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Nation's Fiscal House Should Be Put in Order Immediately: Baker

Chairman of Board of Directors of the Bank of the Manhattan Co. says government fiscal affairs are out of balance and should be put in order before time runs out. Reports bank's increase in capital funds of $10,458,000 through sale of stock, and predicts net operating earnings in 1949 equal to that of 1948.

J. Stewart Baker, Chairman of the Board of the Bank of the Manhattan Company, New York, in the 151st report for the annual meeting of stockholders on Dec. 6, after reviewing the developments of 1948, called attention to the historical record of the United States since the Manhattan Company was chartered. He warned, however, that "although persistency of growth has, in the past, been characteristic of our enterprise system, history teaches us that we must be constantly on guard against the hazards of monetary and fiscal disorders lest they prove a permanent blight on progress."

J. Stewart Baker

"Therefore," he added, "it is of the greatest importance that there

(Continued on page 27)

Taft Calls for Careful Study of Pensions

Republican party leader says whole subject is in complete confusion and question is whether our economy can stand tremendous burden. Advocates study of idea of a basic uniform Federal pension plan based on a Federal tax, with special funds set up by particular industries, financed by employers and employees.

In the Nov. 23 issue of his "Washington Report," Sen. Robert A. Taft, Republican leader in the Senate, warned there is complete confusion regarding pensions and health insurance programs and recommended that the subject should receive the most careful study of the Senate Finance Committee.

Robert A. Taft

"The pension settlement made in the steel industry," Sen. Taft writes, "raises the question whether we are drifting into a general problem of providing $100 a month for all persons over 65 years of age to be paid either from government or industry. If a steel worker and a miner are to receive that sum, why not a molder or a waiter? The Federal Old Age Insurance Plan grades pension payments in accordance with wages previously paid, but the matter now is becoming one of a flat sum for all, along the lines of the Townsend Plan.

"It would cost about $12 billion a year to pay this amount to all persons over 65 years of age. Of course, no such sum can be paid out of any pension fund accumulated on a sound actuarial basis. The reserve would be so huge that it would have to purchase most of the property in the country. A reserve in government bonds would

(Continued on page 27)

What Makes a Bull Market?

By S. B. LURIE

Paine, Webber, Jackson & Curtis

Analyst expects Speculative Renaissance in early 1950's based on (1) open-end investment trusts' popularization of the common stock idea; (2) investment of pension funds; and (3) bullish implications of increasing population and higher standard of living. Holds we need an economy that is more generally and less selectively prosperous.

On this twentieth anniversary of a market crash which later shook the world, one thing seems fairly certain: History is not likely to repeat itself via a nearby cataclysmic deflation. To the contrary, there is reason for believing that an important turn in the cross currents of the late 1940's is in the making—one which will result in the early 1950's being classified as the era of a speculative renaissance. Why?

Sidney B. Lurie

(1) The highly successful "open-end" investment trusts are popularizing "the common stock idea" with an entirely new class of buyer, which means vastly enlarging the potential list of direct stock purchasers in that: (a) Some of these new investment trust shareholders may eventually become impatient with the group's relative price stability and seek a participation in the more volatile markets; (b) Having taken the plunge and seen the mysteries of stock ownership disappear, others will

(Continued on page 34)

EDITORIAL

As We See It

Some Observations on the "Funding" of Pensions

For some years past "pensions" have been increasingly in the public eye. What is now called "Old Age and Survivors' Insurance" gave great impetus to the "movement," if such it may be termed. More recently the so-called steel case, and the arrangements set up by the Ford Motor Company and some other industrial concerns of great prominence, have centered renewed attention upon this matter. It was, of course, inevitable that the question be raised as to how such schemes as these were to be, indeed could be, financed. Obviously, commitments are both large, and often uncertain in exact amount. Naturally, prudently managed concerns are not eager to enter into them without some sort of provision in advance for the payments they are certain to be called upon to meet at some later date.

Superficially, somewhat similar questions had arisen in connection with the "Old Age and Survivors' Insurance" program of the Federal Government, and reasoning largely by analogy, the conclusion in this case had been to "fund" the obligations or commitments entered into. And so it is, and so it unquestionably would have been in any event, that the business enterprises which are now one after the other being obliged to set up pension schemes for their employees are, for the most part, seeking to "fund" their commitments.

(Continued on page 31)

The Market Outlook for Retail Store Shares

By DONALD K. RUSSELL*

Vice-President, National Investors Corporation

Analyzing position of retail trade and outlook for retail store shares, Mr. Russell foresees consumer buying maintained at high level, despite evidence of more conservatism in spending. Says existing price structure to large extent has been frozen, because of wage regidities and government policy against deflation. Holds, despite rising expense ratios, retail store stocks offer some enhancement possibilities.

If we are to live in a welfare state, retail trade should be active and profitable. The stock market seems to view the possibility with reserve. It has taken conservatively the balance of the conflicting currents affecting retail trade. Apart from the chain groceries, which have done well in 1949 on factors peculiar to their field, retail stocks have not been outstanding. A few variety chains together with Penney, Federated, Sears and a few others, have done fairly well. Many other issues have held about even or declined in the face of a rising stock market. Disparity between the action of quality issues and that of lesser names has been rather wide. The relatively stable variety issues have found favor, though they do not afford an especially vigorous play if retail business is to be active. Conflicting and confusing currents operative within the branches of retail trade have been reflected also in their stocks. But it seems possible to explain the confusions and the apparent discrepancies of performance and to find basis for appraising constructively the future.

Donald K. Russell

The extent to which stability and quality have been emphasized by stock buyers is illustrated in the market action of Murphy. Representing a relatively stable field, the company has consistently made a superior competitive showing, resulting in excellent sales and earnings performance. Its stock is selling at approximately the 1946 high, at about 11 times earnings (prewar normal was 10) to yield little more than 4% on this year's $2 dividend, though the market abounds in high yields.

Sears also has behaved rather well, considering that the hard lines on which it primarily depends face further readjustments. Some 14% under its 1946 high, Sears stock is selling at 10½ times earnings, not far from its prewar normal of 12-13 times. Yield on the $2.25 total dividend is moderate at 5.3%. This price basis seems related to the company's ability consistently to increase its share of the national market.

Further down the scale, we have a number of department store issues selling around half their 1946 highs. Those highs were in part based on earnings which were freakish in character. Quality issues are closer to 1946 peaks, as for example Federated which is within 25% and May within 30%. Some of the lesser-known names are priced around one-third of 1946 tops. Price-earnings ratios of around six times are prevalent and there are high yields on dividends being well covered.

The desire to buy well-managed companies is understandable under any circumstances. It is associated currently with disdain for the abnormal or freakish, and some marked contrasts have resulted.

It must be admitted that the indifferent action of nongrocery retail issues this year accords with declining sales and reduced profit margins, bringing about considerable drops in earnings, especially in the mail order, department store and certain specialty companies. That isn't too bullish. Unseasonable weather conditions will make for sizable markdowns at the end of this year, even though the price structure is firmer. The heavy markdowns of mid-1949 and late 1948 related more to a weaker price structure. The second half of the year usually provides about 60% of retail sales and earnings. The 1950 results will accordingly be determined primarily by second half conditions which are as yet difficult to appraise closely. There is little tendency for the market to discount presumed benefits from the $2.8 billion refund on veterans' insurance. It will not in itself make or break the first half earnings. Possibly readjustment in important fields such as producers' durable equipment and automobiles will be an offset to the refund. With competitive pressure strong, improvement in retail markups will be difficult. These are subnormal for various companies, especially department stores.

