies have been distributed; in our leaflet, "Equity for Equity Capital," which has had an even wider distribution; and in several talks made in various parts of the country and before different groups. As I see it, we are engaged in an educational job of the utmost importance.

The changes in capital gains taxation are designed to stimulate the flow of funds into business and the capital markets. Revenue from capital gains taxation are unimportant. Whether the changes would entail a loss of revenue is indeterminable. My own conclusion is that greater readiness to make shifts and exchanges would greatly expand the number of transactions and probably lead to larger reciepts. Certainly, the dividend credit is modest enough and does not free ownership from the injustice of double taxation.

Favorable Environment for Investment Aids Economy

A more favorable environment for investment cannot help but aid in expanding the economy. An expanding economy with stable commodity prices will produce more revenue than was forecast in the recent budget review and in that way will create a more balanced position.

Believe me, I am open-minded. My days and nights for many months have been spent in wrestling with these subjects. They are big enough to absorb the best part of any man's effort. No one in business can afford the luxury of not probing the tax problem, the solution of which may well determine the course of American business. Always remember that while a much sounder structure could be built if we started anew from the ground up, we have to work with the practical means at hand. A sprawling, nondescript Federal tax structure, the result of additions over the years tacked on in a hurry, must be made more habitable.

Proposed changes in Federal taxation are generally pro-consumption or pro-investment. In reality, to maintain economic stability, neither investment nor consumption can be sacrificed. Hard as the task is, requiring the patience of Job, it can be accomplished, and the efforts I have touched upon are bringing results, evidenced by expression of opinion from people in all walks of life. We know it to be too true, in the words of Chief Justice Marshall, that the "power to tax is the power to destroy." We must never surrender our confidence in the **power to change the tax structure before it destroys.** The power resides in us. The cost is tireless, intelligent work. The goal, a stable economy retaining built-in stabilizers and the motive power for economic progress, is well worth the effort.

* * *

Wants More Education in Economics

Speaking at Cincinnati before the Cincinnati Better Business Bureau on Nov. 9, Mr. Schram pleaded for wider education in economics and a better understanding of our capitalist system. In this connection, Mr. Schram said:

"The widespread prevalence of economic illiteracy, which has drawn the fire of leaders in both religion and education, should be continually reduced if we are to avoid disaster. It is not only urgent that we learn how to live wisely, but that we understand that an American community is a good place to make a living because of an ideal which has powered our institutions through all their changes and their development—the unique American ideal of incentive. Many of our youth and of our adults do not comprehend the job-making process and do not know that if the incentive which prompts a man to organize a business and to employ others to help him does not remain in our economic system, we will have eliminated our most fruitful source of new jobs and new opportunities. A most serious problem of business is the need to restore a nation-wide conviction that the capitalistic system is not merely one among several economic systems, but is, to date, the only one which first, can offer the high productivity which assures abundance, and second, can maintain freedom of opportunity not only for a few but for the majority.

"These past 25 years have brought vast changes in the capital markets. I am not thinking only of prime movements of securities. The New York Stock Exchange has moved on a broad front to assure the investor in the world's greatest capital market of every safeguard. We have gone to unparalleled lengths in our effort to influence management in the direction of providing investors with more complete information regarding company activities and to furnish this information promptly so that it would be of greatest use. In this policy, management has taken a farsighted view, and I must acknowledge the influence of the Securities and Exchange Commission and other regulatory bodies. The heads of many corporations have worked tirelessly to improve the employee's working and living conditions and to add to his security; and none of them, by the way, have done any better than some of Cincinnati's own companies, which are represented here tonight. The same can be said in regard to the stockholder.

"I am delighted to find that more and more company annual reports are both interesting and informative. If you do not as a rule pay much attention to the annual reports of leading American corporations, I venture to say you are missing one of the best sources of information on just how the American economy works, for here is the warp and woof of industry in concrete terms. I would go so far as to plead that these reports be used by all those interested in implanting the facts concerning our economy into the minds of workers and students to remove many of the completely silly notions that are so widely prevalent."

John C. Woolfolk With Milhous, Martin & Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — John C. Woolfolk has become associated with Milhous, Martin & Co., Rhodes-Haverty Building. He was formerly with Brooke, Tindall & Co. and prior thereto was with Wayne Martin & Co.

With David A. Noyes & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William J. Burgkart has become affiliated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchange. He was formerly with Hicks & Price & Mitchell, Hutchins & Co.

As We See It

(Continued from first page)

party which initiated this type of public policy, and was most outright in its support, defeated the newcomers or the others who felt it necessary or wise to sugar coat their New Dealism. Farther than this it would not, in general, be safe to go.

Some Basic Considerations

But whatever the nature of the mandates, if any, and whatever the rank and file may have undertaken to say in their voting, the conduct of these campaigns and the general results of them once again forces upon the attention of the thoughtful citizen certain basic truths which we neglect at our own risk. One of these may at first blush appear to be largely political in nature, but is in point of fact fundamental to the national economic and social welfare. It is that "me-too-ism" simply does not win elections under present conditions. It fails to win even when its basic nature is glossed over. When sharp denunciation of Fair Deal ideas is followed rather hastily with assurances that most of what the Fair Deal promises would be provided, the appeal fails.

One would suppose that after all the defeats which the "me-too-ists" have suffered in recent years it would hardly be necessary to call attention to this simple fact. Yet it appears not to be understood or believed by the politicians and their managers. It remains to be determined what the American voter would do if offered an opportunity to vote for an able, intelligent, straightforward advocate of good hard common sense in national policy. No such opportunity has been afforded him for many a moon, and what is more important is the fact that unless and until he has such an opportunity, or will oblige the politicians to give him one, it is difficult to see how real progress is to be made in getting at the house-cleaning that must be done, and done without undue delay. It may be, of course, that we shall have to wait, with what patience we can summon, for the day when hard and punishing experience teaches the rank and file the folly of what now passes as statesmanship. However, we must all hope that some way can be found to reach a plane of sanity less expensively. One thing is certain. We shall never succeed by the practice of permitting or encouraging candidates to try and try again the old, old strategy of "me-too-ism."

New Political Bosses

A second observation is in one way related to the first. It is the degree in which certain groups closely organized and highly "disciplined" have been developed into political machines which appear to have elements of effectiveness which were denied even the old-time political boss. The most typical, and the most successful of these is, of course, organized labor. Time was when union officials simply could not deliver the vote of their membership. In some instances they still are apparently unable to do so in any great degree, but by and large there can at present be no doubt whatever that the union official is a political as well as a labor boss.

Moreover, while he and his followers may shout about "democracy," they practice it with a fervor which almost matches that of Soviet Russia which tells a scornful world each morning, each noon and each evening that it and it alone of all the governments of the world is really democratic. The average American knows well enough that the union member is in a very real sense told how to vote—told directly or indirectly by his union officials—and that with an exception here and there he obeys orders.

A Deplorable Situation

Only a very few decades ago, the alleged practice of large business interests of contributing heavily to political parties and in various other ways influencing public policy was much in the headlines. There probably was never as much of this going on as was often and repeatedly alleged, but there was enough of it to constitute a public problem if not a public scandal. It appears clear now, however, that the influence of the "malefactors of great wealth" was never comparable with that now enjoyed and used by a small clique of labor union leaders. And if that of the farm leaders is added, we have a situation at this moment which is the equivalent of a farmer-labor government—and what is worse, there appears little prospect of any change of importance for a long while to come.

Yet this need not be so. There are many farmers, and we dare say many wage earners in and out of the unions in this bright land of ours who know full well that we cannot indefinitely prosper as we now are proceeding. There are many others who are neither farmers nor wage earners, thousands, yes millions of them. We feel confident that deep in the hearts of the American people there is a strong disbelief in much of what is going on today. The trouble is, or one of the troubles is, that these millions are scattered, unorganized for the most part and up to now apparently unable to make themselves felt in a definite political way. So articulate are the prophets of the "welfare state," and so continuously successful at the polls that many are intellectually intimidated or rendered distrustful of their own inner beliefs.

And, perhaps worst of all, they have had no real political leader of ability and effectiveness since the advent of the New Deal. And as time passes, the prospect of one coming to the front seems to be growing dimmer instead of brighter.

Getting Sales Results With Mutual Funds

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savings in America are approximately $174 billion. Of this the 87 open-end investment companies have outstanding approximately $1½ billion. The market is not only practically unlimited, but it covers almost every segment of the population. Trust shares should be bought, among others, by people who are still accumulating capital. There are millions of business executives and professional men and women who not only already have some capital for investment, but who can well afford to invest from $25.00 to $1,000 a month. All of these people can now be efficiently taken care of with mutual investment funds. Under the National Investment Program, an open investment account can be set up with as little as $250.00 and amounts of as little as $25.00 a month can be invested. All of this without any additional charge whatsoever to the investor. Such a program for accumulating securities can be composed solely of bonds. Then we have three different balanced funds that can be used for such programs as well as common stock funds of different grades and types. Therefore, the tremendous market of those who wish to start accumulating an estate can be efficiently served through the National Investment Program in conjunction with the various Series of National Securities Series.

There is the other large market of people who have already accumulated capital and are living partially or fully on the income of such capital. To most of such investors income is their primary need. The effects of the war and our political economy have been such that the dollar in savings banks, insurance companies, and high grade bonds has gradually been paid lower and lower wages, while labor has received continuously higher wages and thus doubled the cost of living. The only way to compensate for the loss in the purchasing power of the dollar is to put the income dollar to work and increase its earning power through the securities of our great American enterprises. It is kindergarten finance that money in business must earn more than the interest rate at which it is borrowed, or the creditor has a bad debt. To put it another way our savings banks, our commercial banks, our insurance companies depend almost completely on the soundness of United States Government bonds. The interest rate on United States Government bonds is paid out of taxes received from the net earnings of American businesses and the incomes of American people. Thus it is clear that if our entire free enterprise system is to continue, and if the credit of the United States is to be sound the American businesses in the future will, as they have in the past, earn and pay to their shareholders on the average considerably more than interest rates on so-called riskless investments. You ladies and gentlemen in the investment business know the difficulty of doubling capital. If somebody has $100,000, at 2½% they get $2,500 a year. In order to get $5,000 a year at the same interest rate they would have to double their capital—a factor that may be impossible or at least very risky. However, under present-day circumstances it is relatively easy to build a sound investment program that will show a return of 5%, or even more, with reasonably good chances that it will continue at the approximate figure. Obviously, the investor who finds it necessary to get more income in order to offset the devalued dollar should turn to sound investment in general securities. Certainly such a program can probably be effected with more assurance of satisfactory results through the means of mutual fund shares than the more risky method of holding individual issues.

I specifically mention the income market as I think it is the largest market and our best market. Likewise, it is not necessary to be a prophet of what the Dow-Jones Industrial Average or some other index is going to do in order to sell a sound investment program. Far too many people in the investment business have developed in it during a period when there was too much emphasis on forecasting market movements. Needless to say, most forecasting is wrong.

We can really dispense with this subject of the market for mutual fund shares with a knowledge that it is to all practical purposes unlimited. What we need to know is how to approach the different types of buyers and how to get the business.

The Fourth Cornerstone is Salesmanship itself. This is the elixir of business and the magic ingredient that gives business a high or low octane rating. Salesmanship is the factor that combines the man, the product, and the market into profitable business. And, incidentally, if the factor of salesmanship is lacking, the other factors are relatively unimportant. I started to study salesmanship some 29 years ago and it was in 1920 that one of the outstanding sales managers in America showed me the Four Steps to a sale, and in all these years there has been no change and no modification. Some other students of salesmanship may express it another way but the principles are the same. You must go through these Four Steps before you can make a sale.

Four Steps in Salesmanship

Step Number One is Attention. This is the prospecting stage and it does not make much difference whether it is done with advertising, letters, or pushing door bells. You must get attention before you can take step number two.

Step Number Two is Creating *"Interest."* This is the process of making a presentation of the product.

Step Number Three is the Arousing of *"Desire,"* and this is done by making an appeal to the personal desires of the prospect.

Step Number Four is *"Action,"* or the getting of the sale.

The taking of these Four Steps is somewhat similar to the combination of a vault. The sale is in the vault. You don't get it unless you know the combination and the combination won't work unless you go through it in the proper order of Attention, Interest, Desire, and Action.

First let us consider Attention as this is the prospecting step. Practically every salesman is interested in this subject and wants to know of a good method of obtaining prospects. There are many methods and I could easily take up the entire time your patience would give me this afternoon to discuss this one subject and tell you of different methods of developing prospects. You start off with just names which are suspects and develop them into prospects. The most important thing is to plan your work, then work your plan. Planning means thinking, and working means doing. There is no use running around like a chicken with its head off if the work has not been intelligently planned ahead of time. Similarly, there is no use sitting in an office with a set of beautiful plans if they are not put into operation. Successful prospecting means to pick any of the different methods that are suitable to your firm, to your personality, and to your locality. What is one man's meat is another man's poison. Don't try to copy somebody else's prospecting methods unless you believe that you can adopt them successfully. It is like trying to wear the other fellow's hat or suit. It may not fit. You can adapt any good prospecting procedure to your personality if you believe it is suitable. Here are just a few of the best means of building up prospect lists.

First of all are the names you get from satisfied clients; sometimes referred to as radiation. This experience by the way is one of the outstanding evidences of the fact that investors prefer mutual funds. They not only buy again and again and again, but most of them will give you names of friends and acquaintances. An investor will rarely recommend an individual issue because of the risks involved but he will gladly recommend a sound program of mutual funds because of the advantages and safeguards and his satisfaction. Do a good job in planning programs for your clients initially and they will keep you well supplied with lots of names as well as give you repeat business.

For the salesman who has to start from scratch and who has no clients, here are a few methods of prospecting that have been used successfully by firms and salesmen throughout the country. Advertising in newspapers is one, of course. The success of this system depends upon the copy and media. Some excellent advertisements have been prepared by leading stock exchange firms, specifically by Arthur Wiesenberger & Company, and made available through their Dealer Service. Here you have the advantage of knowing that such copy has been well written and approved by competent legal counsel.

Every new salesman should make himself up a super Christmas card list putting on the names of all friends and acquaintances as well as everyone he meets. This list should be kept alive by cutting off the dead wood

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and continuously adding new names. Good lists are also obtained from memberships of clubs and associations. Special lists can be made up of doctors, lawyers, army or navy officials, school teachers, etc. Another good way is to use stockholder or bondholder lists. Make sure that they are up to date by checking them through your local directory or telephone book, as many lists are out of date. The best type of stockholders' list is one where the particular security is in an adverse position and should probably be disposed of. You can do a real service to investors by getting them out of poor securities in exchange for the protection and other advantages of mutual funds. Another good idea is to take names off the directory in office buildings. The people so listed are at least alive and usually executives of corporations in the building. You can then send one or two small mailings to such names and follow them up with a call in a few days. Don't send out material to more names than you can conveniently follow up within a week.

Remember that all prospecting methods are merely that,—they are for prospecting only. You cannot sell mutual funds by mail and the salesman who over-emphasizes the power of advertising or mail effort will find that he is leaning on a "rubber crutch."

In selling, time is your greatest asset, so that prospecting, if possible, should be segregated in convenient localities and each day's work planned to keep travel to a minimum. Plan your work so that most of your hours can be spent in the presence of a prospect or client. No prospecting method is any good if it does not lead to five or ten interviews a day. Remember that the purpose of prospecting is only to take care of Step Number One, that of getting Attention.

We now come to Step Number Two of the sale which is to create interest, and this has to be done with a good presentation of your product or service. There is no use going into the presence of a prospect unless you know what you are going to talk about and can interest the prospects that have been developed through Step Number One. Far too many prospects are developed only to be spoiled by a poor or inadequate presentation. A good sales presentation cannot be made unless you are thoroughly conversant with your subject and have an equally good grasp of sales psychology. Many large sales organizations insist on the use of what is known as "canned" sales talk. Long experience of top-notch salesmen is used to develop an organized sales talk that gets results. These "canned" talks are refined to a point where they result in the greatest number of sales from a given number of interviews. Many good salesmen will tell you that they don't believe in canned talks, yet if you were to listen in on 10 of their presentations you would find that they were saying practically the identical thing each time. They have developed a sales talk which is orderly and convincing and brings them a high average of sales.

Only a few months ago I had the pleasure of hearing a talk at the Sales Executives Club in New York by Mr. Vincent Riggio, President of the American Tobacco Company. Mr. Riggio receives the largest salary paid to any sales executive in America. His talk was very brief and very simple. He gave his three principles of selling. The first was Integrity. He said that no salesman could be successful who was not absolutely honest with himself, his company, and his customer. His second point was the necessity of knowledge of the product. He believes in the canned sales talk and insists that all salesmen in the American Tobacco Company use a canned talk. It seems that when Mr. Riggio started out as a salesman, he worked for days and never got a sale. He knew he was representing the best company of its kind with the best products, and he was talking to people who should be good customers. He was smart enough to blame himself and realize that he must be saying the wrong things. He told us that he locked himself up in a hotel room and studied the company's products thoroughly, then worked out a sales presentation based on the advantages of the products to the dealers and their customers. He practiced his sales presentation in front of a mirror until he got it letter perfect and only then did he go out again and talk to prospects. The very first day he closed a large number of sales and within a relatively short time was a star salesman for the American Tobacco Company. His position as President of this tremendous company is evidence that good salesmanship knows no limits.

So, in this second step of creating interest in mutual funds, it is important to pound home the advantages of mutual funds. By this I mean the *advantages to the buyer*, and I most assuredly do not mean to tire him out with a lot of wearysome statistics that some analyst has spent many hours compiling. Your prospect is interested in hearing what the mutual fund will do for him and not how it is done. Talk about researched selection, proper diversification, the importance of continuing supervision, and the value of trust company facilities for the care of securities and the carrying out of functional details. Remember that today most Americans are unfortunately losing some of their pioneer spirit. They are more interested in security than they are in opportunity. Therefore, the safety factors should be stressed—the dependability of income—the investment quality; the fact that the mutual fund adds the priceless ingredient of dependability to the investment goal or purpose. The investor gets a professional job—as well as a convenient investment. This, the second step of interesting your prospect, is best done by convincing him that the shares in a mutual fund are a sound and desirable method of owning securities.

I know that some of you have been wondering what Mr. Riggio's third principle of selling was. You will recall that the first was integrity and the second knowledge of the product, therefore the canned sales talk. I have delayed telling you because of its unpopularity. His third principle is Work—making the calls. Some people don't like this third point but there is no salesman yet who has been successful for any sustained period who does not learn how to work and work hard, so don't kid yourself.

By this stage the prospect is interested and presumably he understands and has confidence in the mutual investment fund. We, therefore, come to Step Number Three, that of creating desire. No one is going to buy anything whether it is a motor car or a meal unless desire for the article has been aroused. The prospect has to be made to want to possess the thing that is offered to him and this is Step Three in the sale. Desire has to be aroused with a definite proposal. Suggest a definite purchase to meet a specific purpose of the particular prospect. It is pointless to expect a man to buy something unless he has a mood for it or a desire for it.