Yet if general business is unlikely to deteriorate significantly over the visible future (we will attempt to show why) and if consumer incomes are to remain high, a pessimistic view toward retail trade seems untenable. One has, of course, to acknowledge keen competition, which is entirely normal. Perhaps a survey of the factors affecting earnings to discover what abnormalities remain, will be revealing.

Consumers' Income Maintained

One can argue that the prevailing level of disposable income is freakish. Certainly it represents an unaccustomed magnitude, at nearly 300% of the 1935-9 average. It rose steadily from 1933 through 1949, except for a moderate setback in 1938. One can say that a large part of this represents the 80% to 90% price rise from 1935-9 and that a good deal of it will wash out, as it usually does after major wars. Thus the long one-way expansion of retail trade may have come to an end, now that general activity and prices have faltered, pointing to keenest competition and undistinguished profts. One may dispute as fanciful Mr. Truman's remarks about a $300 billion national income. But it must be recognized that the forces supporting the present level of disposable income, to which retail trade is closely geared, are extremely strong. The present rate of industrial activity is around estimated present normal. We see currently a strengthening of soft goods prices, which have come down sharply. The risks in the price structure center mainly around farm products, which have formidable underlying support, and certain of the consumers' durables such as cars. Consumer outlay, the largest contributor to national income, is in a sense self-generating. If the durable part of it falls off the rest may gain relatively. Some parts of private investment (producers' durable goods?) may decline but an offset may be found in higher public works and governmental expenditures. Wage rates are rigid. Liquid assets in the hands of individuals and unincorporated business approximate $200 billion in cash, bank deposits and U. S. Government securities. The Administration's eagerness to combat any deflationary tendencies, mindful of the public debt, is well known. Private debt is insufficient to be cause for concern. The prevailing area of consumer income therefore seems well underwritten.

The level of retail trade relative to income may be attacked. In the 12 months ended June 30, 1949 total retail trade of $129.8 billion was some $9.4 billion, or 8%, above the level of trade indicated by prewar relationships of spending to income. But the hard goods sales were somewhat short of normal expectancy. The 8% excess traces to soft goods, in fact to foods. Apparent per capita consumption of food, on a unit basis, is running some 10% above 1935-39; large numbers of persons have improved in relative income standing and are eating better. The increase of per capita unit consumption has however been decreasing; it was 19% in 1946. The non-food elements of soft goods trade are definitely not above normal for this level of income; some of them are subnormal.

Another measure of the abnormality of current retail spending is afforded by the proportion of income spent on services—housing, household utilities, personal services, recreation, etc. The current outlay for services is subnormal, allowing that much more

(Continued on page 33)

*A talk by Mr. Russell at the New York Institute of Finance, New York City, Nov. 23, 1949.

INDEX

Articles and News

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Inflation No Problem in 1950

By LEO BARNES*
Chief Economist, Prentice-Hall, Inc.

Dr. Barnes, commenting on fears of creeping inflation, lists seven reasons why purchasing power of dollar is not likely to decrease in coming year.

Rising stock prices, continued rumors of dollar devaluation despite the strongest possible official denials, the higher production costs that will result from general yielding to fourth-round pension demands of unions, the steadily mounting Federal deficit, and the recent rise in many commodity futures and in some commodity prices—all these forces have joined to revive many a businessman's fears of "creeping" or "crawling" inflation. Democratic victories in the recent election, accenting the "welfare state," seem to confirm that fear.

Dr. Leo Barnes

It's one thing to say that no sharp deflation from current price levels is in prospect. I have maintained that position for the past three years—in a period when Wall Street and many businessmen were predominantly bearish. But it's quite another proposition to assert that the purchasing power of the dollar will go lower and lower with each passing year.

So insistent is this last fear that it seems desirable to review in some detail the reasons why our economists believe that the purchasing power of the dollar will *rise slightly*, not decline in 1950:

(1) With most industries operating well below capacity, competition is steadily intensifying. If all industries were running at full peacetime capacity, the Prentice-Hall production index would be approximately 125% of the 1946 average. Actually, most industries are today operating in the neighborhood of 80% of capacity, and the P-H index of total industrial production is in the 100-105 range. In this basic context of production well below capacity, neither higher costs nor higher demand by themselves mean higher overall prices. With individual exceptions, increased demand alone simply brings out more production, not higher prices. Similarly, moderately higher production costs alone often only intensify the search for increased efficiency, or result in slimmer margins rather than higher prices.

(2) Pensions are not necessarily inflationary. Additional pension outlays beginning next spring will surely boost production costs; and the first effort of the firm or industry affected may be to try to raise prices accordingly. Nonetheless, the inflationary impact of pension increases recently granted is easily exaggerated. Congress is sure to provide larger Federal old age benefits early next year. That will cut pension costs for most firms which recently signed pension agreements—even though it will also raise social security taxes for everybody. Moreover, it must be recognized that a pension increase is decidedly less inflationary than a pay increase. A wage boost raises current income as well as current costs. By contrast, a pension grant doesn't raise a worker's take-home pay, may even reduce it slightly in cases where the worker himself contributes. Wage rounds 1, 2 and 3 in the past three years were especially inflationary because they increased income and therefore demand as well as costs.

Of course, where demand for a product is relatively stable regardless of small price changes, cost increases due to pensions may be reflected in higher prices. Thus, steel prices *may* be boosted later in 1950 to match higher costs. But it's doubtful whether automobiles or refrigerators, railway cars or machine tools, or most other steel-using products, will go up in price correspondingly.

(3) The 1949-50 government deficit is a cushion against further deflation—not a positive stimulus to more inflation. The current deficit results not so much from higher government spending as from lower tax receipts due to deflationary trends in the economy. Moreover, even increased government spending would not necessarily raise overall prices as long as the economy was operating well below capacity.

(4) Near-term devaluation of the dollar is extremely unlikely; while recent foreign devaluations are moderately deflationary in effect. For this country to devalue the dollar in 1950 would be to undo completely the recent world-wide devaluation which the U. S. itself urged. In any case, the dollar can be revalued only by Congressional action, not by executive order. One major reason why rumors of devaluation of the dollar persist despite all denials is that such rumors help foreign governments discourage the flight of native capital into dollars.

(5) Unions will be less belligerent in 1950. Almost all current contracts provide for the *status quo* on wages right through 1950. As a result, next year should see no major interruptions to production such as have occurred in each of the past four years. Steady production will whittle away order backlogs, keep prices competitive.

(6) Demand for many types of durable goods is in a declining phase. Automobiles, other household durables, new industrial and

(Continued on page 4)

*Extracted from the Prentice-Hall "Report on the Business Significance of the News," Nov. 19, 1949.

Railroad Rates, ICC Policy and Featherbed Rules—The Need for an Investigation

By ELISHA M. FRIEDMAN
Consulting Economist

Mr. Friedman contends ICC minority's suggestion of lowering passenger fares is superficial. Asserts government policy ignores costs, which are raised by unprofitable branch lines, grade crossing expenses, taxes, featherbed rules and by mileage basis of pay based on 1875 speeds. As remedies, Mr. Friedman would revise ICC act, limit its regulatory powers and reduce its managerial functions, would require it to allow a fair average return and to increase rates promptly. Calls for independent investigation of the railroad problem by economic research institution like Brookings, financed by private foundation, to examine restrictive practices of the unions and featherbedding, ICC procedure and discrimitory legislation. Holds American railroad policy proved ruinous and a remedy is required promptly.

I.

The dissenting minority of the ICC thought that the railroads ought to exepriment with lower rather than higher fares. It cited the fare increase of July, 1948, to show that other measures are necessary to stop the steady decline in passenger revenue and that lower fares may increase volume.


Elisha M. Friedman

Since 1939, passenger fares increased 26% for the entire country and 44% for the East. **But the cost of materials purchased increased over 100% and wages almost doubled.** The ICC at no time protested the rise in costs and the minority opinion seems to ignore it even now.

The dissenting minority cited the Southern railroads as an example of sound policy in not raising fares. However, the South is not comparable with the East. Distances between cities are greater, therefore terminal expenses are lower. Besides, passenger revenue is a smaller percentage of total gross revenue and, therefore, a smaller passenger service deficit can be more easily carried by freight traffic.

Operating the railroads is the business of the managers and not of the ICC. Its powers and duties are defined in Section 15-A-2 of the Interstate Commerce Act. "In the exercise of its power to prescribe just and reasonable rates, **the Commission shall give consideration to the need of revenues sufficient** to enable the carriers under honest, economical and efficient management to provide service." The ICC failed in its duty.

The ICC does not bear the risk of failure in its decisions. The risk falls on the stockholder and the responsibility falls on the management. The attempt by a government body to assume the functions of management was the subject of comment by James M. Beck, former Solicitor General of the United States: "What is stranger than the belief that if the President selects 11 men from the body of the people, not one of whom has had any practical experience in operating a railroad, that forthwith, by the magic of parchment—called a Commission—they become endowed with an ability, to which even the most experienced railroad official would not pretend, of supervising and controlling the intricate affairs—mechanical and financial—of all the railroads in the United States?"

The policy of the ICC has been, generally, to concede lagging and niggardly increases. In 1946, peak traffic for peacetime ended in low earnings for all roads and deficits for some. The return on the investment is insignificant in boom years. **Industrial corporation profits for the years 1946 and 1947 were the greatest on record, but the railroads earned only 3.10% on the net investment after depreciation. The rate of return for the four years 1945 to 1948 was about 3.6%.** What a shocking reflection on the ICC! These were **years of phenomenal traffic, about double the prewar years 1938-39.** What will be the earnings in the next depression?

For the period 1926-1945, the railroads earned an average return of 3.54% under ICC regulation, but the regulated public utility companies, including electricity, gas, telephone and transport were granted 6.43%. In the prosperous half decades 1926-1930 and 1941-1945, the railroads earned less than 5%, but the utility transport companies earned over 6%. **In the depressed 1930s, the risky railroad business earned 2.22%, or less than the rate on riskless U. S. Government bonds, while public utilities earned 6.26%.**

Obviously there is something wrong with a method of regulating railroad rates which produces such evil results. **From 1916 to 1947, ton-miles increased by 182%,** passenger miles by 133%, property investment by 128%, annual wages by 296%, **hourly wage rate by 352%. But net earnings declined to 75%,** the percentage of return declined to 59% and the dividends declined to 77%. What sort of rate regulation is that? Let the ICC answer!

Over a period of years the railroads must average a fair return, but the ICC concentrates on trying to fix a return at each hearing. That is impossible. The railroad industry by its very nature is subject to great fluctuations in the volume of traffic, earnings and the rate of return. In years of declining business, it is impossible to raise rates, for the volume shrinks. In depressed years the earnings for Class I roads might go to zero or even to a deficit. Therefore, in such a "prince and pauper" industry, to average even only 4%, the rate of return in a good year might have to be 8% or better. **But the ICC does not allow a 4% return in good years and the industry can earn but little in poor years.**

The ICC views are too narrow and fragmentary. It conceives its policy in too technical a sense. Therefore, railroad earnings are low. Despite greater traffic and improved service, railroad incomes declined steadily. Since World War I, new money put into railroads came 1% from stock and 99% from bonds or earnings. **Risk capital was not attracted to the railroads because of the totally inadequate return.**

Of the two views on rates, the value of the service to the user and the cost of the service to the producer, the value theory sets a roof and the cost theory sets a floor. But the cost aspect, though known, is disregarded in decisions by the ICC. It would cut rates below cost.

Railroad rates are fixed by two forces. The ICC fixes prices by fiat and subsidized agencies of transport, by land, sea and air, set competitive rates. How absurd it is for the ICC to urge lower rates when the competitors are already cutting rates and compelling the railroads to follow! **How can any industry thrive when competition lowers the floor of selling prices and government regulation depresses the ceiling?** No other industry is in this plight. Industrial prices are set by competition. Public utility prices are set by commissions. But railroad selling prices are set by both.

Railroad rates are set by the ICC on the theory that the railroads have a monopoly of transportation. How unrealistic is this view! Few industries are subject to such keen competition from so many quarters. In fact, in building State highways, land is often taken from the railroads and used to create competition of the private automobile, the bus and the truck. **The present rate-making policy was legislated in 1906, actually in the days of the horse-drawn buggy, car and truck.** These constituted no competition to the railroads. The gas engine and Diesel replaced the horse and diverts traffic from the railroad. **But the ICC still lives in bygone days.**

The ICC theory of lowering rates to increase volume did apply in other fields where management was free. In the automobile industry selling prices were reduced steadily from 1909 to 1939 and volume rose very greatly. But the industry had a long record of profits and could experiment with lower prices to stimulate volume. In the automobile industry this policy was possible because both selling prices and costs were free and unregulated. But in the railroad industry selling prices are regulated and wages are prescribed by government emergency boards. The railroad industry in the last two decades has had no such record of profits. When selling prices exceed costs, selling prices can be cut. If costs already exceed selling prices, selling prices cannot be cut.

II.

The diversion of traffic, feared by the ICC, is a genuine danger. But it is superficial thinking to look at rates alone as the cause. The competitors of the railroad, namely the bus, truck, automobile, airplane and the waterways, are all subsidized by the government.

The effect of further traffic diversion would be bad for the country. During the last war, efficient passenger transportation by railroad made it possible to move great armies between the Atlantic and Pacific in passenger equipment. If the passenger services are not maintained, will the Army move our soldiers in boxcars, as the European countries did under the slogan "40 (men) or 8 (horses)"?

The railroad workers also will suffer. Traffic diversion means fewer jobs. Last and least, for who cares about the forgotten man, the stockholder will have his equity in the railroads wiped out. Then under government ownership, the worker will suffer once again, for while the railroad work-

(Continued on page 30)

New Building Prospects

By ROGER W. BABSON

Mr. Babson, predicting there will be less private building in 1950, points out pressure for new homes has passed peak. Holds building costs will be slightly reduced and property values in large cities are declining but suburban property is holding firm.

There will be less private building in 1950 than in 1949. The building of homes, business blocks and factories, through private funds and bank mortgages, will fall off about 10%. The pressure for new homes has reached and passed its peak due to three reasons:


Roger W. Babson

(1) High building costs; (2) Fear of unemployment; and (3) Large number of divorces, with fewer marriages and births.

Government and other public building, however, should increase in 1950. This applies to school houses, hospitals, apartment houses and multiple government financed homes. I estimate this increase to be about 15%. Therefore, there should be a net decline in all building of about 5% because of the greater importance of private work, thus bringing the total for 1950 down to about $17,700,000,000.

What About Costs?

The cost of building will be less in 1950 by about 5%. Some building materials have gone down 15% in some sections. Certainly, workmen are doing better work and are accomplishing more in a day. All of this means that readers can get a better house and get it for a little less money in 1950.