It is at this point where the sale of mutual funds differs so greatly from the orthodox selling of individual issues. In the good old days of the investment business, the men who contacted investors were first of all analysts and secondly salesmen. They studied economics and finance and usually went through a six-month course with some large underwriting house. They were taught to read balance sheets and analyze statements and talk wisely on investment affairs. The reason for this was that securities were bought mostly by institutional investors or sophisticated individual investors. Prior to the end of World War Number One a very small percentage of the American population knew anything about securities or bought them. The sale of Liberty Bonds provided a kindergarten school for millions of people who were later to become investors. Unfortunately, a great many of these learners lost their money in the 1929-1932 crash and consequently lost their confidence. The fact remains, however, that the individual in the investment business who is entrusted with the job of contacting the public is too often long on technical information and short on the knowledge of human relations and salesmanship. It is important to remember that you are selling securities to *people* and that these people buy securities or anything else in order to satisfy a human desire.

Average Purchaser Not Familiar With Mutual Funds

One of the fundamental differences in distributing individual issues to sophisticated investors and selling mutual funds to the average layman or smaller investor is that in the one case you can make an offering of securities with which the prospect is familiar and will buy what he wants. In the second case the average purchaser of mutual funds is not familiar with them and should not be asked to make a decision as to which one he wants to buy. He usually does not know anything about any of them and if he studied the prospectuses of half a dozen, he would become a neurotic in a week. What I am trying to say is that you can give your purchaser the choice if he is familiar with what he is choosing from but if he is not familiar then you have to select one and sell it to him.

For example, anyone is perfectly capable of selecting his own suit. He knows what they are and he knows what colors and styles he likes, so the selection can be left to him. You can give anybody a menu and he is perfectly capable of selecting his own meal. On the other hand if you are in foreign country and you could not read the menu, you would probably prefer if your host would select the meal. So it is with securities. A trained investor is capable of deciding whether he wants to buy Tel. and Tel., General Motors, Chrysler, Kennecott, etc. He is familiar with the names, the companies, and their businesses and thinks that he is capable of making a selection. But if you go to most investors and ask them to make a selection in Keystone B2, or Equity Fund, Wellington Fund, National Stock Series, Affiliated Fund, State Street, they probably would not know what you are talking about. You are asking them to make a decision among half a dozen things with which they are not familiar and if you try to inform them about these half a dozen you might do a good job of education but a mighty poor selling job. Any time that you expect a buyer to make a decision about something with which he is not familiar you risk the deferring of that decision and the postponement or loss of the sale. It is *your* job to diagnose the investor's problem, understand his circumstances and investment needs, and then prescribe the fund or program of funds that he should have. Tell him that you are recommending the fund or program, what it will do for him, not how it will do it. In other words, sell the sizzle and not the steak and talk convincingly. You can't make a living in the sales business by posing questions or by being an educator. If you make a definite offer to an investor of a particular fund or program and clearly presents its character and advantages, you will either get a sale or the investor will tell you why he does not like it. When he gives you this information you then are able to make a second offer and one that will suit not only his purpose but his *preferences*. Whatever you do, don't offer him the choice as usually he will not know enough about the different funds to be able to make an intelligent decision.

At this point let us discuss for a minute why it is necessary to have so many types of funds. We must realize that people buy both goods and services to satisfy not only their needs but their personal preferences. Needs are frequently decided by circumstances over which we have no control, But preferences are personal so that when we purchase something we need, we usually buy a type of that something which satisfies a personal preference or desire. As an example, let us take clothing. We need clothing. That need has been prescribed by climatic conditions, by decency, and if that is not enough, law steps in and takes over so we wear clothing. But when we shop for clothing we are not shopping to satisfy the need but to satisfy our preference. For example, in this room today it is quite unlikely that there are two men wearing suits made from the same bolt of cloth. Our shirts are different, our ties are different—some of them are gosh-awful. Even our socks, shoes, and shorts are selected to satisfy a preference rather than merely to take care of a functional requirement. The same is true in everything else we buy; furniture, homes, food, automobiles. Someone buys a two-door sedan because he claims that if he puts the kids in the back of a four-door, they open the doors and fall out. The other fellow says he does not care if they do fall out. Some people like convertibles, others claims that they are dangerous when you roll over in them. Of course, I roll over in bed, not in my car so convertibles are all right with me. The point I am trying to make is that the company, or the man, or woman who is going to be most successful in business is the one who can satisfy the preferences of the greatest number of people while at the same time fulfill the need for the particular purpose.

We have the same situation in the investment business. Practically everybody has some surplus money, but what they do with it depends upon their own personal needs and preferences. What one man is buying the other is selling. One man has practically all of his assets in insurance, the other fellow buys no more insurance than to cover his minimum necessities. Somebody puts all the money in government bonds and the next fellow has none of them. Surplus savings develop a need for some place to put them. Personal preferences decide what that place or piece of paper will be. You in the investment business have got to be able to satisfy preferences as well as take care of needs.

Confusion of Client by Statistical Data

In the mutual fund business there is supervised portfolio to meet almost any investment requirement. The proper combination of such portfolios can be used to construct an excellent investment program to suit almost any investment purpose. It is your job and responsibility to use the proper funds and the proper percentages to construct investment programs suitable for your particular clients. It is for this reason that under our own National Securities Series we have 21 Series; 21 different supervised portfolios that can be used by the salesman to efficiently supervise a client's account. There is everything from Institutional Series, the highest grade balanced fund in America, to Low-Priced Common Stock Series designed for maximum market velocity. At this point I would like to comment briefly on the current misunderstandings and misuse of so-called performance records and comparative indexes and charts. These records or comparisons are being put out in increasing numbers by publications that know little about the mutual fund business and much less about how to sell funds to the public. Also, some very well meaning and intelligent analysts within the investment business spend hundreds of man hours getting up complicated tables of statistics to prove that Fund A is better than Fund B. To my mind most of this kind of work is not only useless but is often misleading and vastly confusing to both the salesman and the client. The investor is being told that mutual funds offer many advantages; then he is being given a mass of statistical data to prove that only one fund should be bought by him and most of the others fall by the wayside. This may be good statistical effort but it is bad salesmanship and, furthermore it is virtually meaningless. I will give you one brief illustration to show what I mean.

We, as well as some other sponsors, publish monthly a statistical data sheet. One of the items shown on this sheet is the percentage of fluctuation between the low and the high of each fund. At the persent time we are carrying this figure for the years of 1948-1949 to date. This spread between the high and the low in one fund is 7% and in another fund it is 67%. Are you going to tell me that these figures are the result of management? Obviously management has little to do with it. The variance is caused almost totally by the market action of the particular grade or type of security and there is little that management can do about it. Unfortunately, too, the use of past records frequently lead to losses. If you buy the issue or the group of securities that has done best for the past few months or a few years, you might conceivably have good results, but the chances are high that the pendulum is about to turn and you will be buying the security that will do badly in the *ensuing* few months or few years. This is fact and not theory. Ask any management of mutual funds and they will tell you that they get by far the largest volume of sales in their speculative groups at or near the tops of bull markets. Similarly, the largest volume of business in defensive type funds is done at or near the bottom of bear markets. The *ensuing* trend is usually unfavorable to such purchasers.

Regardless of the correctness of the statistical data of comparisons, or discussions of this type, I reiterate that it is a bad sales approach. Only sophisticated investors buy securities on technical and analytical data just as only engineers and technical men buy an automobile based on a study of the engineering construction of the engine and chassis. How many people who buy a car care about the width of the bore, length of the stroke, the capacity of the carbureter or the distribution of the electrical system. Any so-called salesman who tried to sell the average automobile buyer with a discourse on such technical matters would hardly be a good provider for his family.

Of course some orders of mutual fund shares are procured on presentation of technical data, but the percentage is small and the average man who works along these lines is not likely to be successful. One of the large houses has a mutual fund department headed by a very technical sales manager who keeps his men supplied with an array of tabulations and comparisons. Their advertising brings in hundreds of inquiries but the sales are relatively few. The reason is obvious to anybody with a modicum of experience in selling. Companies like General Electric, Ford, General Motors, and in fact all large companies have their sales departments headed by experienced sales executives and not by engineers. Mutual funds have to be sold by salesmen and not by analysts and statisticians. We all have a function and it is important that round pegs be in round holes and square pegs in square holes.

There is only one way to sell mutual funds successfully and that is to convince the buyer that he needs these funds because they will solve his investment problems. People are interested in themselves and have little interest in the opinions or the likes and dislikes of the salesman. Again I say, you must sell the sizzle and not the steak. Sell mutual funds because of the safeguards; the dependable income; the convenience; the protection to the family; for financial security; or to provide money to buy or build a home; or take a trip to Europe; or educate the kids, or whatnot. Sell *what the funds do and not how they do it.*

The most successful seller of securities in the world is giving the investment business terrific competition. He is draining off a tremendous amount of our clients' money which was formerly available to finance the free enterprise system. This competitor for the public's savings is selling a security good for one purpose only. He is getting the business not because of the statistical data supporting its safety, but because of his sales methods. Your competitor is using the best selling procedure that has ever been developed and he is making monkeys out of lots of us. I am referring to Uncle Sam selling his government bonds. The war is over and the necessity to buy these bonds to protect our country no longer exists. The sales arguments have been changed along with the sales psychology. The bonds are now being sold on other emotional appeals, definitely not on statistical data. If government bonds were sold on balance sheets, profit and loss statements, analyses of budgets or comparisons, I doubt whether the sales would be one one-hundredth of 1% of what they are. What if a prospectus had to be used and what if it had to have a footnote stating for example that money was appropriated to repair ships that did not exist, or that a government bureau had mislaid $400 million and could not account for it, or that part of the money was to be used to educate Communists. Can you imagine a prospectus on a United States Government Bond? Can you imagine how many bonds would be sold on such a presentation?

Advertising Material

I have here some of the advertising material that is being used by the Treasury Department to sell government bonds. It is not necessary to discuss the pros and cons about the bonds. They are unquestionably the safest government bonds in the world today. No one has any doubt but that the bonds will be paid at maturity to the last cent. Until now the only losses suffered by purchasers of government bonds have been losses in purchasing power, but that is another story for another day. Look at these posters and this material. Every one of them pulsating with heart throbs. Security for your home; peace; education for your children; $4.00 for every $3.00; a trip to Europe; building a home, etc., etc. No explanation of how it is done, no balance sheets, no statements, just promises to satisfy human desires. That, my friends, is salesmanship—super-salesmanship!

If you want to sell mutual funds successfully, you have to sell them to people because they will bring a higher income than interest rates or a more dependable income than individual securities or an opportunity for capital growth or safeguards through operating procedure and bank trusteeship or money to satisfy the human desires to buy the things they want. To sell successfully you must stimulate a human appetite or desire and then provide a means to satisfy it. That is the Third Step in the making of a sale. The arousing of desire which can be satisfied by the product or service offered.

Our Fourth Step is Action. This means getting the sale. All that has gone before is valueless if the business isn't closed. Running around digging up prospects, pouring over pages or volumes of statistical data, telephone calls, desk work, mailings, advertising, it is all fruitless if you don't close the business. So that Step Number Four, or Action, is just as important or more so than the three that go before it. A salesman is rated not by what he knows or what he says or who he is, but by the volume of business at the end of each week or month.

Well the question is how do you close the sale? The most important rule and the best one is to *ask* for the business and to keep asking for it until you get it. Some of the old-time sales managers trained salesmen to shove a pen in the buyer's hand to get him to sign on the dotted line. Whether this is actually done or merely suggested, the fact remains that most sales are lost because the salesman is afraid to ask for the business. He does a good job up to the close and then he walks out on his previous work. There is always a time to ask for an order and it is only after Step Number Three when desire has been aroused. If you stimulate an appetite that is the time to satisfy it and not wait for it to cool off. Ask for the order. Here is a little poem that somebody sent me. It is called the "Secret of Closing Sales."

"He asked if she ever could love him.
She answered him, no, on the spot.
He asked if she ever could love him.
She assured him again she could not.
"He asked if she ever could love him.
She laughed till his blushes he hid.
He asked if she ever could love him.
By God, she admitted she did."
—*Bradford.*

This rather cute little poem just illustrates the point that you must be insistent to get what you want if you have made your case. On the other hand, if you have not aroused desire, the close may not work. It is then necessary to go back and restate your principal arguments; restate the appeal to the particular prospect, whether it is the amount of income, the dependability of income, the safety factors, the opportunity for growth in capital, the building of an estate, or the provision of funds to satisfy some desire on the part of the customer. Plead for him and his family. Your prospect has no interest whether you make the sale or not, or whether you make a commission or not. Your profit is the by-product for having done a service for him. If you can make him see that you are going to help provide him with something he wants, then you will get the sale. But no matter how well you have kindled desire, you probably won't get the sale until you ask for it. He will buy if he has been sold and if he is convinced that it is the right thing for him. Hammer home the advantages and *again ask for the sale.*

Before closing I would like to say that I am often asked for some plan or scheme that will save making calls. Of course, as we pointed out under Step Number One, intelligent planning makes easier working. Good prospecting and a well-planned sales talk will increase your average size of sales and number of sales, but there is no synthetic for work. You have to make the calls. You will recall that even Mr. Riggio of the American Tobacco Company named work as one of his three principles of selling.

The mutual fund business is just at the point of its greatest development. A tremendous amount of hard work has been done and public acceptance is beginning to be realized. The mutual fund business is in about the same place today as the life insurance business was 30 years ago. For this reason I believe that there will be larger incomes and a bigger future in the next 10 years for men who become sales experts than for those who are investment experts.

One more hint. Don't sit around the back room and criticize the shortcomings of funds and their managements. Nothing that is ever done or made by human beings is perfect and no business is ever developed by kicking about the weaknesses. The automobile business is the biggest single economic force in the United States. It does more to support our economy than any other one business. Are automobiles perfect, or do they have short-comings? Let me remind you that all automobile companies *advertise their service stations.* If the cars were perfect they would not need service stations. The same is true of everything that is made, and of all services of people; doctors, lawyers, or anybody else. There is nothing constructive in sitting around criticizing imperfections. You *can't be a cynic and a salesman.* There is such a thing as constructive criticism but that work should be left to the technicians and not those in the firing line. If you are going to be a salesman, believe in what you are doing and be constructive. One last word. If you want to be really happy as a salesman you have to have financial security yourself. The best advice I can give you after having been in the investment business for 30 years and the mutual fund business for 22 years is that you take a certain percentage of your earnings each month, and pay it into a National Investment Program. You will build your own financial security and not lose your savings trying to out-smart security markets.

Government Regulation Of Securities Marketing

(Continued from page 13)

is offered. By so doing the thinking of the original Congress which passed this Act in 1933 would be fulfilled.

Cooling Off Period

That is the essence of the Securities Act of 1933; it prohibits forced sales or pressure sales of new issues on the effective date by providing for the 20 day cooling-off period. It does make available for those who are interested, and who have the ability and the technical knowledge to interpret all the information requested; and it does regulate the sale of new securities by providing that the registration statements must be complete in every detail.

SEC Neither Approves or Disapproves Securities

The SEC has great powers in this respect. But when the registration becomes effective, the SEC neither approves or disapproves the security. During the period of registration the SEC has the power to make complete investigations, if not satisfied with the information the company has presented; or if they have any doubts as to the correctness of the information they may subpoena witnesses, call for papers, books, records or anything they wish to inspect. They may issue stop orders. Generally speaking therefore when an issue becomes effective, so far as the Commission knows, the prospectus in its final form does give the investing public the correct information and correct data on the issue.

That legislation has taken care of new issues; it has protected the public against a great many dubious flotations which otherwise might have been made. This same publicity has acted as a deterrent to promiscuous promotions, and to excessive fees, etc. The Act of 1933, however, only covered that part of the over-the-counter market concerned with the original sale of new issues. It does not control the continuing market for securities not listed on the Stock Exchanges.

Over-the-Counter Markets

These "o.t.c." trades exceed by far the total number of transactions which take place daily on our Exchanges—U. S. Government bonds, and the stocks of our leading banks and insurance companies, and many other corporations of a size not quite sufficient to warrant the listing of their securities on an Exchange being bought and sold in the over-the-counter market.

During the period of 1938 the SEC had an opportunity to watch the operation of the various Exchnges, and how they exercised control over their members' business. They were sufficiently impressed with the manner in which this control had been exercised to recommend a similar control for the over-the counter markets.

Maloney Act

In 1938, after many years of study, the Maloney Act was passed as an amendment to the Securities Act of 1933. It provided for the formation of associations of dealers, national in character, or regional, with power to regulate the business and control the conduct of their members. One such association was formed in 1939—the National Association of Securities Dealers—and to date (that being a national organization taking in most of the securities dealers in the country) no other association has been formed.

The Maloney Act gave an economic sanction to the Association over its members. This was the "power behind the throne," which makes it possible for the Association to enforce discipline on its membership. Actually the NASD has had little trouble in the enforcement of its rules and regulations because of this power to discipline.

National Association of Securities Dealers

The Charter and By-Laws of the National Association of Securities Dealers reads very much like those of the Exchange; it is organized to promote high standards of integrity, fair practices of trade, and has the authority to see that these standards are maintained. That they should be maintained is a matter of self-interest to all in the business. We must protect the fruits of savings if we are to continue in business. Nothing must be permitted which would hurt savings or make savings less attractive, because the free flow of savings into industry has made this country the greatest on the earth and produced the highest living standard in the world.

Importance of Individual Savings To Capitalism

The importance of savings is not only to the person who has saved the money. It is important to him, of course, because he is someday going to utilize his savings to meet a future need for cash; but savings must earn a reasonable rate of return if they are to be put to work. They are also important to the person who works. There are many varying figures; but I believe today it requires upward of $6,500 of savings to make a job for one employee.

The essence of what I have said is that the securities industry within itself, and with the powers that have been granted to it under the Exchange Act of 1934, and the Maloney Act of 1938, and with the supervisory control of the SEC has reached a high plane of professional, moral and business ethics; and it certainly is the intent of all of us in the industry to keep it on that plane.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market sell-off will increase number of bears. When enough come in, there'll be buying opportunities. Until then remain on sidelines.

When I wrote last week's column I had no idea the market would be down before the next column was written. I knew that it didn't look any too good and I said so in no uncertain manner. But when the signals would become obvious, I didn't know. I might belabor this point a lot more. I might devote more space to telling you how wonderful I am. The trouble is that it will come back to plague me some future day. So I'll let the whole thing drop.

* * *

Last week (I think it was last week) I hazarded an observation that a market that would go up on bad news, would go down on good news.

* * *

The settlement of the various steel strikes, was I suppose, in the category of "good news"; at least that was the consensus of opinion.

* * *

I derided statements attributed to various oracles that we were in a new era. I have heard such statements before. When I first read them in 1929 I was naive enough to agree. I have learned a lot since then.

* * *

In the last few years there's been a large increase in the number of Dow Theory adherents. In case you're one, here's the latest dope. Both averages have been in a minor downtrend since the end of October. For these to show a major reversal, the industrials would have to go through the 192.96 figure while the rails would have to penetrate 49.77.

* * *

In order to indicate a secondary downtrend the industrials would have to go through 178.04 and the rails through 45.39.

* * *

So it appears as if the market were between two grindstones. And any time that happens I prefer to be on the outside looking in.