I find no evidence of investors or other private parties building houses for rent in 1950. The rent control legislation and increasing taxes discourage conservative people from doing this. Besides, today a person can get a yield of from 6% to 8% on good stocks which I consider safer than any rental property. It also should be remembered that, disregarding state taxes, houses built for rental purposes are subject to two taxes—local real estate and Federal income — while these good stocks are subject to only one tax, after being purchased by an individual.

Outlook for Land Prices

I learn that farm prices continue to be firm. Most farmers have good bank accounts and are selling no land. The general feeling is that farm values will hold until the next drought. This may come anytime, but the experts do expect it until after 1952. The greatest demand for land appears to be for property in the Pacific Coast States and in the "Magic Circle," made up of Iowa, Missouri, Arkansas, Nebraska, Kansas, Oklahoma and North Texas.

Small, fertile sustenance farms, within a few miles of a small city, are in most demand. These are being bought as **insurance** by people who have business positions in the nearby cities. They want the best hedge against inflation, war and Communism—namely, a small, fertile, well-drained farm with some wood and a good spring. Such small places continue to rise in price.

Suburban Property

I find property values in large cities are declining, especially when it comes to forced sales. High taxes, bad politics and labor unions are causing people to move to the suburbs. Hence, suburban property is holding firm; also property in small cities from 5,000 to 20,000 population. These smaller cities are showing both the largest percentage of growth and the best profits, per dollar invested, for small manufacturers and commercial enterprises. I would sell no property in such places, but rather buy more.

In closing, let me say that almost everyone I meet on this trip now appears optimistic on good land, well located, for these eight reasons: (1) Large consumer incomes; (2) High level of personal savings; (3) Fear of inflation and desire to hold real property instead of cash; (4) Continued subsidies both to farmers and to labor; (5) Coming distribution of $2,800,000,000 insurance money to veterans; (6) Current low mortgage rates on very favorable terms; (7) Enlarged public road and housing projects; and (8) Billions being spent in advertising to encourage both cash and installment purchases, which increases the circulation of money and helps real estate values.

Gen. Clay Elected to Lehman Corp. Board

General Lucius D. Clay has been elected a Director of the Lehman Corp. General Clay retired from the army last May, when he relinquished his posts as U. S. Military Governor in Germany and Commander-in-Chief of all United States Forces in Europe.


Lucius D. Clay

General Clay now makes his home in Asheville, North Carolina. He is President of the Ecusta Paper Corp., and a Director of the Marine Midland Trust Co. of New York.

Carl Apponyi With Douglass & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF. — Carl E. Apponyi has become associated with Douglass & Co., 133 North Robertson Boulevard. He was recently with Hexter & Co. and prior thereto was Los Angeles manager for Blair & Co.

Inflation No Problem in 1950

(Continued from page 3)

commercial construction, even residential building—all are tapering off as backlogs due to war shortages are eliminated. It will take substantial increases in the demand for other goods and services to offset these shrinkages in the total business market.

(7) Stock market rise represents a return toward long-term values, not a general investor hedge against inflation. Since 1946, the stock market has never fully reflected *past inflation;* the spread between probable stock yields and bond yields is still abnormally high. It's therefore entirely conceivable that the stock market may continue to rise moderately even though wholesale prices are stable or even decline.

The State of Trade and Industry

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

The trend of overall industrial output last week rose moderately, but continued to hold slightly under the level for the corresponding period one year ago. The most notable increase for the week occurred in soft-coal output, rising to a level close to the all-time high reached in 1923.

In a forecast of the future of the steel industry, "Steel," national metalworking magazine, this week says that a brisk steel market through the first half of 1950 is in prospect. Some products will be in short supply the next three to four months, principally sheets and strip, giving rise to some conversion and gray market business. Higher prices loom, one medium-sized producer last week raising prices $5 per ton on hot-rolled strip and semi-finished steel. Supply conditions are expected to be more acute in the Midwest than elsewhere. But a note of caution prevails in metalworking circles. New buying is leveling off; only in flat-rolled items is a strong surge continuing. Steelmakers are concerned over demand prospects in the heavy industries, but view the automotive outlook as promising. However, some uncertainty prevails here too and developments are being watched closely. Many auto shops are closing for steel inventory replenishment. In a number of other lines, notably farm implements, operations are curtailed, pending rebuilding of steel stocks.

* * *

On Friday, last, Southern Coal producers extended an invitation to John L. Lewis and the United Mine Workers to renew contract talks. It was reported that Mr. Lewis himself was about to call off any new strike of bituminous coal miners until after Christmas. The miners are now working under a truce which expires today, Dec. 1. They resumed work two weeks ago after a 52-day-long walkout. With the return of the miners, the nation's soft output in the week ended Nov. 19, spurted to 14,000,000 net tons. It was the largest weekly production since April, 1948, the National Coal Association reports. It compares with output of 7,100,000 tons in the week ended Nov. 12 and 2,680,000 tons in week ended Nov. 5. However, according to a coal association spokesman, it fell short of equalling the record weekly production of about 14,500,000 net tons turned out in 1926.

John L. Lewis on Tuesday of the current week postponed for the second time in two days a meeting of the United Mine Workers' 200-member Policy Committee without explanation. The Committee, it was believed, would decide whether the union's 400,000 soft coal miners will strike today (Thursday) when the three-weeks' truce expires. A district official of the union said on Wednesday that miners in the Pittsburgh district would walk out at midnight on that day, the deadline set for the truce, following a further postponement by Lewis of the union's Policy Committee.

As to the effects of the coal and steel strikes on employment, the Bureau of Labor Statistics estimates that commercial employment was pared by 750,000 workers between mid-September and mid-October, bringing the employment total on Oct. 15 to 42,700,000 workers. The bureau characterized as "relatively minor" the secondary effects of the strikes.

* * *

In the automotive industry, unemployment in the Detroit area stemming from the steel dispute will reach a high the present week, with progressive rehiring occurring throughout December.

Final assembly operations by Chrysler and General Motors are expected to be resumed on a moderate scale in the week beginning Dec. 12. Ford plants apparently will avoid a shutdown by scheduling four-day work-weeks during December, this trade authority added.

Ward's estimates that production for the first 11 months of the year will be 4,814,900 cars and 1,056,400 trucks for the United States and 169,300 cars and 90,000 trucks for Canada. This would compare with last year's 11 months' output of 2,535,245 cars and 1,266,276 trucks for the United States and 144,875 cars and 91,941 trucks for Canada.

On the subject of auto production, the Federal Reserve Board and Department of Commerce data uncovered the fact that autos and auto parts take $6.20 of each $100 spent on consumer purchases, while shoes and clothing are allotted $9.20.

Never before has the outlay on autos and accessories attained such a high point.

The Reserve Board explained that consumer incomes are holding high at a $210,600,000,000 annual rate in the third quarter of 1949. This is a solid 190% above prewar 1939 and 19% higher than the postwar period alone though off 3% from the 1948 peak.

Contributing factors in this trend were time payment terms for autos which have eased since credit controls went off early in 1949, car production has risen and prices of new cars have held rather steady while used car prices were declining.

* * *

A moderate rise took place in business failures in October, climbing to 802 from 732 in September, or an advance of 10%. Although this figure was exceeded in four earlier months this year, casualties were more numerous than in any other October in a period of eight years.

Approximately one-half of the casualties had liabilities of from $5,000 to $25,000, according to Dun's Failure Index. In all size groups except the very small (under $5,000), more businesses failed than in the preceding month.

STEEL OUTPUT RECOVERS SHARPLY TO 87.7% OF CAPACITY

Steel buyers are getting shipments faster now than they did after the 1946 steel strike, but "normal" delivery dates for many products can not be expected until March, 1950, at the earliest. For items like cold-rolled sheets it may be May or June before balance

(Continued on page 29)

Truman's Point Four "On Trial"

Pros and cons of President Truman's foreign investment proposals aired in "courtroom broadcast," with Isador Lubin and A. Wilfred May expert witnesses.

EDITOR'S NOTE: Following is the "direct testimony" of Isador H. Lubin, Special Adviser to President Truman on Point IV, and A. Wilfred May, economist and investment expert, on issue "Should the President's Program for American Investment Abroad Be Enacted?" on "On Trial" program, Nov. 30, 1949, over WJZ and ABC network. The questions on direct and subsequent cross-examination were put by Walter N. Thayer, of Thayer and Gilbert, "counsel" for Mr. Lubin; and Mahlon Dickerson, of Hunt, Hill and Betts, "counsel" for Mr. May. The "Presiding Judge" was Hon. L. J. Corcoran, Justice of the N. Y. State Supreme Court.

Testimony by Mr. Lubin

Q. Mr. Lubin, what is the Point Four program?

A. The Point Four Program, as proposed by President Truman in his Inaugural Address is one of the four major pillars of United States foreign policy.

Isador Lubin

In the President's words the purpose of Point Four is "to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more material for housing, and more mechanical power to lighten their burdens." These are essential to the promotion of world peace. Without them the people of the underdeveloped areas cannot attain freedom and democracy.

Point Four springs from the recognition that desperate poverty and the absence of hope for the future make men easy prey to the promises of totalitarian systems.

We in America have developed a high order of industrial and scientific advancement. This has brought to us the highest standard of living the world has ever known. The Point Four Program is an assurance that we in America accept the great responsibility of assisting the free people in the underdeveloped areas of the world to attain a better and healthier life.

* * *

Q. How is it proposed that this program will be carried out?

A. The program seeks the advancement of the underdeveloped areas through a balanced and continued expansion of their production of goods and services by helping them to help themselves. It is fundamentally dependent on *full cooperation and self-help.*

Economic development has two primary aspects:

(1) Sharing knowledge and skills, that is sharing "know-how." I like to call it "show-how," and

(2) Encouraging investment in facilities and in industrial equipment so that new skills may be put to profitable use.

The legislation which has been introduced in Congress and which will receive a high priority this winter contemplates first, that $45,000,000 will be available in 1950 to assist public and private agencies to provide technical assistance in underdeveloped areas; and second, that the Export-Import Bank (a governmental agency) will be authorized to make certain guaranties to industry and private capital to encourage them to make investments in the underdeveloped areas. These will be guaranties, not against ordinary business risks, but against extraordinary risks peculiar to investments abroad at this particular time. Investors receiving such guaranties would be expected to abide by high business standards. No guaranty would be granted by this government without the approval of the other government concerned.

* * *

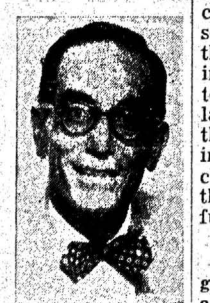
Q. Will the President's program promote American private investment abroad?

A. I am convinced that this program will promote private investment abroad. It will give private investors protection against non-business risks. The small amount spent by the government should create increased markets for our goods. We must bear in mind that half of the people of the world—over a billion persons—have an annual income of less than $100 per year. The average life expectancy of that billion persons is less than 30 years. The alternative is to keep these people in sickness, poverty and misery. We cannot expect them to have an interest in maintaining peace if peace is meaningless to them. Their present misery could hardly be made much worse by war. Unless we aid them to help themselves they may, in their misery, turn to ideologies which will hold a promise, however false, of a better life. If they turn to these false ideologies, the cost to the American taxpayer in the form of military expenditures will make our present tax rate look low.

Testimony by Mr. May

Q. Have the American people been misled as to what the Proposals involve?

A. Yes. In the first place it is misleading to tell the people that this Plan is *both* philanthropic and good shrewd business for our own benefit.



A. Wilfred May

It is either one or the other — not both. Also, it is misleading as to ultimate extent. The historical record of all subsidy projects is that they very quickly expand far beyond their original scope. For example, our loan to Britain of 1946 was represented as all she would need postwar. However, less than 12 months later, it was decided that Europe needed the Marshall Plan's Aid, which has already cost this country an additional $4¼ billion of which England has received $1.6 billion. Foreigners have no illusions about this, nor have our own officials abroad. During my recent visit abroad, the unanimous answer I got to my question as to what would take the place of Marshall Aid after its ending in '52 was: "Point IV will do it"—and not in terms of 45 millions, but of billions. The so-called "technical help" to them means merely more *dollars,* to make up their so-called dollar shortage. And to call it private investment, or hide behind the slogan of private enterprise, is wholly misleading. This will really mean "thru the back-door" nationalization of investment—at the taxpayers' expense.

Q. Why has the Program gained some support?

A. In the first place, the public is made to feel that any program for international help, particularly when the humanitarian and anti-Communism arguments are dragged in, becomes a sacrosanct subject, its opponents being called epithets like — isolationists, fascists, communists—or just ornery Republicans. Moreover, you certainly would not expect foreigners to oppose it—seeing in it manna from heaven, or more dollars from Uncle Sam—any more than any recipient opposes WPA or any other dole.

* * *

Q. Why have some American businessmen and some investment bankers approved it?

A. Nearly everyone in the world is against a subsidy *in principle*—that is, until they themselves have a chance to be the recipients. And so now, after opposing subsidies for everyone else in the community—as in the case of the farmer and the working man — the businessman now is scrambling to get in on a chance for government help to exports, and the banker to get the supposed benefit of government guaranty behind his lending-profits.

* * *

Q. Why do you put this proposed Program in the subsidy category when it is alleged to be a private investment operation?

A. The private investment attribute is just an illusion. Actually, any lending to be done must rest on the government guaranty feature. This is so, not only because of the riskiness of the lending opportunities and their unattractiveness on a business basis —particularly in comparison with domestic opportunities—but more conclusively because of the absence of currency convertibility throughout the world, making impossible the repayment of loans to the lenders in their good dollars. And such convertibility—the prerequisite of repayment is, in the view of all authorities including our own experts, out of the question in the foreseeable future.

* * *

Q. Will you specify some of the government guaranties that you are anticipating?

A. The President himself has definitely mentioned as an integral part of the Program that the Export-Import Bank would stand by with guaranties. Guaranties do not in the least reduce the risks of foreign investment. They merely *transfer* these risks from the private investor to the taxpayer. The guaranty arrangement gives the *investor* the *profits* while saddling the *taxpayer* with the *losses.*

* * *

Q. Well, suppose the Program DOES turn out to be a subsidizing operation — is there anything wrong with that?

A. Such a program will result in the further "demolition" of our taxpayers, or extension of ruinous inflation, or both. But—of far greater importance even—is the great evil in not being realistic in calling a spade, a spade; in using another of many devices in fooling the public as to what is going on, and in glossing over

(Continued on page 35)

Our First Line of Defense— A Sound, Solvent Economy

By JAMES F. BYRNES*
Former Secretary of State

After reviewing postwar controversy between Russia and the Western Powers regarding Germany, the former Secretary of State called for a definite and determined policy on a united Germany and a military security board to restrict German production of weapons, including atomic energy. Attacks encroachments of Federal power and warns of dangers of centralized government. Deplores excessive Federal spending as undermining our first line of defense—a sound solvent economy.