* * *

There's little to be done in the immediate future for readers of this column who've adhered to the advices appearing here. When tape action shows possibilities of improvement, you'll be notified accordingly. Until then, keep your money intact and let the other man worry for you.

* * *

As of last week you were long of two stocks, American Smelters, 45-46, stop 47; and Denver Rio Grande 22-23, stop 26. At this writing the former was at 48 and the latter at 27. Should either of these go below the stop levels they become automatic sales at the market.

* * *

R.L.B. Miami, Fla., says "I understand you do not advise short selling in your column. . . ." The only reason I don't is because there are too many obstacles. The chart he enclosed is very interesting.

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.]

Clinton Industries Pfd. on Market

Offering of 50,000 shares of 4½% cumulative convertible preferred stock of Clinton Foods, Inc. (formerly Clinton Industries, Inc.) was made Nov. 16 by a banking group headed by Merrill Lynch, Pierce, Fenner & Beane and Newhard, Cook & Co. The stock is priced to the public at $100.50 per share.

Proceeds from the sale of these shares and other funds will be used to retire long- and short-term debt and to increase working capital. The acquisition of Juice Industries, Inc., in January, 1949, and certain assets of the Wm. P. McDonald Corp. in September, 1949, have greatly increased the productive capacity and sales potential, and it is now estimated that sales of citrus products and frozen foods for 1949 will be approximately four times 1948 sales.

The new stock is convertible at any time up to and including the third full business day prior to redemption, into common stock at the conversion price of $33⅓ per share. It is redeemable at any time at $104½ per share plus accumulated dividends, on or before Dec. 31, 1950, and lower prices thereafter.

Clinton Foods, Inc., is the successor to a business commenced in 1906. The company believes it is now the country's third largest manufacturer of corn products and the second largest distributor of frozen foods of which frozen orange juice concentrate represents a substantial part. The manufacture and sale of citrus products and frozen foods are continuing to expand rapidly and are becoming increasingly important. A subsidiary manufactures chip board container partitions.

Bank Credit Policies in Coming Year

(Continued from page 6)

one of more inflation, not deflation.

One of the 11 points in the program was a renewal of the proposal to give the Federal Reserve enlarged powers over reserve requirements. The banking industry opposed this. State associations and the ABA were outspoken against the legislation. It was our belief that inflation was no longer the problem. This legislation would not have been effective in dealing with either inflation or deflation, and we so testified before Congress.

Expanding Government Lending

By mid-year, the Administration reversed its earlier views. Fear then developed in Washington that a serious recession, if not a panic, was in the making. Among many other proposals to avoid this assumed depression, there were several to expand the activities of government lending agencies. A bill was introduced to double the lending capacity of the RFC to a total of $5 billion. This bill would also have eliminated the 10-year maturity limitation on the RFC's loans to business. Another bill, known as the Full Employment Act, proposed that the RFC be authorized to administer a capital development fund of $15 billion. This fund would be used for loans to business, cooperatives, and public works authorities. Still another bill, titled the Economic Expansion Act, was discussed. This bill would authorize the Secretary of Commerce to guarantee bank loans to business or to make direct loans to business.

These bills were all evidence of an abrupt change in official thinking. In January, it had been proposed that bank credit expansion should be restrained through increased powers over reserve requirements. On the other hand, by mid-year it was being urged that government lending agencies should be authorized to expand credit by many billions of dollars. Representatives of the ABA testified against the proposed expansion of the RFC's lending capacity. They informed Congress that the banks are willing and able to take care of the credit needs of business and industry. They pointed out that the banks follow flexible and adaptable credit policies. They also pointed to the report of the President's Council of Economic Advisors in July, which stated:

"Business credit is in general available in ample amounts and on flexible terms, and there is no evidence of serious banking pressure on borrowers to liquidate their loans."

Although none of these bills to increase the lending activities of the government was passed by this session of Congress, we may expect them to be revived in later sessions of Congress. Also during the coming year, there will again probably be discussion of several legislative proposals concerning bank reserve requirements. There may be explorations by Congress of the Uniform Reserve Plan. This plan would eliminate central reserve and reserve city classifications and adjust upward the reserve requirements of country banks. All banks would have uniform reserve requirements, but there would be separate requirements for their interbank demand and time deposits. The plan would also make changes in the form in which reserves may be held, and would include vault cash as reserves.

State and national banks, state supervisors, state associations, and the ABA should and will give very serious consideration to all proposals affecting reserves. This is a vital area in the control of banking. Our guideposts should be these: first, to determine whether or not the proposals can soundly and effectively achieve the economic and monetary aims claimed for them; and second, to make sure that they would not result in an unwarranted and undesirable centralization of banking authority or disrupt the dual system.

Through the years of my own banking experience, I have always been greatly interested in the fact that a banker's main job is to bridge the gap between past experience and future probabilities. In doing so, he provides credit, and so takes the financial risks for his community. That is the reason why he is in business. It is also the main justification for chartered banking.

Sights Set for Year Ahead

Bankers are obliged now to begin to set their sights for the year that lies ahead. Few, if any of us, were surprised by the downtrend in business after the first of this year. We regarded it as something to be expected. It was an inevitable and necessary readjustment after a nine-year upswing in business, the war, and its aftermath of inflation. In many respects, it has been a very healthy development.

Three aspects of it have been very interesting and very important to our thoughts about the future. The first is that it did not quickly develop into a broad, deep recession. Essentially, it has been an industry-by-industry return to competitive business life. One after another, many businesses have undergone fairly rapid downturns, followed by recovery to safe levels. There has been no hard and simultaneous contraction of all business and industry.

Second, industry, agriculture, and the economy as a whole have shown fundamental soundness. This has been a result of long alertness and preparation by many business men and farmers for the inevitable day of readjustment. They had accumulated reserves during the good years. They avoided heavy debt commitments that could have played havoc with their capital position and liquidity when the downturn came.

The third important fact is that the recession has not been complicated by money or credit difficulties. The banks continued to make adequate credit available. The decrease in bank loans outstanding that has taken place has resulted from lessened business and agricultural demand for loans. It has not come from unwillingness of banks to lend.

With these three aspects of the recession in mind, banking looks toward shaping its credit policies in the year that lies ahead. Individual banks naturally adjust their lending policies to meet the needs of individual business and agricultural borrowers in their own communities. Banking as a whole, however, can take a broader view.

The first consideration is that adequate credit will continue to be needed by business men, farmers, home buyers, and consumers. The banks are in business to provide it. There is no reason to believe that business developments of the past year have injected any undue amount of risk in the credit picture. Aggressiveness by banks in seeking out sound loans and borrowers may well receive more emphasis now. The banker's unwritten, double obligation to his own industry and to his community is still unchanged. This is to seek out sound loan opportunities, and to find ways and means of providing credit wisely in borderline cases.

The second consideration is that new emphasis may well be placed on the fundamental rule of credit—that is, to be sound, a loan must be of advantage to the borrower, to the lender, and to the economy as a whole. A loan that makes it easy for a borrower to get in future financial trouble jeopardizes the borrower, and it also harms the economy. During the nine-year upswing of business through the war and postwar years, there were temptations to forget this. Many loans were repaid not so much through the borrower's own business efforts, but because of the favorable conditions and expanding economy in which he was thriving.

Return to a Competitive Economy

Third, our return to a competitive economy means one thing clearly. We are now obliged to relate the borrower's future capacity to repay more directly to the competitive business area in which he individually operates. Many of our borrowers today have never before done business in a truly competitive economy. They started in business or farming during the years of war or postwar prosperity. They may be strongly tempted to get in an overextended credit position in trying to adjust themselves to narrower profit margins and in learning to do business competitively.

Farm debt in relation to assets is very low. Yet some individual farmers may still seek to over-expand and increase their production costs by piling up mortgage or other indebtedness. Some business men, faced with lower profit margins and shorter cash positions, may tend to regard continuous short term borrowing as a source of fixed capital.

Our chief guidance in these special situations is the old truth that a loan should not turn out to be a purchase of an equity in the farm or business. Renewed emphasis on this insured the future financial well-being of both our borrowers and the economy of which they are a part. A sound economy is composed of successful business men and farmers. It is not composed of otherwise good producers who have borrowed themselves into financial trouble.

I, for one, view the future with considerable confidence. Liquid assets in the hands of the public are still at record levels. Consumer income continues at a rate well in excess of $200 billion a year. The fundamental financial position of business and industry as a whole is sound. Agriculture is doing well even though farm prices have declined, and floors beneath farm prices can prevent sharp and hard declines in farm income.

Some readjustments are yet to come, such as in the automobile and construction industries. Business as a whole has shown remarkable resistance to serious recession, however. Inventory readjustments generally are being carried out satisfactorily. There are special situations arising out of government policy, such as foreign relief and armament expenditures and the payment of more than $2 billion of veterans' insurance dividends. These may tend to stimulate business.

All this does not mean that banking can look to the future with complacency. Alertness, effort, and lending skill are still the watchwords of credit management. We are managers of community credit. We accept our responsibilities.

With Gordon Graves

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Noel R. Patton has joined the staff of Gordon Graves & Co., Shoreland Arcade Building.

The Great American Oil Industry —Product of Free Enterprise

(Continued from page 9)

in that market. They believed that if someone else could serve the public better, in quality or price, he was entitled to the business. That is still the attitude of this industry. Living up to that formula has kept us all scratching. It has been a case of root hog or die—and my agricultural friends tell me that the most vigorous rooter is usually the healthiest hog!

These principles of business conduct constitute a precious heritage that has come to you men of oil from the past leaders of our industry. I recall them not alone to pay tribute to the great men who formulated them. I desire also to refresh your minds and reenforce your determination to stand unafraid in their defense.

Above all, I wish to present to our fellow countrymen a demonstration of the manner in which adherence to principles grounded on freedom of the individual, using the oil industry as an example, has served to promote the welfare of this nation and every man, woman and child in it.

Operations of American Oil Industry

Let's pause for a moment and critically examine the operations of the American oil industry to see how well it has met the tests confronting all business enterprise today. First and foremost, the job of an industry is to satisfy the needs of the people for a specific commodity or service. How well has our industry met the needs of people for the products of petroleum?

Over the last 30 years (from the end of World War I through last year), our domestic crude oil output increased over 460%. Our output of motor fuel increased more than nine-fold and production of fuel oils was almost four times greater.

Obviously these figures clearly indicate that the oil industry not only met the needs of the people but actually grew faster than other manufacturing and mineral industries as a whole. To grasp the true meaning and import of this growth, let us look at the nation's overall energy picture.

Since 1918 this country's grand total energy potential, in British Thermal Units, increased by about two-thirds. But energy from crude petroleum increased about four and one-half times, while that from natural gas and natural gasoline increased over six times. Energy from coal last year was somewhat less than it was in 1918.

Petroleum products as sources of energy in 1918 accounted for about 15% of the total; last year these fuels provided 51%, passing the half-way mark for the first year in history. Meanwhile the relative position of coal as a supplier of energy has deteriorated from 82% of the national total in 1918 to 46% last year. In other words, virtually all the increase between 1918 and 1948 in total energy consumed by the American people came from petroleum products.

Now, I submit that these are facts of the greatest social and economic significance for the American people. Translated into the every-day things of life, these facts mean that petroleum and its products have added immeasurably to better living in the way of more comfortable and warmer homes, healthier people, improved mobility of travel and greater volumes of energy to operate power machines in factory, mine and on the farm.

Oil men, by and large, always have thought of and built for the future. This is evidenced by our large reserves of crude oil and natural gas, by our devotion to unceasing technological research in all segments of the business and our concern over any waste of the valued natural resources intrusted to our care. Not only have we eliminated waste of the natural resource, but through an ever improved technology we have greatly multiplied its usefulness for our people.

In the early days wasteful practices did exist but these the industry has eliminated until today over twice as much oil is recovered than that thought possible only a few years ago.

Despite college professors who think refineries operate only eight hours each day, oil's conservation program is working for the benefit of the American people today—and tomorrow. I know of none within the industry who are out of sympathy with the objectives of this program, even though some very responsible oil men may question where maximum allowables, at times, are not set more in response to market demand than in accord with the requirements of sound conservation engineering principles.

I do not assume to pass judgment on such questioning. If it is true that market demand has influenced some decisions, I am opposed to it. Such abuse of the instruments of conservation constitutes a restriction on and an interference with the free market place that, if long continued, would create evils far worse than temporary surpluses. Free prices quickly can correct the latter, and at the same time keep the foundations of our business solid. I mention this matter to emphasize to you the necessity of not only doing what is right but to avoid all suspicion of doing anything that is wrong.

Oil Prices and Profits Not High

Now, have our prices been unreasonably high? Have we exploited those employed in the business? Have our profits been out of proportion to our contributions? The answer to each of these questions, as you are well aware, is an emphatic "no." Nevertheless they require a brief statement of the facts, for they deal with contentions put forth by those who, to advance their collectivist schemes, seek to cast shadows of distrust over our service to the American people.

Our ability to produce beyond the needs of the market place, constantly advancing technological progress and the sharp competition that characterizes our industry, have combined over the years to give to the consumer petroleum products at lower prices than any other major product. Since 1926 the figure for crude oil and products has scraped the bottom of the Wholesale Price Index of the Bureau of Labor Statistics. Even today, despite the inflation of the last decade, the figure for petroleum and products is 110, compared to 153, for all commodities. In the face of that record only the ignorant or those who deliberately deal in untruths dare accuse the oil industry of extortionist price practices.

What about our employees? Is petroleum grinding the face of labor? Those who work in the industry know—even though not many people outside of it seem to know it—that the men and women of petroleum are among the best paid and best treated workers in the country. They enjoy the steadiest employment and the most advanced holiday, health, insurance and thrift benefit plans provided by any industry.

And this is as it should be. Oil men many years ago learned that capital, management and labor each in its own way, made an indispensable contribution to the success of our industry. This is well illustrated by the legendary story of the old Arab.

This old Arab had three sons. Realizing that he had but a few years to live and being desirous of ascertaining which of the sons should succeed him as the head of the family, he called them together and told them that in a distant land were some scientists who had developed many amazing things. Then he instructed them to this effect: They were to journey together until they arrived at this distant land where they should immediately separate. Each was to devote the following six months to a search for and acquisition of a present which would contribute most to the old Arab's welfare. The were then to meet while still in the distant land and journey home together.

At the appointed time they met and immediately displayed the presents which they had acquired. One had a magic carpet on which could be transported a number of people at an amazing speed; the second, a magic medicine which would cure any ill; the third, a magic glass through which could be seen what was transpiring in any home throughout the world.

So they turned the glass on their father's home and were dismayed to see that the old Arab was ill unto death. They jumped onto the magic carpet, were quickly transported to their father's home where the magic medicine was administered and the old Arab's life was saved.

Which of the three contributed most to the old Arab's welfare? Obviously the contribution of no one was of any value without that of each of the others. So it is with capital, labor and management. The contribution of no one of these is of value without that of the other two. Unless the American people can be brought to a realization of the dependence of each one of these groups on the other two and that each is entitled to a reward in proportion to the contribution of each, the whole fabric of our American way of life will be torn asunder.

Put into a capsule, the story of petroleum prices and employees is this: between 1921 and 1941 (before war and inflation distorted the dollar yardstick) the retail price of gasoline, exclusive of tax, went *down about 50%*; the quality of gasoline went *up approximately 50%* and the average hourly wages of refinery workers went *up 67%*. Thus, a refinery worker could buy with his 1941 wages more than three times as much gasoline as he could with his 1921 income. Additionally, over this period, hours worked went *down 27%*, and the number of refinery workers *trebled*.

That, I submit to you, is the fruit of competitive enterprise as practiced by the oil industry.

But what happened to consumers prices during the period of war and inflation? The retail price of gasoline, exclusive of tax, today is 46% higher than the average price in the 1935-39 period; but the cost of living index over the same period advanced 69%. Oil workers wages more than doubled.

Now what about profits? Even though our service to the American people is unexcelled, nevertheless in all but three of the last 20 years the net earnings of the oil refining industry, based on net worth, were less than that of the manufacturing industry generally. Certainly, in view of that record, none can say oil profits were excessive over the years.

Dollar profits during the years 1947 and 1948 have been high when compared with former years. But such a comparison is deceptive for those were years of severe inflation, which distorted completely the dollar yardstick. Let me illustrate what I mean:

Distortion of Corporate Profits

Oil men think in terms of oil—that is property—not in terms of dollars. But as corporate profits are calculated in dollars and not in property, inflation, because it reduces the purchasing power of money, raises the dollar value of property. When this property is sold and all industrial property excepting real estate is eventually marketed in the form of goods, a distortion in profits takes place which tends to make them appear far larger than they actually are.

For two years I have given considerable study to the magnitude of this distortion as applied to all industry. Time here permits me only to highlight my findings. I shall be pleased to furnish anyone here a memorandum substantiating the following figures.

As you are well aware the cost of replacing plant and equipment today is usually from two to three times that of its original cost. Yet depreciation can be based only on original cost.

My figures indicate that in each of the years 1947 and 1948 American non-financial corporations fell $10.1 billion short of recovery of the current dollar cost of making good the annual wear, wastage and obsolescence of their facilities. If to these figures representing under-depreciation, be added so-called profits reported as earnings on inventory valuation amounting to $8.2 billion in the same period, there has been for the last two years an over-statement by these corporations of real profits of $23.4 billion.

Now, if to these $28.4 billion are added the $24.3 billion of taxes paid by non-financial corporations to Federal Government during these two years, we have a total of $52.7 billion. The total so-called profits before taxes of this same industrial group were $62.1 billion. The real profits of all American non-financial industry, therefore, after correcting for this inflation distortion, were the difference between these figures, or approximately $9.4 billion—or an average of $4.7 billion per year. Compare this, if you will, with the average annual industrial profits for this same group of $5.4 billion for the five prewar years.

It is worthy of note, in passing, that on the basis of this realistic valuation of earnings, American non-financial industry overpaid its Federal income taxes during these two years $11.1 billion.

Now, I ask you to compare these $9.4 billion of earnings in the two years of our country's greatest peacetime production, with the $38 billion of illusory and lush profits which the government, labor unions and statistical organizations would have us believe were obtained.

The seriousness of the problem grows out of the fact that unless industry can effect as a result of its operations the means with which to reproduce itself, as and when its plant and equipment are worn out, our great industrial machine will gradually shrivel up and die. For an appreciation of the misery and suffering that would follow such a disaster, look at Great Britain today!

Let us tell this story to the American people, for on its proper solution millions of jobs depend. Labor leaders, Socialists and the enemies of American well-being are now using stories of legendary corporate profits to poison the minds of our people so as to justify higher taxes, higher wages and lower prices. It is vital that we take away from them this ammunition by telling the American people the unvarnished truth that these so-called profits simply do not exist, although some who prefer to live in a fool's paradise may find this task unpleasant.

Uphold and Defend Free Enterprise!

And now, with humble gratitude for the great honor you have paid me, I can think of no better way of concluding than to repeat the words I spoke from this same platform 11 years ago because they have even greater application today:

I appeal to you men of this great industry to stand firm in defense of the American system of free and competitive enterprise. The truth is that no economic planning authority could ever have foreseen, planned, plotted, and organized such an amazing spectacle of industrial progress as the world has witnessed in the last century. No trust or combination, private or governmental, could have accomplished it. It could have been achieved only under conditions of wide open invitation to all the genius, inventive ability, organizing capacity and managerial skill of a great people.