We now have not only crowded years, but crowded days; days crowded with events which influence the action of governments and may affect the peace of the world. While the Foreign Minister of the Soviet Republic makes propoganda speeches in the United Nations, the Soviet Government acts in the Balkan States. Its actions speak louder than Vishinsky's words.


James F. Byrnes

The Soviet controlled governments in the Balkans find it necessary to liquidate communist officials, as well as Catholic Priests. In Hungary, Bulgaria, Czechoslovakia and Poland, men who, like Tito, profess belief in the principles of Communism, but dare to assert the right of their governments to exist without domination by Moscow, are sentenced to death. They will die, but love of country and freedom of religion will not. No government can take out of the hearts of men either the love of God or the love of liberty.

The Soviets are equally disturbed by events in Germany. To understand developments there, it is necessary to recall the days following the cessation of hostilities. Uninformed persons have wrongfully charged that in agreeing at Potsdam to the policy of dismantling German plants, President Truman was following the recommendation previously made by Mr. Morgenthau that Germany be made an agrarian state. That is not true.

The Potsdam conference was held just two months after the cessation of hostilities in Germany. The Soviets wanted from Germany in reparations ten billion dollars. It was impossible to arrive at any estimate of the value of the property taken by the Soviets from Germany unless we sent representatives not only into their zone but into Russia. It was evident that an effort to force the Soviets to account for all the property removed would result in a serious controversy with them while we were still at war with Japan, in which war the Soviets had agreed to participate. To solve this problem, the plan was suggested to have each nation restricted to its own zone for reparations from Germany.

The Soviets complained bitterly that their zone was agricultural and did not have industries to which they could look for reparations. After days of argument, agreement was reached that there should be dismantled in all zones, plants devoted solely to the production of weapons of war, and the additional agreement that the Soviets could get from the West 15% of the plant equipment determined by the governments of the Western zones to be unnecessary for peaceful economy. Under this latter agreement, some plants were dismantled. When the Russians violated the agreement made at Postdam to administer Germany as an economic unit, the dismantling was suspended. Now it is to be entirely abandoned. At least, I hope so.

European Situation Has Changed

Since 1945 the entire situation has changed. Those plants are now absolutely essential for the peaceful economy of the new West German Republic. Their destruction would only result in the unemployment of thousands of the German people who want to work and should not be forced upon relief at the expense of the American taxpayer. The Soviets have received in territory and property all the Germans should be required to give them.

In July, 1946, at Paris, when it became apparent that the Soviets were determined to prevent our making any progress with the German treaty, we served notice on Mr. Molotov that we would ask the other three powers to join us in the establishment of a government in Western Germany. We assured him that at all times we would welcome into that government the inhabitants of the Russian zone. I think it was Molotov's hope that he could delay the establishment of a German government and in the meantime win the one thing the Soviets particularly wanted in Germany, the right to participate in controlling the industries of the Ruhr. That is one thing the Soviets should not have.

At Stuttgart in 1946, we presented to the German people a statement of policy. We assured the people of Germany we did not believe in a peace of vengeance; that we wished to give them an opportunity to apply their energies to the work of peace and, in time, to take an honorable place among the members of the United Nations. We stated that the German people should be given primary responsibility for running their local affairs and that we did not believe large armies of alien soldiers or bureaucrats were the best guardians of another country's democracy. We advised them that we were staying in Germany and would furnish our proportionate share of the security forces.

This year the Western German Republic was established. Notwithstanding Soviet's efforts to keep people from the polls, 80% of the people voted. The Christian Democrats and the Free Democrats formed a coalition and control the government. This Western Republic was established upon our initiative. We have no reason to expect that any succeeding government will be easier for us to deal with. The government will certainly be attacked by the State's opposition parties, if it fails to secure from the occupying powers relief from the economic and political restrictions under which they have lived. The government cannot exist without encouragement from us.

Our Policy Should Be Determined Now

Our policy for the future should be determined now. We must treat the Western Republic either as a defeated state or as an equal. I think the latter course is the wise course. I agree with Mr. Winston Churchill, who said recently at Strasbourg that the new West German Republic without delay should be brought into the Council and Assembly of Europe. In declaring an end to the state of war, we should lay down the requirements we will make of the new government. All economic controls by the occupying powers should be removed. It would be a complete answer to the Russian charges, echoed by some people in Germany, that the restrictions are continued by Great Britain and France for the selfish purpose of preventing competition with their industries.

The Military Security Board must remain in operation to restrict the production in Germany of the weapons of war, including atomic energy. Certainly, for the present, we must continue our Security forces. Having disarmed the people of Western Germany we cannot leave them helpless against attack from without or from subversive groups within its borders.

The people of Germany want our army to remain there. A few days ago General Clay told me that when the 26th Division returned from manuevers to its base near the little city of Bamberg, the officials of the city asked the Commanding Officer if he would permit the United States troops to parade through the streets of the city. They wanted to make it a holiday. When informed there would be no band for a parade, the city officials offered to furnish the band. To the music of this German band, the American troops paraded through the city, receiving from the population as enthusiastic a welcome as they would have received in any American city. It is a tribute to the discipline of the army, that an occupation army — usually hated—should be so highly regarded by the German population. But I suspect that some of the regard is due to the security felt by the German people because of the presence of the United States army.

Our Goal, a Unified Germany

Our goal must be to bring the Eastern zone into the Western Republic. It must be brought in upon the same terms as the other zones. Should the Balkan states convince Stalin he has tried to cover too much territory, and the Soviets come to realize their bluffs do not work and Germany should be united, we should renew the offer we made to the Soviets in 1946 to enter into a 40-year treaty, providing for four-power control to prevent the rearmament of Germany. At first Stalin told me he approved it. Later he changed his position. If they could participate in the enforcement of the demilitarization of all of Germany, the Soviets would have no sound argument about fear of attacks from Germany. At the same time, under the terms of the treaty we offered them, no nation would have the right to exercise the veto power.

If the Soviets persist in dividing Germany and should arm the Communists of Eastern Germany, then we must make other deci-

(Continued on page 28)

*An address by Mr. Byrnes at the Conference of Southern Governors, Biloxi, Mississppi, Nov. 21, 1949.

"Why Can't We Play in Your Yard?"—An Over-the-Counter Market Plea to the Exchanges

By CURTIS J. STRAUS
Partner in Heimerdinger & Straus, Investment Securities

Over-the-counter dealer, pointing out Stock Exchange firms now share in greatly expanded outside market, urges New York Stock and Curb Exchanges grant similar privilege to outside dealers by giving them trade discounts.

Some years ago most member firms of the New York Stock Exchange used to place all their over-the-counter orders with over-the-counter brokers since they lacked a trading department. They considered it their function to deal in listed securities only. The unlisted business was "given out," mostly to some favored houses and in almost all cases without stipulation for "return business."


Curtiss J. Straus

On examination of our present day over-the-counter markets, Stock Exchange firms are remarkably well represented. Within the past few months, an avalanche of new issues, the majority of them in the utility field, have come to the over-the-counter market: about 12 million shares of Southern Co. (now listed); 7.4 million shares of Niagara-Mohawk Power Co.; 4.4 million shares of Texas Utilities Co.; 2.4 million shares of Montana Power Co.; 600,000 shares of Minnesota Power & Light Co.; 2.4 million shares of Florida Power & Light Co., and 2.3 million shares of American Power & Light Co. (new), launched in the unlisted market, just to mention a few. I feel sure that the participation of many Stock Exchange firms has provided these issues with better and bigger markets. The retailing of these shares has given the participating firms an additional source of revenue.