Nobody must be barred, no invention rejected, no idea untried; everyone must have his chance; and under our American system of free enterprise and equal opportunity everybody gets just that chance. It is our freedom that has brought us to this high estate—intellectual freedom, religious freedom, political freedom, industrial freedom; freedom to dream, to think, to imagine, to experiment, to invent, to match wits in friendly competition; freedom to be an individual.

That is our great American heritage. With so many political witch doctors abroad in the land teaching communism, fascism, planned and dictated economics, governmental paternalism and all the other isms, I urge you to guard well that heritage and to turn a deaf ear to all their sophistries. When a people come to look upon their government as the source of all their rights, there will surely come a time when they will look upon that same government as the source of all their wrongs. That is the history of all planned, dictated economies. That is the history of tyranny. To each of us is assigned a part to play in the great drama of life; and we can only play our parts with the greatest measure of perfection as free, unhampered individuals. Surely it is not thinkable that, in the light which shows through this twentieth century, a great progressive people will be beguiled into turning back to the ways of controlled economies and dictated social programs.

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)	Nov. 20	54.0	21.0	9.3	99.0
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 20	995,500	387,000	172,000	1,784,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 5	5,135,600	5,075,150	5,014,800	5,675,050
Crude runs to stills—daily average (bbls.)	Nov. 5	§5,314,000	5,509,000	5,335,000	5,656,000
Gasoline output (bbls.)	Nov. 5	18,460,000	19,002,000	18,107,000	17,213,000
Kerosene output (bbls.)	Nov. 5	2,114,000	2,209,000	2,190,000	2,387,000
Gas, oil, and distillate fuel oil output (bbls.)	Nov. 5	7,196,000	7,016,000	7,131,000	7,471,000
Residual fuel oil output (bbls.)	Nov. 5	7,728,000	7,754,000	7,363,000	9,007,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 5	104,257,000	103,915,000	102,707,000	91,377,000
Kerosene (bbls.) at	Nov. 5	28,399,000	28,225,000	27,543,000	26,625,000
Gas, oil, and distillate fuel oil (bbls.) at	Nov. 5	92,038,000	90,358,000	85,800,000	78,596,000
Residual fuel oil (bbls.) at	Nov. 5	69,192,000	69,459,000	68,222,000	61,057,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 5	§578,981	§591,317	§574,228	843,586
Revenue freight received from connections (number of cars)	Nov. 5	§518,055	§515,883	§519,010	702,423
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 10	$111,289,000	$169,933,000	$143,697,000	$137,751,000
Private construction	Nov. 10	47,002,000	102,827,000	66,327,000	63,561,000
Public construction	Nov. 10	64,287,000	67,106,000	77,370,000	74,190,000
State and municipal	Nov. 10	54,745,000	57,644,000	59,959,000	51,724,000
Federal	Nov. 10	9,542,000	9,462,000	17,411,000	22,466,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 5	2,680,000	2,770,000	2,210,000	10,704,000
Pennsylvania anthracite (tons)	Nov. 5	1,130,000	1,180,000	1,099,000	864,000
Beehive coke (tons)	Nov. 5	2,400	*1,800	2,300	135,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Nov. 5	314	*298	297	320
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 12	5,434,555	5,434,924	5,480,735	5,570,767
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 10	222	196	172	96
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 8	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Nov. 8	$45.88	$45.88	$45.88	$46.91
Scrap steel (per gross ton)	Nov. 8	$28.92	$27.58	$26.58	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 9	18.200c	17.325c	17.325c	23.200c
Export refinery at	Nov. 9	18.425c	17.550c	17.550c	23.425c
Straits tin (New York) at	Nov. 9	95.000c	95.000c	96.000c	103.000c
Lead (New York) at	Nov. 9	13.000c	13.000c	13.750c	21.500c
Lead (St. Louis) at	Nov. 9	12.800c	12.800c	13.600c	21.300c
Zinc (East St. Louis) at	Nov. 9	9.825c	9.750c	9.250c	15.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 15	104.36	104.28	103.84	100.89
Average corporate	Nov. 15	115.24	115.04	114.85	110.88
Aaa	Nov. 15	121.04	120.84	120.63	116.22
Aa	Nov. 15	119.41	119.20	119.00	114.46
A	Nov. 15	114.46	114.46	114.27	109.79
Baa	Nov. 15	106.74	106.56	106.56	103.47
Railroad Group	Nov. 15	109.42	109.42	109.42	106.39
Public Utilities Group	Nov. 15	116.80	116.80	116.41	111.44
Industrials Group	Nov. 15	119.61	119.41	119.20	115.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 15	2.18	2.19	2.22	2.43
Average corporate	Nov. 15	2.89	2.90	2.91	3.12
Aaa	Nov. 15	2.60	2.61	2.62	2.84
Aa	Nov. 15	2.68	2.69	2.70	2.93
A	Nov. 15	2.93	2.93	2.94	3.18
Baa	Nov. 15	3.35	3.36	3.36	3.54
Railroad Group	Nov. 15	3.20	3.20	3.20	3.37
Public Utilities Group	Nov. 15	2.81	2.81	2.83	3.09
Industrials Group	Nov. 15	2.67	2.68	2.69	2.90
MOODY'S COMMODITY INDEX	Nov. 15	343.6	344.6	335.8	397.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 5	275,815	193,527	282,832	244,488
Production (tons)	Nov. 5	203,035	203,786	201,544	189,639
Percentage of activity	Nov. 5	92	94	92	95
Unfilled orders (tons) at	Nov. 5	469,423	400,589	440,721	419,248
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Nov. 11	125.5	125.8	126.7	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	Oct. 29	25,158	21,612	18,580	23,299
Number of shares	Oct. 29	769,079	642,879	537,896	691,150
Dollar value	Oct. 29	$29,985,726	$25,170,205	$20,753,844	$28,002,314
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 29	27,460	24,822	24,496	22,515
Customers' short sales	Oct. 29	190	207	119	139
Customers' other sales	Oct. 29	27,270	24,615	24,377	22,376
Number of shares—Customers' total sales	Oct. 29	776,194	685,558	637,455	630,878
Customers' short sales	Oct. 29	6,741	7,374	4,640	5,500
Customers' other sales	Oct. 29	769,453	678,184	632,815	625,378
Dollar value	Oct. 29	$26,597,740	$23,325,868	$20,224,962	$23,973,278
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 29	263,590	243,080	274,410	207,080
Short sales	Oct. 29	-------	-------	-------	-------
Other sales	Oct. 29	263,590	243,080	274,410	207,080
Round-lot purchases by dealers—					
Number of shares	Oct. 29	253,810	209,030	202,480	233,340
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Nov. 8	151.5	151.4	152.1	164.3
Farm products	Nov. 8	156.7	*156.3	160.1	181.6
Foods	Nov. 8	159.4	158.7	159.9	174.2
All commodities other than farm and foods	Nov. 8	144.8	144.6	145.0	153.6
Textile products	Nov. 8	136.7	136.6	137.7	147.5
Fuel and lighting materials	Nov. 8	130.3	130.6	131.2	137.6
Metals and metal products	Nov. 8	169.3	168.8	169.2	172.9
Building materials	Nov. 8	189.1	188.4	189.4	202.9
All other	Nov. 8	115.7	*115.7	116.4	135.8
Special indexes—					
Grains	Nov. 8	154.1	153.4	156.4	171.1
Livestock	Nov. 8	191.8	193.8	195.5	240.4
Meats	Nov. 8	212.0	216.9	217.5	242.4
Hides and skins	Nov. 8	204.3	204.0	207.8	203.1

*Revised figure. †Includes 494,000 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 Aug.	52,005	55,777	54,953
Stocks of aluminum—short tons—end of Aug.	48,411	53,809	11,529
AMERICAN GAS ASSOCIATION — For Month of September:			
Total gas (M therms)	2,428,633	2,133,801	2,155,668
Natural gas sales (M therms)	2,212,153	1,936,205	1,938,878
Manufactured gas sales (M therms)	145,741	128,235	145,239
Mixed gas sales (M therms)	70,739	69,361	71,551
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of Sept. (in millions):			
Total new construction	$1,902	*$1,893	$1,901
Private construction	1,345	*1,335	1,427
Residential building (nonfarm)	680	660	707
Nonresidential building (nonfarm)	262	*263	331
Industrial	70	71	116
Commercial	83	85	119
Warehouses, office and loft buildings	22	24	32
Stores, restaurants and garages	61	61	87
Other nonresidential buildings	109	*107	96
Religious	31	31	25
Educational	22	22	24
Social and recreational	22	*22	22
Hospital and Institutional	20	18	10
Remaining types	14	14	15
Farm construction	65	75	63
Public utilities	338	337	326
Railroad	36	36	38
Telephone and Telegraph	55	55	61
Other public utilities	247	246	227
Public construction	557	*558	474
Residential building	24	*23	7
Nonresidential building (other than military or naval facilities)	155	152	109
Educational	75	74	57
Hospital and institutional	45	43	25
All other nonresidential	35	*35	27
Military and naval facilities	11	*11	11
Highways	210	*215	200
Sewer and water	52	*52	49
Miscellaneous public service enterprises	9	*9	10
Conservation and development	76	*76	71
All other public	20	*20	17
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—			
Month of September:			
Cotton Seed—			
Received at mills (tons)	1,243,570	*352,959	1,230,612
Crushed (tons)	585,732	207,023	554,461
Stocks (tons) Sept. 30	936,272	*278,434	985,219
Crude Oil—			
Stocks (pounds) Sept. 30	88,211,000	40,908,000	63,285,000
Produced (pounds)	182,322,000	64,805,000	165,718,000
Shipped pounds)	123,036,000	*79,440,000	149,330,000
Refined Oil—			
Stocks (pounds) Sept. 30	69,708,000	72,590,000	60,695,000
Produced (pounds)	113,309,000	71,976,000	106,514,000
Consumption (pounds)	115,282,000	142,409,000	76,475,000
Cake and Meal—			
Stocks (tons) Sept. 30	97,679	52,759	75,250
Produced (tons)	252,517	94,081	241,993
Shipped (tons)	207,397	107,271	241,297
Hulls—			
Stocks (tons) Sept. 30	111,038	*84,793	58,008
Produced (tons)	140,475	48,136	121,527
Shipped (tons)	114,230	*58,235	107,738
Linters—running bales—			
Stocks Sept. 30	140,171	108,600	146,691
Produced	132,038	63,105	189,069
Shipped	150,467	96,278	123,726
Hull Fiber (1,000-lb. bales)—			
Stocks Sept. 30	1,428	*658	2,099
Produced	1,692	*148	4,195
Shipped	922	338	2,536
Motes, grabbots, etc. (1,000-lb. bales)—			
Stocks Sept. 30	4,861	*5,437	13,188
Produced	2,603	*1,363	5,034
Shipped	3,179	3,275	3,573
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM)—(1935-39 Average=100)			
Month of October:			
Adjusted for seasonal variation	276	289	309
Without seasonal adjustment	293	*298	328
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of August (000's omitted)	20,768,783	19,960,312	20,180,485
Revenue from ultimate customers—month of August	$382,161,300	$375,418,900	$356,863,000
Number of ultimate customers at Aug. 31	42,132,506	41,954,412	39,943,822
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL (CONSTRUCTION)—Month of September:			
Contracts closed (tonnage)—estimated	118,187	*98,406	180,422
Shipments (tonnage)—estimated	151,346	*182,416	174,967
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of September (1935-39 average=100)	†111.5	†115.4	129.1
STEEL CASTINGS (DEPT. OF COMMERCE)—			
Month of August:			
Shipments (short tons)	89,964	78,710	140,223
For sale (short tons)	59,412	50,124	107,538
For producers own use (short tons)	30,552	28,586	32,685
Unfilled orders for sale at end of month (short tons)	143,566	155,494	472,481
TRUCK TRAILERS (DEPT. OF COMMERCE—			
Month of August:			
Production (number of units)	2,601	2,197	3,622
Shipments (number of units)	2,609	2,139	4,196
Shipments (value in dollars)	$9,296,552	$7,778,601	$12,751,751
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Oct. 31 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	255,777,727	256,679,558	252,460,249
Guaranteed obligations not owned by the Treasury	27,681	29,359	52,360
Total gross public debt and guaranteed obligations	$255,805,409	$256,708,917	$252,512,609
Deduct—Other outstanding public debt obligations not subject to debt limitation	752,571	755,867	805,858
Grand total outstanding	$255,052,837	$255,953,050	$251,706,751
Balance face amount of obligation issuable under above authority	18,947,162	19,046,949	23,293,248

*Revised figure. †Preliminary figure.

A Decade of Wage Trends

(Continued from first page)

different industries over the decade.

This paper, therefore, will be concerned with the following questions: (1) Have the developments of the decade, 1939-1948, caused a significant shift in the relative wage levels of American industries? (2) Has the growth or the influence of unions altered the relative wage levels of American industries in a significant fashion? Our procedure will be to give the pertinent data and then to draw certain conclusions in the final section.

I

In the current debate on the wisdom of raising the minimum wage scale, the opposition frequently points out that this type of legislation merely results in a proportionate increase of the wages of all industries. Assuming that this increase cannot be taken out of profits, it results ultimately in a corresponding increase in prices, thereby leaving the beneficiaries of the law actually in the same position they occupied prior to the increase in the minimum wage. From this proposition a pertinent question arises: Have the developments of the last decade, including minimum wage laws altered the relative positions of average hourly wage rates in American industries in an appreciable fashion?

The data on wages during the decade do not give as simple an answer as that given by those who assume that a wage change in an industry causes a corresponding shift throughout the economy. But there is some evidence to substantiate their claims.

The type of change that has occurred in wage relations during the past decade depends on the type of industry under consideration. Table I gives the differential, expressed in absolute terms of cents per hour between the average hourly earnings of labor in the respective industries and the average hourly earnings of labor in all industries that make up the durable goods category for 1939, 1945, and 1948.

Table I shows that, as measured by average hourly earnings, the greatest change in an industry compared to the average for the durable goods group between 1939 and 1948 was 5.5c. The data from which this table was constructed show that on the basis of average hourly earnings each of the industries occupied the same position among the durable goods industries in 1948 that it did in 1939.

There was some significant movement in relative wages despite the fact that it was insufficient to alter the rank of the industries in the group on the basis of average hourly earnings. Table II gives a divison of the industries in the durable goods group based on the industries paying the highest and the industries paying the lowest average hourly wages. This table shows that the changes occurring in the average hourly earnings of labor in these industries represented greater gains to the wage earners in the lowest paying industries than to the higher wage group. The difference between the two had narrowed by 6.4c during the decade. Laws and government policy would seem, therefore, to have helped the lower wage group more than others in this industrial group when measured in absolute terms.

Among the durable goods industries that are the least unionized (less than 60% of the employees working under union agreements) are the lumber and furniture industries. A comparison is made in Table III between the carnings of labor in these industries and the average hourly earnings of labor in three of the most highly unionized industries in the group (over 80% of the employees working under union agreement; automobiles and parts; electrical machinery; nonferrous metals and their products). The table shows that the better organized industries made a greater gain measured in absolute terms of cents per hour than the less well organized over the decade.

Relations between the average hourly earnings of labor cannot be measured in an entirely satisfactory manner by reference to absolute differences expressed in cents per hour alone. The laborer is interested in (a) his gains relative to other groups and (b) his position in a given year relative to another year.

One way of measuring the stability of average hourly earnings in an industrial group is to determine the extent to which an industry's wage varies over time from the average hourly earnings of the group. Table IV shows these measurements. In only three of the industries was the difference between the 1939 and the 1948 percentage variation more than 3%. Each industry occupied the same position in this ranking at the end of the decade that it occupied at the beginning. The relative dispersion of the industries from the average for the group was reduced from 14.1% in 1939 to 9% in 1948.

The lower paying part of the durable goods group made by far the greater percentage gain from 1939 to 1948 and occupied a better position at the end of the decade relative to the higher wage portion of the group.

While a review of the relative position of the industries with respect to average hourly earnings expressed in percentage leads to the same conclusions as those gained from the measurements expressed in absolute terms thus far, this, however, is not true of the conclusions regarding the influence of unionization on wage relations. On the contrary, at the end of the decade, the less well organized workers had improved their position relative to 1939 more than the better organized. Their average hourly earnings had increased 126% compared to 90.4% for the more highly organized group. As a consequence, the average hourly earnings of the less well organized group amounted to 77.6% of the average for the better organized in 1948 compared to 65.4% in 1939. The change in the relative positions of the employees bore an inverse relation to the degree of unionization in the durable goods industries.

II

Whereas, in the durable goods industries there is a high degree of stability in the relative positions of the industries, and the argument that changes in wage rates do little to alter the relative positions of industries with respect to their average hourly earnings has some basis in fact, this is far less true in the nondurable goods industries. Table V illustrates this fact.

The greatest change in the difference between an industry's average hourly earnings and the average for the durable goods industries as a whole between 1939 and 1948 was 5.5c; while the greatest for the non-durable goods group was 14.9c.

Each industry in the durable goods group occupied the same rank in the army of industries measured by average hourly earnings in 1948 that it did in 1939. In contrast six of the 10 industries in the non-durable goods group shifted their positions during the decade.

Despite the relatively high degree of stability in the wage relations of the durable goods industries some shifting was indicated resulting in the narrowing of the absolute margin expressed in cents per hour between the highest and the lowest paid segments of the group. Table VI is a summary of comparable data for the non-durable goods industries.

In contrast to the durable goods industries, there was a wider margin between average hourly earnings measured in absolute terms of cents per hour in 1948 than in 1939.

In the non-durable goods industries, the better organized (those with 80% or more of their employees under collective bargaining agreements) enjoyed a greater absolute gain measured in average hourly earnings from 1939 to 1948 than did the employees in those industries with 60%-79% of their laborers under collective bargaining agreements.

In contrast to the condition in the durable goods industries, the percentage relation that the average hourly earnings of an industry bore to the average for the non-durable goods group was altered greatly in 1948 compared with 1939 (Table VII). Seven out of the 10 industries in the nondurable goods group showed a difference of over 3% in this relation compared to three out of nine in the durable goods industries.

When measured in terms of the percentage which its average hourly earnings bore to the average hourly earnings for the durable goods group in 1939 and 1948, no industry in that group changed its position during the decade. By this measure five out of the 10 industries in the nondurable goods group changed position. The relative dispersion of the industries from the average for the group was reduced from 19.5% in 1939 to 14.6% in 1948. This was a smaller reduction than occurred in the durable goods group.

Despite the widening in the average hourly earnings measured in absolute terms, the lower wage half of the non-durable goods industries had improved its position by 1948 relative to 1939 to a greater degree than the higher wage half. Average hourly earnings for the former group increased over the decade 115.5% compared to an increase of 97.7% for the latter.

As in the case of the durable goods industries, the relative gains of the workers bore an inverse relation to the degree of unionization. The less well organized group had increased its earnings by 1948 relative to 1939 to a greater extent than the better organized group.