The swelling of the ranks of firms making markets in these issues has undoubtedly helped everybody around. John Q. Public has been provided with a fair and ample market, the member firms have opened up new sources of income and the over-the-counter brokers have obviously profited also. The over-the-counter houses will surely have found trading stimulated and up to this moment everybody seems to be happy with this state of affairs.

Let us now look at the New York Stock and New York Curb Exchanges. The over-the-counter dealers and brokers are banned from these important market places. However, the analogy is striking. Does it not easily follow that a participation of several thousand over-the-counter dealers in the marketing of listed securities would broaden these markets also? An over-the-counter dealer would willingly stimulate business in listed securities if he would stand to profit by this transaction. Mr. Francis Adams Truslow, President of the New York Curb Exchange, has recognized this necessity and incorporated his proposal in an intelligent plan.

I believe there is no line of business anywhere in the world where a wholesaler does not give another wholesaler or retailer a trade discount. It is a simple fact of economic law that without monetary incentive business will die. In other words, business will be stimulated where there is "a buck in it."

How long yet will the member firms get entangled in discussing how business can be stimulated? It cannot be stimulated by higher commission rates or longer trading hours. However, the circle of interested brokers and dealers with an innumerable number of private clients will come rushing into the listed markets once the profit incentive is established.

You partners of New York Stock and Curb Exchange firms have shown the way by your mass arrival in the unlisted markets. When will the outside dealer be recognized by you as a potential business-getter and be remunerated at least as well as your registered representatives. After all, the over-the-counter dealer pays his own overhead while you have to incur expenses to provide facilities for your registered representatives.

You came to play in our yard—when are we going to be allowed to play in yours?

Platinum Used as Inflation Hedge by Investors, Says Bache

Many new industrial uses for platinum constantly being developed, plus the increased use of this metal in rearmament programs being carried out all over the world have again focused the spotlight of public attention on this metal, according to Bache & Co., members New York Stock Exchange.

Russia, the largest producer of platinum, has shipped no platinum to the United States in the past two and a half years, the firm said, and added that it is vital in the production of parts for planes, jet engines and reportedly in the development of atomic energy.

Stepping-up of defense production for the domestic program and also for Atlantic Pact nations will undoubtedly mean increasing use of platinum here, Bache & Co. point out. New and secondary recovery of platinum metals in this country during the first half of 1949 were the smallest in over five years.

There has been an increasing trend by investors recently, both here and abroad, to buy platinum as a hedge against the decreased purchasing power of currencies, the firm states. "We are advised," the firm adds, "that this movement by investors has become so pronounced that buyers in London have been unable to obtain their requirements in that market. Demands for platinum, therefore, are being channeled to this country."

Platinum is now priced at $69 per ounce in wholesale lots, as compared with $93 at the beginning of 1949, and a high of $102 in 1948.

H. F. Metcalf Co. Formed

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—H. F. Metcalf and K. W. Metcalf have formed H. F. Metcalf Co. with offices at 115 West Seventh Street.

From Washington Ahead of the News

By CARLISLE BARGERON

This is a report on our being the Global leader, something we are all proud of, down to the lowliest CIO worker, down to the lowliest minion of Walter Reuther and Phil Murray. It is truly amazing that the downtrodden American worker, under the able leadership he has attained, could come to have such a high estate, but as he goes home at week-ends with taxes reducing his wittily called "take home pay," that is what he has got.

Carlisle Bargeron

This worker will be glad to know that one of his leaders, Robert Nathan, has gotten to be financial adviser for the Indonesian Republic. That ain't hay, and it wasn't any happenstance that Leader Nathan got this job. It was planned that way.

Manifestly, before there could be a financial adviser to the Indonesian Republic there had to be one. This involved bringing pressure on the part of our Global leadership against the Dutch to permit this Republic, the end being, and, I think, the ultimate attainment of the Indonesians being, that they could have Bob Nathan as their financial adviser for a high fee.

Naturally, the rigamarole leading to this caused a lot of heartaches and wonderment on the part of the Dutch. Indonesia was a highly profitable investment for them. Being our allies in World War II, they undoubtedly thought they were being so for something, and it wasn't hifalutin ideals they were thinking about. Their own homeland was over-run for one thing, but more important, their wealth producing colonies were also overrun. So they were really our allies heart and sole. The mammoth Queen Wilhelmina came over here to pledge they were this and to deny she owned a large part of one of Washington's largest apartment buildings, a report for which the enemy had undoubtedly been responsible. Roosevelt the Great, in turn, gave her a submarine as sort of a present as he did the Princess Martha of Norway.

You can imagine the Big Lady's surprise when at war's end she found a movement in this country to make the Dutch give up Indonesia. It had never occurred to her before, but this had really been a war of principles and high ideals, a war of freedom-loving peoples against tyrants. Undoubtedly her big frame racked with pain to learn that the peoples of noble and freedom loving aspirations embraced the Indonesians.

What she didn't understand, of course, is that we, a great democratic people in the act of throwing away that democracy, are suckers for quacks who claim they are trying to establish democracy elsewhere. Or that the business of our establishing "democracy" in backward and hitherto scarcely heard of countries, is a profitable industry under our waning free enterprise system.

For example, the ring leaders in the agitation in this country to make the Dutch give up their rule over the Indonesians, were the Americans for Democratic Action, of whom Bob Nathan is an outstanding one. To make the Dutch give up Indonesia necessarily strikes at the Dutch home economy. Similarly, by destroying Britain's colonial investments, we have caused economic disturbance there.

But our "liberals" of the ilk of Bob Nathan are equal to this. We make up for this destruction of these economies with the Marshall Plan and the Military Aid Program.

It is truly costing us a whale of a lot of money to keep the Bob Nathans and the kindred Liberals in jobs.

You can imagine under the circumstances, with these easy pickings to be had, that Mr. Truman is not going to be able to keep men like Clark Clifford. There is a bright, youngish man if there ever was one. His announced resignation must be embarrassing to the President, of course, because he has been contending that he couldn't keep good men because of the lowly salaries the government paid. I assume that if Mr. Truman had not successfully raised his own emoluments to Hollywood proportions we would not have been able to keep him.

But Mr. Clifford's resignation is to come after he has gotten an $8,000 a year raise. In spite of all the bunk you hear, Mr. Clifford was not making any $12,000 a year as a trial lawyer in St. Louis before the draft blew hot on his neck and he wangled a lieutenancy in the navy during the war, from which he was to become associated with Mr. Truman at the $12,000 figure, which with the $8,000 raise, made $20,000 a year.

The situation with Mr. Clifford, quite understandable, is that he is just as much a "liberal" as Bob Nathan, and he would be a sap, having established himself, to be working for even $20,000 a year when there is so much gold in the broader "liberal" pursuits which are available today by virtue of our being a Global leader and committed to democracy and Point Four everywhere. God help us!

William R. Staats Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert C. Reynolds has been added to the staff of William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange.

Real a Director

N. R. Real, N. R. Real & Co., New York investment firm, has become a director of the 97-year-old Hamilton Fire Insurance Co.

Jane H. Stokes Joins Staff of Hatcher & Co.

DALLAS, TEX.—Jane H. Stokes has become associated with Hatcher & Co., Inc., Kirby Building. Miss Stokes was formerly with James & Stayart, Inc.

Joins Bradley Higbie Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Murray Frumin is with Bradley Higbie & Co., Guardian Building, members of the Detroit Stock Exchange.