III

The workers in the nondurable goods industries enjoyed a smaller gain measured in cents per hour from 1939 to 1948 than employees in the durable goods industries. But relative to their earnings in 1939, the nondurable goods industries paid their employees an increase in average hourly earnings of 105% compared to 100% for the durable goods group. In 1939, the average hourly earnings of the nondurable goods industrial workers amounted to 91.8% of the average hourly earnings of the durable goods industrial workers in 1948, it amounted to 94.3%.

As the nondurable goods workers are the less well organized compared to employees in the durable goods industries, the evidence is again indicative of the fact that the greatest relative gains have been made by the less well organized groups during the decade despite the greater margin between the two measured in absolute terms.

If all the industries are divided so that one category includes those industries that are most nearly the suppliers of food, clothing, and shelter, it is found that the laborers in this group have made greater relative gains from 1939-1948 (117.8%) in average hourly earnings than the remainder of the laborers in manufacturing enterprises (96.3%). This, despite the fact that a greater cents per hour differential separated the two groups in 1948 (34.6c) than in 1939 (23.3c).

IV

From the complex and divergent trends indicated by the data some conclusions can be drawn:

(I) There is no uniform pattern of relations between the

(Continued on page 42)

TABLE I

Differential Between the Average Hourly Earnings of the Respective Industry and the Average Hourly Earnings of All Durable Goods Industries, 1939, 1945, and 1948

Industry—	1939	1945	1948
	(Cents per Hour)		
Iron, steel, and products	4.7	4.6	8.2
Electrical machinery	1.0	.1	1.5
Machinery, except electric	5.4	8.6	8.7
Automobiles	23.7	20.2	23.4
Transportation equipment, except auto	9.3	22.9	13.5
Nonferrous metals and products	— .5	1.4	.8
Lumber and timber basic products	—20.3	—24.9	—25.7
Furniture and finished lumber products	—17.4	—20.6	—22.9
Stone, clay, and glass products	— 5.5	—12.5	— 7.9

Source: Data calculated from 1947 and 1949 *Statistical Supplement to the Survey of Current Business.*

TABLE II

Average Hourly Earnings in the Five Highest and the Four Lowest Wage Industries (Durable Goods Group), 1939, 1945, and 1948

	1939	1945	1948	Percent. Difference 1939-45	1939-48
Five highest	$0.780	$1.169	$1.493	49.8	91.4
Four lowest	0.466	.909	1.243	95	166.7
Difference	.314	.260	.250		

Source: See Table I.

TABLE III

Average Hourly Earnings in Durable Goods Industries Selected on the Basis of Unionization, 1939, 1945, 1948

	Aver. Hourly Earnings 1939	1945	1948	Wage Differences (Cents per Hour) 1939-45	1939-48
Most highly unionized	$0.771	$1.126	$1.468	0.355	0.697
Less well unionized	.504	.827	1.139	.323	.635
Difference	.267	.299	.329		

Source: See Table I.

TABLE IV

Percentage Relation Between the Average Hourly Earnings of the Respective Industry and the Average Hourly Earnings of All Durable Goods Industries, 1939, 1945, and 1948

Industry—	1939	1945	1948
Iron, steel and products	106.7	104.3	105.9
Electrical machinery	101.4	99.9	101.1
Machinery, except electrical	107.8	108.1	106.2
Automobiles	134.2	119.1	116.9
Transportation equipment, except auto	113.4	121.7	109.7
Nonferrous metals and products	99.2	101.3	100.5
Lumber and basic timber products	70.6	76.3	81.4
Furniture and finished lumber products	74.8	80.4	83.4
Stone, clay, and glass products	92.0	88.1	94.2

Source: See Table I.

TABLE V

Differential Between the Average Hourly Earnings of the Respective Industry and the Average Hourly Earnings of All Nondurable Goods Industries, 1939, 1945, and 1948

Industry—	1939	1945	1948
	(Cents per Hour)		
Textile mill products and fiber manufac.	—17.5	—18.9	—14.5
Apparel and other finished textile prod.	—10.8	— 8.8	—21.9
Leather and leather products	—10.7	— 9.3	—17.9
Food and kindred products	— 2.8	— 6.5	— 9.0
Tobacco manufactures	—15.9	—18.2	—30.8
Paper and allied products	— 4.3	— 6.3	— 1.1
Printing, publishing, and allied products	23.0	19.4	36.4
Chemicals and allied products	1.3	4.3	6.2
Products of petroleum and coal	25.8	26.4	36.8
Rubber products	11.8	17.9	15.9

Source: See Table I.

TABLE VI

Average Hourly Earnings in the Five Highest and the Five Lowest Wage Industries (Nondurables), 1939, 1945, 1948

Group—	1939	1945	1948	Percentage Change 1939-45	1939-48
Five highest	$0.754	1.069	1.491	41.7	97.1
Five lowest	.517	.823	1.114	59.1	115.4
Difference	.237	.246	.377		

Source: See Table I.

TABLE VII

Percentage Relation Between the Average Hourly Earnings of the Respective Industry and the Average Hourly Earnings of All Nondurable Goods Industries, 1939, 1945, 1948

Industry—	1939	1945	1948
Textile mill products and fiber manufac.	72.4	80.0	88.8
Apparel and other finished textile prod.	82.9	90.6	83.1
Leather and leather products	83.1	90.1	86.2
Food and kindred products	82.5	93.1	93.0
Tobacco manufactures	74.9	80.7	76.3
Paper and allied products	93.1	93.3	99.1
Printing, publishing and allied products	136.3	120.5	127.9
Chemicals and allied products	102.1	104.5	104.7
Products of petroleum and coal	140.7	127.9	128.2
Rubber products	118.6	118.9	112.2

Source: See Table I.

A Decade of Wage Trends

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average hourly earnings of industries that is sufficient to say, for example, that a minimum wage law simply pushes all industries up to the same relative position at a higher plateau.

(a) This contention, however, is valid for the durable goods industries.

(b) The following proposition emerges from this: The more highly industry is organized and the higher becomes its wage level the more important becomes the factor of relationships between industries in determining wage levels.

(II) Conclusions regarding the relations of average hourly earnings between industries vary depending on whether they are based on measurements of differences expressed in absolute terms or in terms of percentage relations.

(a) Expressed in absolute terms the wage data in the durable goods industries have shown (1) that there is a high degree of stability in the relation of average hourly earnings among the industries in the group that lends support to the thesis in Ia, b, (2) a tendency for the absolute difference between the higher wage half and the lower wage half of the durable goods industries to be narrowed, and since the latter more closely approaches the category of consumer goods, this would seem to substantiate the proposition in "III" below; (3) a greater absolute difference between highly unionized and the less well unionized industries in 1948 than in 1939.

(b) Expressed as a relationship between 1939 and 1948 and as a percentage relationship between each other (which is more indicative of economic trends than measurements in terms of absolutes) the wage data for the industries making up the durable goods group have shown: (1) a high degree of stability in their relationship but a reduction in the dispersion of industries about the average for the group; (2) relatively greater gains for the workers in the lower wage industries than for the higher; (3) relatively greater gains for the employees in the less well unionized industries than for those in the better organized.

(c) The nondurable goods industries show far less stability in their wage relations than the durable goods industries, and a greater divergence measured in absolute terms between the average hourly earnings of the higher and lower wage groups and between the more highly organized and the less well organized labor groups in 1948 than in 1939.

(1) But relative to 1939 and to each other (a) the lower wage industries and (b) the less well unionized had made the greater gains by 1948.

(2) The nondurable goods industries showed a reduction in the dispersion of their average hourly earnings about the average for the group indicating a growth in stability; the reduction was not so great, however, as that in the durable goods group. This indicates that the greater the degree of unionization the more stable become the relations of wage rates among industries (I,b).

(III) Labor in the industries supplying the necessities of food, clothing, and shelter had made greater gains by 1948 relative to 1939 and relative to other industries than the remainder of American industries. This has important implications for it means:

a. That these goods will be priced higher relative to 1939 than other goods unless the labor cost can be taken out of profits (which are usually low in this group) or can be offset by technological progress (which is usually less in these than in other industries).

b. That relatively more will be spent on these cost-of-living items from now than was spent in 1939; this will have an important bearing on:

(1) Wage negotiations based on cost-of-living formulae.

(2) The amount of savings provided by the people from their incomes.

Mr. Sproul's Fallacies On Gold Convertibility

(Continued from page 11)

savers were ruined and frustrated to the extent that they sought violent remedies under Hitler. I still want to walk up the street of our small town and greet with honest smile the people who entrusted me with their money. I beg your pardon for speaking of my own relation to the gold standard question. I am sure our members have much the same situation confronting them.

Gold Standard and Federal Budget

Mr. Sproul suggests that anyone who is worried about the dollar concentrate on correction of those tendencies in our economic and political life which have bought us a deficit of several billion dollars in our Federal Budget at a time when taxes are high and production, employment and income are near record levels. Mr. Sproul must have written his speech before the statistics of production, especially in my district, Western Pennsylvania, were available to him. The fallacy that "plenty of money" and plenty of credit at artificially low interest rates ensures high activity under governmentally managed money is pretty well exposed today by facts recognized by objective economists. He says:

"We have decided that the place for the gold is in the monetary reserves of the country as a backing for our money supply, and as a means of adjusting international balances, not in the pockets or the hoards of the people. If we want to reverse that decision, the means of reversal are at hand, but it should be a clear-cut and a clean-cut reversal, restoring convertibility."

Yes, the place for the gold coins is in the banks, Federal Reserve Banks and Treasury of our country, but placed there and entrusted to them of free will, because of well-merited confidence that it will be paid back when demanded in the same coin or weight as put into their hands. When the example of devaluation or repudiation is before us, people may well hesitate to entrust their value to a system which assumes to accept power without the corresponding responsibility. Mr. Sproul says "we" have decided where the gold should be. Certainly the American people when they elected Franklin D. Roosevelt in 1932 after his denunciation of Hoover for having even given consideration to going off the gold standard six months earlier, and after his avowal that sound money must be preserved at all hazards, gave no such mandate. The acts of March 6, 1933, were reported to the people as a "suspension" of gold payments. Secretary Woodin stated it was "for the time being." Certainly the voice of Lord Keynes was not the voice of the American people.

As to Mr. Sproul's pious injunction to concentrate on stopping deficit spending, does he know that without the limitations upon profligate spending by the requirements of redeemable money that a Congressman is as helpless as a fireman rushing to a fire with a hose which is not coupled up to the water supply? Those who want to restrain the unlimited spending have no force behind them to require it so long as the government has blank checks to sign at the expense of all savers. The Gold Standard League would restore the gold standard for use by American citizens and back up the Congressman and Senators who would do the right thing.

Why People Want Gold

It is an insult to American citizens to say that we want gold redeemable money "to jingle it" in our pockets. The citizen who has the desire to protect himself by having gold coins is not a carefree wastrel, jingling gold coins in a saloon. The assumption that the government, through the Federal Reserve Board, can manage his money better for him than he can himself can be questioned. Certainly, a slave has no need for money. A kind master will care for his interests better. I happen to have read in Bessemer's Autobiography how Bessemer's father, a talented inventor, escaped from Paris during a lull in the hostilities between France and England, about 1800, bringing with him a quantity of gold coin and a great deal of worthless French assignats. With that gold he started a new shop in England, incidentally having the capital to perfect the Caxton type for printing. I myself had saved up $73,500 by 1938 which I decided to risk in trying out my inventions now employing 600 men. I didn't want any government board deciding whether or not my processes were sound or not. My experience is that in matters of risk-taking, boards, as General Goethals said, "are long, narrow and wooden." I needed a store of value. It should have been larger, but the devaluation had already cut it down somewhat. I didn't need gold coins to "jingle in my pockets," although I will confess, like Robert Burns, that the possession of a few coins of gold, with or without the guinea's stamp, gives one a feeling of independence. He said of the golden guinea:

"Not for to hide it in a hedge,
Nor for a trained attendant,
But for the glorious privilege
Of being independent!"

The picture of our present government pinning the label of carefree wastrels "jingling gold coins in their pockets" upon the provident citizen who wishes to have the certainty of a store of value by using our own standard of value is humorous indeed! For a government man to say this in view of the foolish things being done with our substance in the U. S. A. by government is a travesty.

Gold and the Money Supply

Mr. Sproul says, "We have been plagued, if anything, with an over-supply of money in recent years, and the United States gold stock, at the present price, is large enough to support whatever further growth in the money supply may be needed for years ahead." He is right, because we hard working risk-taking Americans have created the goods which give value to the dollar. We have earned the gold which has come into the Treasury as a consequence of our efforts. There is 50% more gold, relative to the outstanding paper currency, plus all bank deposits, than there was in 1926, for example, when we maintained specie payments, redeeming our paper currency on demand to American citizens as well as to foreigners. Now is a favorable time, if ever, to return to redeemable money. It will cause less embarrassment now than if we delay while deficit financing increases our responsibilities, because we cannot stop it now without the gold standard in effect.

As John Sherman said in a speech on the Senate floor Jan. 16, 1874, with irony:

"We are for specie payments sometime, maybe. We are not in favor of it in times of plenty. We are not in favor of it in times of great prosperity. We are not in favor of it in view of the panic. When shall we be in favor of it? That is the question that Senators ought to be prepared to answer to the businessmen of this country."

The dollar is "tied to gold" in a roundabout way, through the "limited gold bullion standard" under which we now operate. Under that system foreigners have their obligations upon the U. S. Treasury made good to them on demand through their foreign central banks, at our standard of value, receiving gold at one-thirty-fifth of an ounce per dollar. Italy got 116.2 metric tons last month at that price. Other countries exercise that privilege. What a picture that presents to an American citizen, of a former enemy country having a privilege which is denied the American citizens whose gold it is! Does the Italian and French citizen who owns gold (France has a public gold market) know better what to do with his own money than an American citizen? Why should we feel they are better men than Americans? Why does Mr. Sproul feel Americans are not to be entrusted with their own money, but like children or slaves, must have it taken into protective custody by wiser officials of the U. S. Government?

Mr. Sproul says, "There is no widespread fear of the soundness of the dollar in this country, no widespread flight of money into things."

When life insurance companies cut down their supply of mortgage money, preferring to buy outright real estate which they lease to occupants—isn't that a recognition of the sober estimate that the buying power of the dollar may deteriorate? When businessmen resort to barter forms of stores of value, such as subsistence farms, livestock, diamonds, metals and other things which they buy to make provision for their future needs rather than trust the future value of the dollar—isn't that a flight from money? When the stock market for common shares goes up when earnings in prospect are doubtful and upon the advice that common stocks are a hedge against inflation, widely given although of doubtful truth, isn't that a form of flight from the dollar? People don't advertise, least of all to government officials, when they feel compelled to do such things. Only the restraint of the American people and their vague hope that all will be preserved somehow in the end despite our fiscal policies encouraging waste at present, keeps a semblance of confidence. I do not share that vague hope while persons in positions of fiscal responsibility do not speak up for convertibility now. The Gold Standard League is raising its voice in protection of the honest citizen who like ourselves wants to have faith in our monetary policy. When we have convertibility that faith may be merited by the fiscal behavior of our government. We hope that responsible people in government and in financial positions will urge the clean-cut decision which Mr. Sproul mentions and return to the fully constituted gold standard for use by American citizens as well as for foreigners. They can do that by the enactment of the Reed Bill, H. R. 3262, introduced into the 81st Congress by the Hon. Daniel A. Reed of New York.

Inter-Company Financing—Source Of Capital for Small Businesses

(Continued from page 4)

new many of their existing loans to small businesses. A refusal to renew such loans will work a hardship on small debtor-companies but the first duty of a bank is to its depositors. As a source of credit, it is probably necessary to class institutional lenders as "fair-weather friends" of small business enteprise.

(d) Financing With Past Earnings

Statistical data is available to show that small manufacturing concerns earn a slightly higher percentage profit on total capital than do large corporations. The same studies show the opposite to be true of retail establishments. Admittedly profits are one of the more important sources of capital available to finance expansion. However, a high percentage yield on a small-asset base will prove inadequate as a means of financing the asset-needs of a rapidly expanding small enterprise. Conversely, a low percentage yield on a large-asset base may well provide a large enterprise with more funds than it needs to finance its current expansion program. It would seem, therefore, that any financial device, custom, or business procedure that would cause the surplus funds of the larger industries to become available to smaller companies on contractural terms that are practical would be socially desirable in the extreme. The conclusion at the moment, however, is that profits of small entepprises do not provide an adequate source of funds for purposes of financing expansion.

(e)—Inter-Company Financing

The tenor of the above discussion is that large businesses have easier access to the various sources of funds than do the smaller companies. The big problem of small companies is to obtain adequate financing. By contrast the major problem of large companies is to obtain reliable trade outlets for their large outputs. When large companies sell goods on favorable terms or make outright loans to small companies, their act has the effect of solving both problems at one time:—i.e., the smaller company is financed and the trade of the larger company is expanded. Whether society gains depends, of course, upon whether the existence of a large number of small enterprises is socially desirable. It should be remembered that large companies can expand their trade by other methods (company-owned outlets, for example) but that small companies are not able to obtain adequate financing. As mentioned, small companies can obtain but a small quantity of funds from their owners, none at all from the capital markets, only a limited amount on suicidal terms from banking institutions, and an inadequate sum from their own earnings. It would seem, therefore, that inter-company credit provides a safe and important source of credit for small business enterprises.

Investors With and Without "an Interest"

The only compensation that an impersonal investor derives from an investment commitment of funds is a stipulated annual return on his investment. Because of this limited return, such investors are justified in demanding that their position be made unusually secure. They accomplish such security by making their savings available only to those enterprises that can qualify under certain rigid and accepted principles of investment. "An investment operation," writes one authority, "is one which upon thorough analysis promises safety of principal and a satisfactory return." Furthermore, says this authority, safety should be judged not by lien but by the earning record of the debtor during a recent depression. By this standard all new ventures and those old ventures whose operating profit fluctuates are automatically ineligible for consideration as potential users of the funds of investors.

In case unforeseen financial difficulties arise, the investor is advised to take a purely objective view of his situation and to follow that course of action which is best suited to advancing his own interest quite without regard to the effect upon his debtor. Thus, if his own interests are served best by foreclosure proceedings, he should foreclose; if his own interests are served best by an extension of time to the debtor, then that procedure is in order. Since a pure investor can never hope for more than safety of principal and a small percentage return, he has no reason for allowing sentimental considerations to interfere with the course of action most advantageous to himself.

Pure investors are more interested in the contractual position of their credit advance than they are in the welfare of their debtors. Thus a small business cannot hope for much consideration from such investors in times of adversity.

The attitude of an "investor with an interest" toward a debtor contrasts strongly with that of the "pure investor" described above. Investors with an interest hope for more than a satisfactory return on their investment. As a rule such an investor looks forward to a long period of mutually profitable trade transactions between himself and the debtor. More often than not, the profit to be derived from these transactions dwarfs the return promised on the investment and renders safety a matter of secondary importance.

Back in 1903 a certain large mail order house advanced $30,000 to one of its suppliers. The eyes of the officials who decided upon this advance were not focused on the interest charged on this loan but on the profits that would accrue to the larger company from the sale of the debtor's product during the course of the next fifty years. An economic by-product of this particular loan was the conversion of a small struggling producer into the world's largest manufacturer in the line. Today the company boasts of nine factories and four display rooms. A portion of its product is still marketed through the mail order house but it also sells to a large number of independently owned retail outlets, many of whom owe their existence to the aid given them by the manufacturer.

"Investors with an interest" are as much or more interested in the trade advantages to be derived from their advances to small companies as they are in their contractual relationship to the debtor.

According to figures compiled by the SEC, 247 of the larger extractive industries at the end of 1937 had made advances and loans to companies other than their subsidiaries of $162,129,000. These companies in turn had received advances of $24,921,000 from their suppliers. Thus these 247 large extractive companies had made net advances of some $221,340,000 to other companies. The same study showed that 1,034 manufacturing companies at the end of 1937 had trade receivables of $2,507,497,000, loans and advances to companies other than their subsidiaries of $2,110,069,000 as compared to trade accounts payable of $942,803,000. In other words, 1,034 of the larger manufacturing companies had supplied (net) $3,674,763,000 of funds to other companies. According to the report cited, 169 larger merchandising companies at the end of 1937 had trade receivables of $404,426,000 and had made advances and investments in non-subsidiary companies of $111,172,000 as compared to trade accounts payable of $134,034,000.

Thus the 1,440 large companies whose figures were included in these reports had advanced a grand total of $5,354,604,000 and had in turn received credit from other companies of $1,101,758,000. Since inter-company loans show as receivables and advances on the books of the lending company, and as payables or investments on the books of the borrowing company, it is obvious that a large portion of the net balance of $4,252,846,000 represented advances from larger companies to smaller companies.

The frequency with which one encounters reference to inter-company credit in textbooks, articles, and pamphlets suggest that inter-company financing is a commonplace and widespread practice. For example, the study conducted by the Federal Reserve Bank of Minneapolis mentioned earlier lists loans and advances from suppliers as the third most important source of credit used by the 122 firms studied. Even the United States Department of Commerce recognizes the importance of inter-company financing for it advises, in a pamphlet designed to instruct small business men regarding the sources of loans:

"Use judgment in selecting your suppliers. Gradually, and without becoming too dependent upon any of them, you can narrow down the number of your suppliers to a few in whom you can place complete confidence. They in turn will learn to have confidence in you, and you can rely on help in case of sudden difficulty."

During the colonial period manufacturing in America was limited to small shop production for a local market. The only products enjoying a more than local market were those imported from England and distributed to large towns by merchant-wholesalers. The disturbing events starting in 1803 and culminating in the war of 1812-1814 cut off foreign supplies of the merchant-wholesalers. Since the merchant group possessed both the wealth of the nation and exclusive knowledge concerning the markets, it was quite logical for it to begin to finance small local manufacturers in order to secure a supply of merchandise for nation-wide distribution.

Thus in 1808 John Waterman erected a cotton mill at Canton, Massachusetts, with capital provided by a Boston wholesaler who had an agreement that he would take Waterman's entire output at a stipulated price. Almy and Brown, who founded the cotton industry in America, were originally merchants who became involved in manufacturing. The interests of the Appletons and the Lowells were turned from merchandising to manufacturing as a result of the War of 1812. Salem and Providence merchants financed manufacturing in their locality; Philadelphia merchants financed certain industries in the midwest; and New England merchants financed a distillery in Louisville. According to Clark these early merchants supplied capital "by direct investment and by loans and credits." As a rule, the financing merchants confined their participation to the mercantile aspect of the businesses they financed and promoted.

In any case the conclusion seems obvious that wealth accumulated from large commercial enterprises provided the initial resources needed to finance many of the early American manufacturing ventures.

Three Types of Inter-Company Aid

(1) The most common form of inter-company financial aid grows from the practice of selling merchandise on credit. When the seller himself cannot afford to finance the sale, he often takes the buyer's note for discount. In this way his credit standing causes bank credit to be made available to buyers who normally would not be able to demand bank accommodation. Examples of seller-financing through inter-company loans are easy to cite. It is common practice in the automobile field. Most of the large trucking companies that exist today started when a driver made a down payment on a truck, agreeing to pay off the balance on installment basis. Small road contractors frequently purchase equipment in this manner.

The chief disadvantage of ordinary trade-credit is that, like bank loans, it is short-term credit and must be renewed from time to time. If business activity declines, the supplier of the credit may become alarmed and curtail his aid and this would deprive a small business venture of credit at a time of its greatest need. The only restraining influence on such curtailments is the desire of the larger company for a continued outlet for its goods.

(2) Of much greater value to a small company is a grant of credit by one of its suppliers for purposes other than to finance a sale by the latter and on terms such as do not make it necessary to renew the contract periodically. Examples of such advances are purchases by large companies of the common stock, preferred stock, or long-term bonds of a smaller company. The interest of the larger company in such cases is almost always to conserve or to strengthen an outlet for its own products.

Thus in 1939 we find a certain large oil company purchasing $400,000 of the 3% notes of a national trucking company. During liquidation proceedings for a prominent furniture company it was revealed that a large customer radio manufacturer and a certain truck company (who sold transportation services to the furniture company) had jointly advanced the company $950,000 of funds. The pages of Moody's Investment Manuals contain numerous examples of companies that have purchased the stocks and bonds of smaller companies to whom they sell.

(3) It is even more common practice for large corporate buyers to extend financial aid to smaller corporate sellers, the motivating interest of the larger company being to conserve and to strengthen an important source of supply. The effect is often to develop the weaker company into a strong producer. A striking example of this was cited earlier. An officer of a large mercantile corporation writes:

"Our company has for many years given financial assistance to smaller companies, many of which are our most valued sources. Capital is made available in three ways:

"(1) Direct lending of money to small manufacturers during their peak production season.

"(2) Investment of money in factories through the purchase of stock.

"(3) Arrangements through Field Warehousing Financing Companies."

That such aid proves beneficial and is appreciated is obvious from the following comment of the treasurer of one of the recipient companies:

"In the early years of our company, some 25 or 30 years ago when our business was very small, one of our large corporate customers did at times render financial assistance to us by advancing sums of money upon request when we were in special need of it. In that way they were a very direct assistance to a small struggling company. Although we might have secured funds elsewhere, nevertheless, they did give us assistance when the need was great and thereby, no doubt, were instrumental in developing a strong source for the products which we manufacture for them.

"I believe that large companies often do just that in assisting their smaller sources of supply, especially in difficult economic times."

Michigan Brevities

(Continued from page 14)

1949 to 75 cents per share, against 45 cents paid in 1948. Net profits for the quarter ended Sept. 30, 1949 were $596,043, equal to 41 cents per share, after provision for taxes of $351,000, while sales for that period amounted to $7,330,222. For the first nine months of this year, sales totaled $20,464,491, and net profits were $1,701,461, compared with sales of $17,634,405 and net profits of $1,260,986 for the corresponding period of last year.

* * *

The American Forging & Socket Co., Pontiac, reports a net profit after taxes of $497,683 for the year ended Aug. 31, 1949. This compares with a net of $383,184 for the preceding year and $204,830 for the year ended Aug. 31, 1947. At Aug. 31, 1949 current assets totaled $1,958,699 and current liabilities amounted to $591,810.

* * *

L. A. Young Spring & Wire Co., Detroit, for the fiscal year ended July 31, 1949, reported net sales of $50,707,296, the largest for any 12-month period in its history. This was also a 16% increase over the $43,714,808 for the preceding fiscal year. Net profit for the 1949 year of $3,698,753 exceeded the previous year's net of $3,029,955 by $668,798. Earnings per share increased to $9.05 in 1949 from $7.41 in 1948. On July 31, 1949 net worth of $18,076,207 was equal to $44.23 per share. Net current assets of $9,636,663 equaled $23.58 per share.

* * *

Shakespeare Co., Kalamazoo, for its fiscal year ended July 31, 1949, reports consolidated earnings of $961,286, equal to $2.45 per common share, which compares with $1,404,578, or $3.58 per common share, for the previous fiscal year. The book value per share increased during the year from $12.60 to $13.55. As at July 31, 1949, current assets totaled $4,691,900, and current liabilities amounted to $1,317,848.

* * *

Net sales of Yankee Fiber Tile Mfg. Co., Detroit, for the six months ended June 30, 1949 were $607,734 and net earnings after taxes amounted to $63,170, or approximately 31 cents per common share. Dividends aggregating 20 cents per share were paid during this period, and a further payment of 10 cents per share was made on Sept. 30 to stockholders of record Sept. 16, 1949. The balance sheet as at June 30, 1949 shows working capital of $231,792, compared with $213,439 at the beginning of the year.

Survey Shows Mutual Funds Popular With Philadelphia Dealers

Doremus & Co. reports investment dealers, with few exceptions, distribute mutual funds shares and business is growing rapidly.

According to a survey of Doremus & Co., investors dealers in Philadelphia, as a group look for a further substantial expansion in mutual fund business over the next 12 months and believe that the trend to this type of investment will become even more marked over the long term.

This was disclosed in an inquiry conducted among 150 dealers in Philadelphia metropolitan area.

Estimates as to the percentage of securities business represented by mutual fund transactions varied from a fraction of 1% to as high as 50% by one dealer. Approximately half of the dealers reported such transactions amount to more than 1% of their total business; a dozen put the figure at more than 5%; five reported 20%; three said 25%.

Of the 150 dealers, eight have installed special mutual fund sales departments and four of these are expanding their departments. An additional eight said they are going to install such departments. Nine out of every ten dealers reported they sold mutual funds, although approximately one out of every four handling mutual funds indicated they made no effort to obtain such sales. Virtually all were agreed that the strong trend to mutual funds originated about two years ago, although a handful said the trend was three years old.

Designed to evaluate this significance of the increased popularity of mutual funds, the survey revealed that local dealers are virtually unanimous in the opinion that there is a huge market for mutual funds not heretofore reached by the investment business. Exactly half the dealers felt that selling effort should be concentrated on the low income group. One dealer wrote: "We believe that the small saver is the greatest market and here the surface is hardly scratched." There was general agreement too that to reach this market, a specialized sales effort would be necessary.

This thinking was further reflected in a rather general opinion that while mutual funds compete with other investments, they also compete sharply with savings funds. A few dealers said that mutual funds provide increased diversification for comparatively small accounts.

General dissatisfaction was expressed in the survey with the restrictions on the advertising of mutual funds by dealers. One dealer said that in the case of the Television Fund, most people who answered his advertisements thought he was offering a new way of purchasing a television set. Most recommendations were to the effect that dealer-advertisements of a specific fund should contain more data on that fund rather than the "tombstone" ad, now often used.

Similarly, brokers also were of the general opinion that the funds themselves should be permitted more liberty in their advertising.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

American Natural Gas Co. (11/23)
Oct. 28 filed 304,485 shares (no par) common stock (including 27,680 shares which may be acquired in stabilizing operations). **Offering** — To be offered to present stockholders of record Nov. 23 at the rate of one new share for each 10 held. Rights will expire Dec. 12. **Underwriter**—Competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Proceeds**—To invest in common stocks of two subsidiaries, Michigan Consolidated Gas Co. and Milwaukee Gas Light Co. Bids expected to be received Nov. 23.

● **American Progressive Health Insurance Co. of New York**
Nov. 15 (letter of notification) 4,000 shares of common stock (par $2). **Price**—$8.50 per share. Proceeds to selling stockholder.

Ampal-American Palestine Trading Corp., New York
Nov. 3 filed $6,250,000 10-year 3% sinking fund debentures and 200,000 shares ($10 par) Class A stock. Underwriter—None, but securities are to be sold through efforts of directors and employees. Stock is to be offered at $11 per share. **Proceeds**—To be used for economic development of Israel.

● **Apple Concentrates, Inc., Meadowbrook Orchards, Sterling, Mass.**
Nov. 8 (letter of notification) 12,500 shares ($1 par). Price, $10 each. **Underwriter**—Perrin, West & Winslow, Inc., Boston. To buy plant, machinery and equipment, for technical services and other corporate purposes.

Arizona Edison Co., Phoenix, Ariz.
Oct. 31 (letter of notification) 20,000 shares ($5 par) common stock. **Price**—$15 per share. **Underwriters**—Refsnes, Ely, Beck & Co., Phoenix, Ariz. **Offering**—Offered for subscription by stockholders of record Nov. 8. Rights expire Nov. 23. **Proceeds**—To be used for construction, additions and improvements.

Barclay Oil Co., Inc., Mt. Carmel, Ill.
Oct. 13 (letter of notification) 2,000 shares of non-convertible ($100 par) value preferred stock and 6,000 shares ($1 par) common stock (of which 2,000 shares will be purchased by underwriter at par). To be offered in units of one share of preferred and two of common stock at $102 a unit. **Underwriter**—Sterling, Grace & Co., New York. To acquire oil leases and drill wells.

Black Hills Power & Light Co.
Oct. 25 filed 33,730 shares ($1 par) common stock. **Offering**—Offered to common stockholders of record Nov. 15 at the rate of one new share for each five held at $15 per share. Rights expire Nov. 29. **Underwriter**—Dillon, Read & Co., N. Y., and associates. **Proceeds**—For construction.

● **Black Rock Corp., Trout Lake, Wash.**
Nov. 7 (letter of notification) 1,200 shares (no par) common stock, of which 900 are to be issued at $100 each. No underwriter. To build and equip plant and produce cheese.

● **Broadway Angels, Inc., New York City**
Nov. 14 filed 2,000,000 shares (1c par) common stock and 500,000 management shares of 0.1 of a cent par value, to be sold at 50 cents and 12.5 cents respectively. **Underwriter** — Hugh J. Devlin, New York. **Proceeds** — For working capital. **Business**—To back theatrical productions, distribute tickets and act as an agent for talent.

● **Burd Piston Ring Co., Rockford, Ill.**
Nov. 7 (letter of notification) 2,500 shares ($1 par) common stock, to be offered at $8 each by Albert H. Bates, Vice-President, and two members of his family. **Underwriter**—Paul H. Davis & Co., Chicago.

● **Cal Nevada Oil Co., Las Vegas, Nev.**
Nov. 7 (letter of notification) 200,000 shares ($1 par) common stock. Price, par. No underwriter. To drill a well in Cuyama Valley, Calif.

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.

● **Carr-Consolidated Biscuit Co., Wilkes-Barre, Pennsylvania**
Nov. 27 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3.25 per share. To be offered in open market through Bache & Co. and Merrill Lynch, Pierce, Fenner & Beane. Proceeds to selling stockholders.

Central Hudson Gas & Electric Corp.
Oct. 26 filed $6,000,000 10-year convertible debentures, due 1949. **Underwriters**—Estabrook & Co. and Kidder, Peabody & Co. are probable underwriters. **Proceeds**—To pay $5,300,000 of notes, reimburse treasury for construction expenses, and for general corporate purposes.

● **Central Power & Light Co., Corpus Christi, Tex.**
Nov. 15 filed $5,500,000 of sinking fund debentures, due 1974. **Underwriter**—Competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; White, Weld & Co.; Shields & Co. **Proceeds**—For improvements to facilities, to repay outstanding notes.

Citizens Telephone Co., Decatur, Ind.
Oct. 21 (letter of notification) $250,000 of 4½% preferred stock. Price, $100 each. No underwriter. For plant and property additions to convert to automatic dial operation. Office: 240 W. Monroe Street, Decatur, Ind.

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. Expected late in November.

Connecticut Light & Power Co. (11/22)
Nov. 2 filed $10,000,000 series "L" first and refunding mortgage bonds, due 1984, and 100,000 shares of preferred stock (no par). **Underwriters**—Putnam & Co., Chas. W. Scranton & Co. and Estabrook & Co. **Proceeds**—For construction.

Consolidated Caribou Silver Mines, Inc.
March 30 filed 376,250 shares (no par) common stock. **Price**—$2.50 per share. An additional 50,000 shares will be sold to the underwriter at $1 per share for investment. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Temporarily postponed.

Consolidated Gas Electric Lt. & Pr. Co. of Balt.
Oct. 28 filed $12,000,000 of series T first refunding mortgage sinking fund bonds, 2⅞%, due 1976, and $44,660,000 of series U 2⅞% first refunding mortgage sinking fund bonds, due 1981. **Offering**—To be offered in exchange for series Q 2¾%, due 1976, and series R 2¾%, due 1931, first refunding mortgage sinking fund bonds. **Underwriters**—The First Boston Corp. and Harriman Ripley & Co., Inc. **Proceeds**—This is an exchange offer.

Credit Acceptance Corp., Rochester, N. Y.
Nov. 3 (letter of notification) $250,000 5% debenture bonds, dated Nov. 1, 1949, due Nov. 1, 1969. Price, 100 and interest. **Underwriter**—R. M. Horner & Co., New York. To expand business, etc.

Detroit Edison Co., Detroit
Oct. 14 filed 699,743 shares ($20 par) common stock. **Offering** — Offered to stockholders of record Nov. 9 at $20 per share on the basis of one new share for each 10 held. Rights will expire Dec. 5. **Underwriting**—None. **Proceeds**—To repay bank loans for construction and for additional construction.

● **Dobbs Houses, Inc., Memphis, Tenn.**
Nov. 9 (letter of notification) 10,500 shares ($1 par) common stock. To be sold by James K. Dobbs, President, and eight other stockholders. **Price**—$8 each. **Underwriter**—B. F. Ward & Co., Memphis.

Dow Chemical Co.
Nov. 4 filed 175,000 shares of common stock (par $15). **Offering**—To be offered to stockholders and employees of the company, its subsidiaries and associated companies at $44.50 per share. **Proceeds**—To be added to treasury funds and used for corporate purposes. **Underwriter**—None.

Eastern Harness Racing Club, Inc., Steubenville, Ohio
Oct. 27 filed 1,000,000 shares (5c par) common stock. Price, $1 each. **Underwriter**—Tellier & Co., New York. **Proceeds**—To purchase, improve and operate the Fort Steuben Raceway.

● **Fixed Assets, Ltd., New York**
Nov. 10 (letter of notification) 171 shares $6 cumulative preferred stock (no par). **Price**—$100 and dividend. **Underwriting**—None. Purchase of real estate, etc.

Florida Power Corp., St. Petersburg, Fla.
Nov. 2 filed 242,000 shares ($7.50 par) common stock. **Offering**—To be offered to present stockholders at the rate of one new share for each five held. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For construction.

Florida Telephone Corp.
Oct. 31 (letter of notification) 28,500 shares (par $10) common stock. **Underwriters**—None, other than company's officers, directors, employees or agents. Price to present stockholders will be $10 per share until Dec. 2, 1949, at which time the balance of shares unsubscribed will be offered to general public at $10 per share. **Proceeds**—To be used for further expansion of telephone facilities.

● **Forming Machine Co. of America, Inc., Bound Brook, N. J.**
Nov. 14 (letter of notification) 400 shares common stock (par $1). **Price**—$100 per share. **Underwriting**—None. Working capital.

● **Gillette Safety Razor Co., Boston, Mass.**
Nov. 8 (letter of notification) 8,000 shares (no par) common stock. Price, $33.50 each. No underwriter. For general corporate purposes.

● **Gorton Oil Shareholders, Ltd., Racine, Wis.**
Nov. 9 (letter of notification) 5,000 shares ($1 par) common stock, to be issued in exchange for outstanding certificates of interest in the Gorton Trust. No underwriter.

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.

Gulf States Utilities Co. (11/29)
Oct. 27 filed $10,000,000 of first mortgage bonds, due 1979. **Underwriter**—Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Proceeds**—To repay $6,500,000 of short-term notes and finance 1949 construction requirements. **Bids**—Bids will be received up to 11 a.m. (EST) Nov. 29 at office of Central Hanover Bank & Trust Co., Room A, 70 Broadway, New York.

Harrisonburg (Va.) Telephone Co.
Nov. 3 (letter of notification) 1,600 shares of 5% cumulative preferred stock ($100 par) and 5,750 shares ($10 par) common stock. **Price**—$100 and $16.50 per share, respectively. **Underwriter**—Galleher & Co., Inc., Richmond, Va. **Proceeds**—To pay outstanding bank loans floated to finance construction.

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. Indefinite.

● **Heat Pump, Inc., Seattle, Wash.**
Nov. 4 (letter of notification) 60,000 shares ($1 par) common stock. Price, par. No underwriter. To manufacture and sell heat pump units. Office: 1201 W. 92nd Street, Seattle, Wash.

● **Hilton Hotels Corp., Chicago**
Nov. 7 (letter of notification) 1,248 shares ($50 par) convertible preference stock, to be offered by C. N. Hilton, President. Price, $39 each. No underwriter.

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.

● **International Petroleum Corp., Spokane, Wash.**
Nov. 7 (letter of notification) 500,000 shares of common stock. Price, 10c each. No underwriter. To drill for oil and gas.

Iowa Power & Light Co. (12/5)
Oct. 31 filed $7,500,000 of first mortgage bonds, due 1979. **Underwriter**—Competitive bidding. Bidders may include Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co.; Union Securities Corp. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Smith, Barney & Co.; Halsey, Stuart & Co. Inc.

NEW ISSUE CALENDAR

November 17, 1949

New York, New Haven & Hartford RR. ---------- Equip. Trust Ctfs.

November 22, 1949

Connecticut Light & Power Co. --- Bonds, Preferred

November 23, 1949

American Natural Gas Co. ---------- Common

November 29, 1949

Gulf States Utilities Co. ---------- Bonds
Louisville Gas & Electric Co. ---------- Bonds
Pennsylvania Electric Co. ---------- Bonds, Preferred
Southern Co. ---------- Common

December 5, 1949

Iowa Power & Light Co. ---------- Bonds
Steiner Paper Corp. ---------- Stock

Proceeds—To pay off $1,500,000 of 2⅛% promissory notes, for construction, and to reimburse the treasury for construction expenditures. Bids expected Dec. 5.

● **Jere Woodring & Co., Hazleton, Pa.**
Nov. 9 (letter of notification) 10,000 shares of 4½% preferred stock (par $25). Price, par. No underwriting. Working capital.

Keller Motors Corp., Huntsville, Ala.
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 and amendment to registration statement effective Oct. 31. Expected later this month.

● **King Bros. Productions, Inc., Hollywood, Calif.**
Nov. 9 (letter of notification) 300,000 shares ($1 par) common stock. Price, par. No underwriter. For general corporate purposes.

Louisville (Ky.) Gas & Electric Co. (11/29)
Nov. 2 filed $41,000,000 first mortgage bonds, due 1979. **Underwriter**—Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp. **Proceeds**—To redeem outstanding bonds; buy Louisville Transmission Corp.; prepay bonds of a predecessor, Louisville Lighting Co., and for general purposes. Bids expected Nov. 29.

● **Lowe Seed Co., Aroma Park, Ill.**
Nov. 7 (letter of notification) 1,500 shares ($100 par) $6 preferred stock. Price, par. No underwriters. For working capital.

Madison (Wis.) Gas & Electric Co.
Oct. 20 filed 55,361 shares ($16 par) common stock. **Underwriter**—None. **Offering**—Stock is to be offered to present stockholders at the rate of one new share for each five held at $22 a share. **Proceeds**—Expansion of facilities.

Mankato (Minn.) Citizens Telephone Co.
Oct. 17 (letter of notification) 1,600 shares (no par) common stock. To be sold to stockholders at $47 each. No underwriter. To buy new switchboard and make expansions to phone system.

● **Mary Lee Candies, Inc., Norwalk, Ohio**
Nov. 4 (letter of notification) 1,000 shares of 5½% preferred stock ($10 par), convertible into three shares of common stock each. Price, par. **Underwriter**—Grimm & Co., New York. For working capital to run three new restaurant-candy shops.

Middle South Utilities, Inc., New York
Oct. 28 filed 686,295 shares (no par) common stock. **Offering**—Electric Bond & Share Co. will offer 656,295 shares to its own stockholders of record Nov. 9 at rate of one share for each eight held, and at $12 a share. The offering period is scheduled for Nov. 21 to Dec. 8. Bond and Share plans to distribute 150,010 shares to its stockholders as a dividend, of which 30,000 will be sold to take care of fractional stockholders. **Underwriter**—None. **Proceeds**—E. B. & S. will use the proceeds to retire bank loans.

Morris Oil Co., Ventura, Calif.
Nov. 4 (letter of notification) 5,000 shares ($1 par) common stock. To be sold for between $5.50 and $7 each by Clair E. Halliburton, Fresno, Calif., a director of the company. **Underwriters**—First California Co., Dempsey-Tegeler & Co., Morgan & Co., and James Ebert Co.

New England Electric System, Boston
Oct. 14 filed 669,508 shares ($1 par) common stock. **Offering**—Offered to stockholders of record Nov. 17 at the rate of one new share for each 10 held at $10.50 per share. Rights expire Dec. 5. **Underwriters**—Harriman Ripley & Co. and Goldman, Sachs & Co. and Lehman Brothers (jointly) on Nov. 16 won the award of the issue on a subscription price of $10.50 per share, the underwriting compensation being 24.9 cents per share. **Proceeds**—For additional investment in the common stock of subsidiary companies so that the subsidiaries can finance construction programs.

● **New England Manufacturing & Supply Corp., New Haven, Conn.**
Nov. 10 (letter of notification) 9,400 shares of 6% cumulative convertible preferred stock ($5 par) and 19,580 shares of class A ($1 par) stock and 7,180 rights to buy class A shares. The preferred stock will be sold at $5 each and the class A at $3 each. **Underwriter**—E. F. Bigoney & Co., New York. To finance inventory commitments, carry out sales program, and for general corporate purposes.

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.

● **Norfolk & Carolina Telephone & Telegraph Co.**
Nov. 7 (letter of notification) 2,000 shares ($100 par) common stock. Price, par. No underwriter. For construction services.

Northern States Power Co. (Minn.)
Oct. 24 filed 1,584,238 shares (no par) common stock. **Offering**—Offered to stockholders of record Nov. 17 at the rate of one new share for each six now held at $10.25 per share. Rights expire Dec. 6. To the extent that such holders do not subscribe for the additional common, the company will give to each employee the privilege of subscribing for 150 shares or less, subject to allotment if necessary. Holders of common stock will then be given the additional right of subscribing, subject to allotment, for any remaining shares. **Underwriters**—Lehman Brothers and Riter & Co. (jointly) won the award Nov. 16 on a subscription price of $10.25, with underwriting compensation of 12.435 cents per share. **Proceeds**—to repay bank notes issue for construction purposes.

Ocean Downs Racing Ass'n, Inc., Berlin, Md.
Oct. 27 filed 53,372 shares (50c par) common stock. **Underwriter**—None. Price —$2 a share. **Offering**—To be offered stockholders at the rate of four new shares for each five held. **Proceeds**—To pay obligations and for working capital.

Ohio Public Service Co., Cleveland
Oct. 21 filed 2,000,000 shares ($7.50 par) common stock. **Underwriter** — Cities Service Co., which is selling this stock received SEC exemption from competitive bidding requirements and has concluded an agreement with Ohio Edison Co. whereby the latter will purchase the Ohio Public Service stock for $35,000,000, the sale being contingent on Ohio Edison financing to provide the necessary funds. Financial advisor to Ohio Edison Co. is Morgan Stanley & Co.

Pennsylvania Electric Co. (11/29)
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). Bids expected later this month or early December.

● **Pennsylvania Independent Oil Co.**
Nov. 2 (letter of notification) 2,269 shares of 4% preferred stock (par $25). Offered to present preferred stockholders at par. **Underwriting**—None. Corporate purposes.

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.

Progressive Fire Insurance Co., Atlanta, Ga.
Oct. 28 (letter of notification) 10,000 shares of capital stock. To be offered present stockholders at rate of one new share for each four held and at $27.50 a share, with any remaining shares to be offered to the public at $30 each. No underwriter. To increase the company's surplus. Office, 107 Cone Street, Atlanta, Ga.

Public Service Co. of Indiana, Inc.
Nov. 7, filed 142,354 shares ($100 par) cumulative preferred stock. **Underwriters**—To be sold at competitive bidding: Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Ohio & Co.; Harriman Ripley & Co.; Glore, Forgan & Co. **Proceeds**—To be used to pay part of the cost of construction, additions and improvements.

● **Right-Place Napkin Holder, Inc., Spokane, Washington**
Nov. 4 (letter of notification) 250,000 shares of capital stock. Price, 20c each. No underwriter. To manufacture paper napkin dispenser. Office: N. 106 Division Street, Spokane, Wash.

Robinson Tag & Label Co., New York
Nov. 2 (letter of notification) $100,000 5% debentures, due serially 1950-1959. Price, par and interest **Underwriter**—Oscar Burnett & Co., Greensboro, N. C. New presses, working capital, etc.

Rochester Gas & Electric Corp.
Nov. 3 filed 132,000 shares (no par) common stock. **Offering**—To be sold to present stockholders of record Nov. 22 at rate of one share for each seven now held. **Underwriters**—The First Boston Corp.; Lehman Brothers; Wertheim & Co.; Merrill Lynch, Pierce, Fenner & Beane; George D. B. Bonbright & Co.; Little & Hopkins, Inc.; Erickson Perkins & Co.; Sage, Rutty & Co., Inc. **Proceeds**—Prepay indebtedness and for construction.

● **Rohm & Haas Co., Philadelphia**
Nov. 14 filed 60,000 shares ($20 par) common stock, to be sold by Mrs. Phoebe W. Haas, wife of the company President, Otto Haas. **Underwriters**—Drexel & Co. and Kidder, Peabody & Co., both of Philadelphia. Price, by amendment.

● **Scheider Finance Corp., Pittsburgh**
Nov. 10 (letter of notification) 18,000 shares class A common stock (par $1). **Price**—$5 per share. A total of 1,940 shares will be offered to holders of preferred stock in exchange for their holdings in ratio of 20 class A for each share preferred. No underwriting. Capital purposes.

Smith, Inc., Fargo, N. D.
Oct. 12 (letter of notification) 2,000 shares of 6% cumulative preferred stock ($25 par) and 15,500 shares ($5 par) common stock. **Price**—Preferred to be sold at $25 and common at $7.75. **Underwriter**—W. R. Olson Co., Fergus Falls, Minn. To retire bank loans.

● **Snoose Mining Co., Hailey, Idaho**
Nov. 8 (letter of notification) 250,000 shares (25¢ par) common stock. Price, par. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho. To develop the Snoose Mine.

Southern Co., Wilmington, Del. (11/29)
Oct. 28 filed 1,500,000 shares ($5 par) common stock. **Underwriter**—Competitive bidding. Probable bidders: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Lehman Brothers; Harriman Ripley & Co.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Proceeds**—Additional common stock investments in subsidiary operating companies. Bids expected Nov. 29.

● **Speculators, Inc., New York**
Nov. 14 (letter of notification) 150,000 shares of capital stock (no par). **Price**—$1.50 per share. **Underwriting**—None. Working capital. Office, 40 East 40th Street, New York.

Stubnitz Green Spring Corp., Adrian, Mich.
Nov. 7, filed 183,339 shares ($1 par) common stock. **Underwriters**—George A. McDowell & Co., and Baker, Simonds & Co., Detroit. **Proceeds**—Sale being made by eight stockholders.

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.

Sutherland Paper Co., Kalamazoo, Mich.
Nov. 1 filed 34,400 shares of cumulative preferred stock ($100 par) convertible into common stock prior to 1960. **Underwriter**—Harris, Hall & Co. (Inc.), Chicago. **Offering**—Stock is to be offered to common stockholders of record Nov. 21 for a period of 16 days at the rate of one share for each 10 held. **Proceeds**—To move and rebuild a paperboard machine, for additional manufacturing and warehouse space, for a new boiler and for working capital.

Union Oil Co. (Calif.)
Oct. 17 filed 600,000 shares ($25 par) common stock. **Proceeds**—The shares are to be issued in partial payment for all of the 35,000 outstanding shares of capital stock of the Los Neitos Co., an oil producing company.

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.

Universal Winding Co., Providence, R. I.
Nov. 4 (letter of notification) 6,500 shares ($5 par) common stock, to be sold at market (about $9.625) by Charles E. Mason, Jr., Chestnut Hill, Mass. **Underwriter**—G. H. Walker & Co., Providence.

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.

Younker Brothers, Inc., Des Moines, Ia.
Nov. 4 (letter of notification) 1,000 shares (no par) stock, to be sold at $27.50 each. **Underwriter**—T. C. Henderson & Co., Des Moines. **Proceeds**—To selling stockholder.

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Welch Grape Juice Co., Westfield, N. Y.
Oct. 31 (letter of notification) 83,749 common shares (par $2.50). Offered for subscription by stockholders of record Nov. 4 in ratio of three new shares for each 11 shares held at $13 per share. Rights expire Nov. 25. The total offering price will amount to $1,104,636 of which $820,625 (approximately 74%) will be offered to a single holder leaving a balance offered to the public at $284,001. Issue not underwritten, but Navajo Corp., principal stockholder will purchase any shares not taken by other stockholders up to a total of 83,749 shares. The offering also includes 1,223 Treasury shares, making total offering 84,972 shares. Working capital.

Prospective Offerings

Cincinnati Gas & Electric Co.
Dec. 21 stockholders will vote on authorizing 3,500,000 additional shares of common stock, some of which will be offered early in 1950 in connection with an $85,000,000 construction program. The exact amount will be determined later. Of the 2,500,000 shares now authorized, all but 6,000 shares are outstanding.

Denver & Rio Grande Western RR.
Company has applied to ICC for authority to sell $1,000,000 first mortgage series A 3s-4s, due 1993, at not less than 85 and interest from July 1, 1949. Bonds were previously issued and are now held in its treasury. Proceeds would be used to reimburse treasury for funds used in redeeming $1,500,000 Denver & Salt Lake Ry. 1st 4s series A, due 1950, on Jan. 1, 1949.

Food Fair Stores, Inc.
Dec. 30 stockholders will vote on a proposal to raise the authorized indebtedness from $5,000,000 to $12,000,000. If proposal is approved company is expected to issue and sell $8,000,000 debentures. The increase is designed to retire $2,700,000 3½% outstanding debentures and to finance expansion of company's supermarket chain. Probable underwriter: Eastman, Dillon & Co.

Illinois Bell Telephone Co.
The company has asked the Illinois Commerce Commission for permission to issue 389,982 shares of common stock (par $100) pro rata for subscription by stockholders. American Telephone & Telegraph Co. owns over 99% of the outstanding stock.

Plans for additional long-term financing are under consideration according to a company spokesman.

Iowa Public Service Co.
Oct. 26 announced that corporation plans to issue and sell early in 1950 $5,000,000 of preferred stock, the net proceeds to pay for construction costs, etc. Probable bidders: A. C. Allyn & Co.; Harriman Ripley & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly); Equitable Securities Corp.

Kansas City Power & Light Co.
Oct. 25 company announced that it plans to sell $10,500,000 of additional common stock and $20,000,000 of funded securities. Proceeds would be used in its $55,000,000 expansion program planned for completion in 1952. Company plans are to sell $5,000,000 of common stock this year and the balance probably would not be issued until 1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Shields & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.

Lone Star Steel Co.
Nov. 4 directors have authorized the sale of 592,185 shares of common stock, to be offered for subscription by present stockholders before being offered to the public.

Magnavox Co.
Nov. 12 stockholders will be asked to authorize a preferential stock issue as part of a proposed new financing program. New financing will retire outstanding bank loans and strengthen working capital. Maynard H. Murch & Co. will be underwriter.

New York Central RR.
Nov. 4 reported company is planning the sale about Dec. 7 of $9,600,000 equipment trust certificates. It is expected that certificates of the offering will be dated Jan. 1, 1950. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler. Bids expected about Dec. 7.

● **New York New Haven & Hartford RR. (11/17)**
Company will receive bids up to Nov. 17 for the sale of $2,340,000 equipment trust certificates due one to 15 years. Probable bidders: Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers and Bear, Stearns & Co. (jointly); Lee Higginson Corp.

● **Northern Indiana Public Service Co.**
Nov. 15 Dean Mitchell, President, announced that company has no intention at this time of selling additional common or preferred shares, except to refinance the 211,380 shares of 5% preferred now outstanding. A special meeting of stockholders has been called for Dec. 15 to authorize a new class of 500,000 shares of cumulative preferred stock and to increase the authorized common stock from 3,000,000 to 3,500,000 shares.

Northern Natural Gas Co.
Oct. 25 company proposes to finance its expansion program (estimated to cost $51,840,000) through the sale of debentures, bank loans and possibly by the issuance of some additional common stock. If bonds, probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co.

● **Ohio Edison Co.**
Nov. 14 company applied to the SEC for authority to buy from Cities Service Co. its holdings of 2,000,000 shares ($7.50 par) common stock of Ohio Public Service Co., Cleveland. Ohio Edison will pay $35,000,000, or $17.50 a share, for the stock. It also plans to buy, on equivalent terms, the remaining 1,000,000 shares of Ohio Public Service stock held by the public. Ohio Edison then plans to merge the two companies. Cities Service has been ordered to dispose of its interest in Ohio Public Service. It sold 1,000,000 shares to the public earlier this year and was authorized by the SEC on Nov. 2 to enter into private negotiations for sale of the remaining block. The proposal involves the purchase by underwriters, through negotiation, of 2,000,000 shares of Ohio Public stock. The underwriters are to pay Cities Service $35,000,000 cash. Ohio Edison would issue and sell through such underwriters up to 144,000 shares of its ($8 par) common stock at a net price of not less than $29 a share, with a maximum realization of $35,000,000. If the aggregate public offering price of its shares is less than $35,000,000, Ohio Edison will pay the difference to the underwriters in cash. Ohio Edison asked exemption of the stock from competitive bidding and authority to borrow from banks the cash necessary to be delivered to underwriters or to public holders of Ohio Public Service common. The SEC set the matter for hearing Nov. 23. Morgan Stanley & Co. is acting as financial adviser to Ohio Edison.

Public Service Co. of Colorado
Nov. 8 company is expected to be in the market shortly for new equity capital to finance its construction and expansion program. Traditional underwriter: The First Boston Corp.

San Diego Gas & Electric Co.
Oct. 15, it was announced that the company plans to offer some time in 1950 an issue of permanent securities, either stock or bonds, the net proceeds of which are to be used to retire then outstanding bank loans. Probable bidders: Blyth & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co.; Salomon Bros. & Hutzler.

● **Sayer & Fisher Brick Co.**
Nov. 17 stockholders will vote on authorizing issuance of 106,584 additional shares (par $1) common to be offered for subscription by stockholders of record Nov. 2 at $2 per share on a 1-for-3 basis. Stockholders also will be asked to approve the borrowing of not exceeding $350,000 to be secured by a first mortgage. Proceeds of both issues will be used for expansion, etc.

Sharp & Dohme
Nov. 4 directors gave tentative approval to the proposed offering next year of a new non-convertible preferred stock in exchange for company's outstanding series A preferred. It is expected that the terms of the transaction, still to be determined, will encourage present preference holders to exchange their shares. Any unexchanged shares, it is believed, will be redeemed at $75 a share, up to a certain amount, through the sale to an underwriting group of additional shares of the new issue. Underwriters may include Alex. Brown & Sons and Drexel & Co.

● **South Carolina Electric & Gas Co.**
Nov. 11 a two-way application has been filed by company with the P. S. Commission of South Carolina for refunding $22,200,000 of company's outstanding 3⅝% and 3⅜% bonds. First step in the program seeks permission for the company to transfer and convey the assets and liabilities of South Carolina Power Co., its wholly owned subsidiary, to South Carolina Electric in liquidation. In a second step, South Carolina Electric asks permission to refund its outstanding bonds under terms of South Carolina Power's bond indenture to provide for future mortgage financing. It is contemplated that South Carolina Electric will submit the program for approval of the FPC at a later date. In event company sells bonds, probable underwriters include Halsey, Stuart & Co. Inc.; The First Boston, Corp.

Steiner Paper Corp. (12/5)
The Attorney General of the United States of America is inviting sealed bids for the purchase from him at public sale, as an entirety, of 575 shares of capital stock of the corporation. The 575 shares constitute 100% of the issued and outstanding capital stock of the company. The stock is held by the Attorney General as a result of vesting action under Vesting Order dated Jan. 20, 1948, pursuant to the Trading with the Enemy Act. All bids must be received at the Office of Alien Property, Department of Justice, 120 Broadway, New York, by 3:30 p.m. (EST) Dec. 5.

● **Texas Power & Light Co.**
Oct. 28 Texas Utilities Co. in SEC application covering bank loans to be advanced to subsidiaries to finance their construction program, it was revealed that Texas Power & Light plans permanent financing probably to extent of $7,000,000 of bonds before August, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Carl M. Loeb, Rhoades & Co. and E. H. Rollins & Sons (jointly); Union Securities Corp.; Drexel & Co. and Hemphill, Noyes & Co. (jointly); Lehman Brothers; Salomon Bros. & Hutzler.

Virginia Electric & Power Co.
Nov. 2 reported company plans to raise $42,000,000 through public financing in the next two years in connection with its $53,000,000 construction and expansion program. Company presently expects to raise between $22,000,000 and $25,000,000 of its new money requirements in 1950. Depending upon market conditions, the company plans to sell either preferred stock or debentures next March, and will raise the balance of 1950 capital requirements by the sale of first mortgage bonds around September 1950. No additional common stock financing is planned for 1950. Traditional underwriter: Stone & Webster Securities Corp. However, if bonds are sold competitively probable bidders include: Halsey Stuart & Co. Inc.; Stone & Webster Securities Corp.; White Weld & Co.; Union Securities Corp.; Salomon Bros. & Hutzler; Merrill Lynch, pierce Fenner & Beane, and Hallgarten & Co. (jointly); Glore, Forgan & Co., and W. C. Langley & Co. (jointly).

Our Reporter's Report

Currently it is indicated that the high-grade bond market, that is, choice names among public utilities, railroads and industrial corporations will finish this year around their best levels.

The seasoned list, by and large, has retraced all the ground lost pricewise in the early part of the year prior to the about face in monetary policy executed by the Federal Reserve Board and the Treasury Department in the late spring.

In fact prevailing conditions, as exemplified by price levels and yields, along with the current easy money policy of the Administration, are such that some corporations might feel impelled to try refunding where this could be accomplished at a worthwhile saving in interest costs.

The only possible drawback in that direction very likely would be the attitude of large institutional investors who, in present circumstances, constitute the bulk of the market for gilt-edge corporate obligations. This element has not been particularly keen about absorbing new issues much below a 3% basis, and there is nothing at the moment, to indicate any recent change.

True Madison Gas & Electric Co., the other day sold an issue of 30-year bonds to bankers for a price of 100.39 for a 2⅝% coupon, which would indicate reoffering at a price to yield about 2.58%.

This figured out as the lowest interest cost on utility financing for about three years. But the issue involved only $3,000,000 and momentarily the new offering market is suffering a dearth of business so that the terms here may not be regarded as typical.

Prevailing Yields

By way of illustrating the scope of the recovery which has occurred in the high-grade market, it can be noted that yields for top public utility paper range from 2.58% for Triple A's to 2.81% for A ratings, with BAA rated bonds yielding 3.17%.

Meanwhile triple A industrial bonds offer an average return of 2.52% with A ratings averaging 2.95% and BAA's 3.95%.

Best rails are now commanding prices which figure an average yield of 2.70% ranging up to 3.33% for single A ratings. All the aforementioned classifications are guided naturally by the money market.

In the case of secondary issues, where earnings are a big factor, the spread is quite substantial, even though with the exception of the rails, operating results are generally satisfactory.

To No Avail

A proposal by an investment banking firm that Consolidated Gas, Electric Light & Power Co., of Baltimore go to competitive bidding in the sale of its projected $20,000,000 of new 35-year first mortgage bonds has proved unavailing.

The company has arranged to sell the bonds privately and the Maryland Public Service Commission informed the bankers that it would not interfere with the utility's plans.

The bankers offered, if the deal was made competitive, to enter a bid at least as good as the price agreed upon privately, and to absorb in addition a company estimate of additional expenses that might be incurred.

Inventories Pared

The recent protracted dearth in new emissions has provided an opportunity for bankers to work off unsold portions of new issues remaining on their shelves.

The group which brought out $40,000,000 of Indianapolis Power & Light Co.'s new 2⅞% several weeks ago was reported negotiating to place the unsold balance of some $23,000,000 of the issue with institutional investors at a price a shade under the 102⅛ fixed for public offering.

Closing of this operation would reduce by approximately one-third the estimated $63,000,000 of unsold new issues of recent date which go to make up the "blue list" still available on dealers' and underwriters' shelves.

Roswell Magill Recommends Tax Changes

Former Undersecretary of Treasury urges elimination of double taxation of dividends; liberalization of depreciation deductions; clarification of reorganization and trust sections of Revenue Code; and requirement that Treasury tax regulations be approved by Joint Congressional Committee.

Addressing the New York State Society of Certified Public Accountants in New York City on Nov. 14, Roswell Magill, New York attorney and former Undersecretary of the Treasury, urged the elimination of double taxation of dividends. He also advocated the following other proposals which Congress should adopt at its next session and which he asserted should have top priority even in a crowded legislative calendar:

Roswell Magill

(1) Liberalization of the depreciation deduction allowable for business income tax purposes.

(2) Elimination of uncertainties of judicial interpretations of the reorganization and trust sections of the Internal Revenue Code by providing that the sections "mean what they say."

(3) Requirement that all Treasury regulations be submitted for approval to the Joint Congressional Committee on Internal Revenue Taxation.

The double tax on corporate dividends, Mr. Magill declared, gives corporations "a powerful stimulus to raise new capital by issuing bonds or debentures rather than stock—a result that the SEC works to forestall in areas committed to its charge." He added:

"The tax situation as to corporate dividends discourages individual investment in equity securities at a time when general governmental policy seeks to encourage new investment and maximum production. New capital for investment is known to be short, yet the tax law encourages the purchase of tax-exempts, not of common stock."

The double tax, Mr. Magill said, cannot be defended merely because it produces revenue, since it is grossly discriminatory and unfair; and, if it were eliminated, the business economy would work better and thus produce more.

Discussing depreciation, Mr. Magill told the CPA Society the Treasury and industry would be spared considerable controversy if depreciation deductions were allowable for income tax purposes on the basis of the rates and amounts consistently taken in the books of accounts and reports to stockholders.

"In the long run," he said, "the Treasury would suffer no loss of revenue; and even in the short run, not much loss, in view of the always threatening possibility of higher tax rates.

"Of course, as an initial proposition Congress may want to be more cautious. The deduction of original cost might be required to be spread over some arbitrary term of years, say five; or the taxpayer might be allowed to deduct 40% the first year and the balance pro rata; or the reasonableness of the deduction might be regarded as established, if it does not exceed by more than 50% that which the examining agent believes to be correct.

"The essence of the reform in any case is to pull the deduction out of the field of annual controversy; to encourage taxpayers, by more liberal depreciation deductions, to keep up with new developments and to buy new machines. By that policy, our business economy can be kept fresh and vigorous."

Declaring that "we need badly to be led out of our current Alice-in-Wonderland, where the language of tax laws does not mean what it says," Mr. Magill said that Congress should provide for the clarification of the reorganization provisions and of the provisions for taxing the incomes of estates and trusts.

On the problem of providing for approval of Treasury Regulations by the Joint Congressional Committee on Internal Revenue Taxation, Mr. Magill noted that there have been notable instances in which the Treasury construction of the revenue act was directly contrary to the Congressional purpose as expressed in the committee reports.

He termed as drastic a proposal by a member of the House Ways and Means Committee to set up a new agency to prepare the official regulations, and asked:

"Would it be better to permit the Regulations to be drafted by the staff of the Commissioner of Internal Revenue, as at present, but provide for approval before publication, not by the Secretary of the Treasury (the present requirement), but by the Joint Congressional Committee on Internal Revenue Taxation?"

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—From now until New Year's a great many of the headlines out of the nation's capital on financial and economic questions are going to be by courtesy of the Joint Committee on the Economic Report.

That committee is now conducting a four-ring circus, with subcommittee studying the "effectiveness and coordination" of monetary and fiscal measures, the problem of providing equity capital for business, the problem of the low income families, and finally, the relation of employment to economic stability.

Already the headlines have started with publication of the report of the JEC staff on the replies to the monetary study questionnaire, and hearings on that subject. Four subcommittees of the JEC are studying these four separate subjects. At least three of the subjects, the monetary, investment, and low income families, are scheduled for public hearings to run from time to time between now and New Year's.

These public hearings will be forums where all sorts of ideas will be asserted and controverted. Possibly even some new legislative measures ultimately susceptible of finding their way into statute, will first be unveiled before these hearings. In any case there will be opinions galore and much palaver about how to improve, take apart, and sew together the U. S. financial and economic machine.

* * *

This Joint Committee on the Economic Report is a creature of the Legislative Reorganization Act of 1946. That act set up this special joint committee of House and Senate members for the express purpose of considering (with theoretical non-partisan detachment) those measures of an economic and financial nature best calculated to maintain the American economy "stable"—but not really stable. The sponsors inconsistently believe in "stability" so long as it is constantly rising "stability."

And the Joint Economic Committee was supposed to take apart and analyze the President's own recommendations for promoting this unusual idea of "stability," and to modify the President's recommendations with its own. The JEC's formal recommendations were to be transmitted to the rest of the Congress for enactment, and were intended to be taken seriously.

* * *

Actually the Joint Economic Committee has never performed in fact the theoretical assignment with which it was endowed by statute. In practice the legislative committees would pay no attention to the JEC, which in reality is a study committee with no power to introduce, get considered, and pilot through the House or Senate, any legislative recommendations it might hit upon. The legislative committees were jealous of their own prerogatives.

In fact the members of the JEC themselves never took their legal function seriously, of drafting a carefully-considered set of recommendations for maintaining economic "stability," and seeing to it that the legislative committees were persuaded to enact them. Almost from the beginning the professional staff had difficulty getting the members of the JEC to even read the drafted recommendations, and had to walk around the Capitol for days at a time trying to catch a Senator or a Representative to get him to read a JEC report and sign it.

In practical operation the members of the JEC refused to consider themselves privy councilors, shying away from mere politics, and operating in the lofty realm of statesmanship. The majority reports have supported the Administration or condemned it, as the case might be, and the minority, vice versa.

* * *

Despite the fact that the Joint Committee on the Economic Report doesn't have much to do along the lines for which it was created, and despite the further fact that it is not a legislative committee, or a major direct factor in legislation, the committee does have another use. That use has come to be worked to the maximum since the majority of the committee passed into Democratic hands, and in particular, in hands which are aggressively "Fair Deal."

That use is to plug and work and strive for the Planned Economy. Only it is not so called. The Employment Act of 1946, which created the Council of Economic Advisers to the President, has as its "basic economic goals of the nation the promotion of maximum employment, production, and purchasing power," as the JEC staff never tires of pointing out. The committee itself is supposed to work in Congress for the same goal as the Council.

The JEC now works day and night for "maximum employment, production, and purchasing power." It does that with reports which constantly harp upon the expanding economy, via government planning, although the word, "planning," is intentionally dropped out of all JEC literature as far as possible since it became a politically vulnerable word.

Thus, in a late report, "Low Income Families and Economic Stability," the familiar theme is plugged that the poor are poorer than the middle class, that they don't eat as well, live in as good houses, or get as good medical care, and that something should be done about it.

In hearings such as those now getting under way, the theme of planning for "stability" with expansion, is harped at in questions slanted by the committee. The staff, which is predominantly composed of doctors of philosophy with an ardent belief in government measures to "improve" the economy, angles the questions when it can to bring out this line of thinking.

In fact, the Joint Economic Committee has, through hearings and reports, now become one of the most influential agencies for propagandizing for the government-managed-economy—not for embracing the literal idea of government management—but through adopting scores of broad measures which make government management inevitable.

* * *

Last week's election results undoubtedly will discourage the wavering conservatives of both parties in their opposition to the "Fair Deal" program in Congress next year. Senator Dulles campaigned against much of the domestic program of the Truman Administration, and got beaten. Necessarily the President and his supporters are jubilant.

While in this case open opposition to the statism of the Truman Administration did not pay off in election results, the defeat of Senator Dulles, however, will work no miracle whereby all of the Truman program will go through in 1950, or even a very great deal more than might have gone through in any case.

President Truman must make up his mind in '50, in view of the fact that the session probably will be limited to six or seven months, to jettison part of his program or postpone it, and concentrate on what practically can be achieved within the time available—or look forward to another disorganized session like that of this year. Any important "civil rights" legislation probably will fail, and an attempt to push a Federal "fair employment practices" bill would cause a bitter split with his conservative following, who are not yet mortgaged to the radicals. Maybe anti-lynching or something on the poll tax will pass, politically big sounding, but relatively unimportant things.

* * *

Treasury "tax note" sales have dropped back to their normal rate of around $300 to $400 million per month, after zooming during July and August to about $1 billion per month. Chief reason for the high summer sales was the temporary drop in the short-term government rate. Now that the bill rate is up to 1.06 to 1.07% on 90-day money, the tax notes, which only pay 0.96% if held a minimum of four months, are not so attractive. Originally, during the war, these notes were redeemable only for tax liabilities.

* * *

It is now believed that the Treasury will postpone until next Spring the decision on the question of whether to raise new money, and in what form of a security. Meanwhile, later this month an announcement is due on the terms of the Treasury note which will be used for December refunding. Ordinarily, receipts of trust funds accounts exceed cash disbursements. This year, with the Treasury paying out up to $2.8 billion from trust funds for refund of overpayments on World War II insurance premiums, the Treasury cash deficit will come pretty close to its budgetary deficit, and some new money probably will be required before the year end next June 30.

* * *

One of the interesting features of the RFC loan to Kaiser auto, which has come to light, is that the government through the War Assets which still has the title to Kaiser's Willow Run assembly plant, has waived its claim to this plant in favor of the RFC. This was done so RFC could take the Willow Run plant as collateral for the $34.4 million chunk of its loan to the auto firm.

RFC now becomes the second important government agency which finds itself in direct opposition to the chairman of an appropriate legislative group handling its affairs in Congress. Chairman J. William Fulbright of the RFC subcommittee of the Senate Banking Committee, asked RFC to hold up the Kaiser loan. The RFC refused. Fulbright also has the backing other members of the subcommittee.

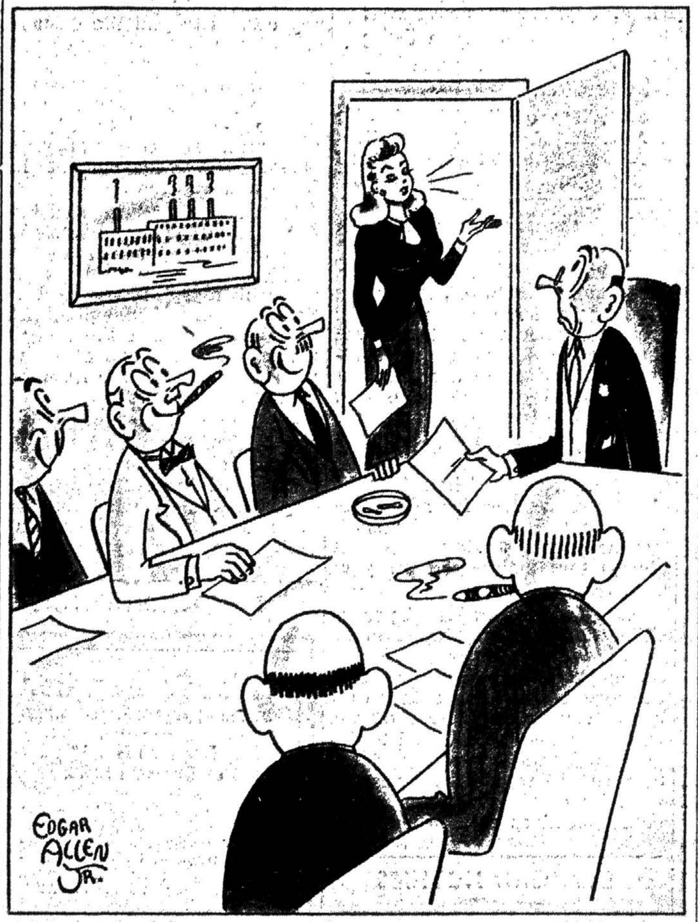
This situation is not calculated to make RFC happy, for it threatens its position and standing on the Hill. A subcommittee chairman has discretion enough to throttle legislation hostile to an agency, when he likes the agency. On the other hand, the chairman can allow hearings on legislation hostile to an agency. Finally, he can be very reluctant about considering legislation an agency wants.

In this particular case, Senator Fulbright aims to call RFC on the carpet next year with respect to both its Kaiser and Lustron loans.

A previous agency to run directly afoul of its appropriate legislative committee is the Home Loan Bank Board, which put into force certain regulations which Chairman Maybank of the Banking Committee asked the Board to delay.

(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



"Your wife just phoned, Mr. Van Bucksmore, she said the next time you sneak out without washing the breakfast dishes you'll get a lump on the head!"

Business Man's Bookshelf

Business Cycles in Selected Industrial Areas—Philip Neff and Annette Weifenbach—University of California Press, Berkeley 4, Calif.—Cloth—$4.