Subsidy Housing and Federal Deficits Leading to National Ruin

By HON. KENNETH S. WHERRY*

United States Senator from Nebraska

Attacking Administration's housing program as socialism, prominent Republican spokesman foresees $7 billion deficit in 1951, and calls for cuts in high cost of government. Urges getting on a pay-as-you-go basis and says ECA appropriations should be cut $1½ billion. Points out rat-holes down which taxpayers' money is poured and defends rights of capital to fair return. Warns "America today is travelling same road to ruin that wrecked Roman Empire."

There was a lag in new housing construction before the war. There was a virtual stoppage during the nearly four years of war while the population increased. The postwar era came, and the government bosses promised they would take care of everything. You all remember that when the Emergency Housing Act was under consideration, the Administration claimed it would mean construction of 1,200,000 dwelling units in 1946, and 1,500,000 in 1947. Congress granted unlimited emergency powers to the Truman Administration and hundreds of millions in subsidy funds. That program was a tragic failure.

Sen. K. S. Wherry

The Administration's approach was to create over-lapping housing agencies, with fanfare of trumpets and glowing promises. The bureaucrats were loathe to release their grip on the building industry. They clung to their power to shove people around. During 1946, when the Truman Administration had the power to control every inch of board and every nail, only 435,800 new permanent dwelling units were completed. In 1947, after the 80th Congress freed the people of government red-tape, rules, regulations, and directives and launched a sound government loan program, 835,100 units were completed. In 1948, a million new dwelling units were built and indications are this figure will be surpassed in 1949.

*An address by Sen. Wherry at a meeting of the National Association of the Real Estate Boards, Chicago, Ill., Nov. 21, 1949.

Also, there has been a tremendous increase in commercial and industrial building. These are solid facts. They put the **lie** to claims that the welfare state could do a better job. And what has happened in the building industry is concrete refutation of the Papa-knows-best welfare state promisers.

But there is more to this housing story. There is the matter of subsidized housing, all the taxpayers paying part of the construction cost and rental of dwelling for some of the people, and dictating the design, size and type of home they shall live in. This is a **rob Peter to pay Paul** proposition.

When the advocates of subsidized slum-clearance and housing legislation waged their campaign for its adoption, they never used the word "subsidy."

From President Truman on, they spoke only of low-rent housing. Perhaps they thought at that time it was too soon to give the people the facts, that it was too soon to advocate outright socialism as they now do.

But, a subsidy housing bill was passed by the 81st Congress, somewhat watered down from the Administration's version, and the welfare staters accomplished their major objective. Their socialistic principle was written into law. And the President is now prodding states and municipalities to come and get free money from Santa Claus.

There will be many changes of season, much snow, more and more fog, before there is enough construction under this legislation even to make a dent in the slums. Why, you people in the real estate business, the building industry as a whole, with its millions of carpenters, bricklayers, plumbers, and other artisans and private enterprisers, reaching back to the suppliers of materials, all of you, are doing such a magnificent job that there is no need to extend the present rent control act.

If, when the Act expires, there be localities where they desire rent control, it can and should be applied by the states or municipalities at the local level, just as states and municipalities may rescind rent control under the present act. As you know, Nebraska was the first state to repeal rent controls. Sensible people do not condone the rent gougers, whether they be property owners gouging tenants, or tenants gouging prop-

(Continued on page 34)

Higher British Prices Offset Devaluation

By CHARLES G. BROPHY

Increased pound sterling prices are counteracting lower dollar prices expected from devaluation. New inflationary pressure in England may lead to wage demands. British wholesale price index rises sharply.

The anticipated benefits of lower dollar prices and increased sales of British goods resulting from devaluation of the pound sterling are being nullified at the present moment, according to the first official statistics available on British trade for October, the first full month after devaluation. At the same time, there is a new turn in the English inflationary spiral which the Labor Government has fought to curb.

Increases in pound sterling prices ranged from .57% for woven worsted tissue to 47.6% for home-made spirits. The following table gives the percent increases of pound sterling prices for October, 1949, over the average price for the eight months ending Aug. 31, 1949, the last full month before devaluation. These goods comprise most of the principal exports to the United States.

Goods Class or Type—	% Increase in Pound Sterl. Price
Cocoa preparations	46.5
Home made spirits	47.6
Non-metalliferous mining and quarry products	9.9
Wool, raw, waste & woolen rags	15.5
Silk, raw & waste	7.8
Hides & skins, undressed	11.
China pottery & earthenware, all other descriptions	6.
Iron & steel manufactures	44.4
Tin	29.1
Cotton yarns	16.5
Woven printed piece goods	22.6
Woven woolen tissues	.56
Woven worsted tissue	2.9
Carpets	12.5
Finished threads	10.7
Handkerchiefs	1.7
Piece goods	12.5
Men's & boy's clothes	25.1
Stockings & hose	4.7
Cars	—10.9

It should be noted that an increase in pound-sterling price of 44% is necessary to fully compensate for a decrease of 30.5% in dollar prices resulting from devaluation.

In the table, not all unit price changes are a result of specific price changes. Within a goods classification like cars, where the commodity is not homogenous, a certain apparent price change may result from a structural shift in the composition of the classification. In the instance of cars, it is likely that, since devaluation, cheaper cars have increased in proportion to the expensive.

Two reasons are given for British action in raising pound sterling prices.

First, price increases in consumer goods are in anticipation of higher pound sterling prices (resulting from devaluation) for raw materials from hard-currency areas.

However, in the case of raw materials from the British Empire, where dollar prices do not figure in costs, the prices have been raised because of the generally considered inelastic demand for raw materials. In the case of Malayan tin, it is argued that to allow the full decrease in the dollar price would decrease the tin producers' total profits.

Americans, consequently, are not benefiting substantially from the currency revolution initiated by the British over a month ago. The increase in British sales to Americans through lower prices is being nullified by increased sterling prices and higher American retail mark-ups.

Whatever consideration is given to this British action in pricing, the effect on the British economy is going to be a measurable change in the price structure and the unleashing of a new inflationary pressure.

The horns of dilemma are apparent. British manufacturers and extractors of raw materials, increasing their profits from abroad by raising prices are creating higher prices at home.

Under present conditions this home-made inflation might only be avoided through the adoption of a dual pricing system.

The inflationary effect is readily apparent in the changes of the British wholesale price index which rose sharply this month subsequent to the currency action. On Nov. 11, it stood at 470.4, in contrast to 398.3 on Sept. 16 and 396.9 on Sept. 9. (Sept. 18, 1931=100.)

This sharp increase has not yet been fully reflected in the retail price index which has been rising slowly the past 10 months.

BRITISH RETAIL PRICE INDEX
(June 17, 1947=100)

January 1949	109
February	109
March	109
April	109
May	111
June	111
July	111
August	111
September	112
October	112

The index in October remained steady, because the increase in the price of bread and flour was negated by a decrease in the price of utility clothing.

The British wage index has risen through 1949 very slowly and somewhat behind the retail price index which will be further fuel for discontent among wage-earners when the full price effects of devaluation are felt in England.

BRITISH WAGE INDEX
(June 30, 1949=100)

January 1949	108
February	108
March	108
April	108
May	108
June	109
July	109
August	109
September	109

The proposed rail freight increase of 16⅔%, and the expected increase in the British cost of living, may soon lead to agitation by the T. U. C. for higher wages, according to visiting English economists. Higher wages, when reflected in the price of English goods, will, in most cases, completely nullify the benefits of devaluation hoped for in the early fall, and may create a third dollar crisis.

A. G. Becker Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William L. Saunders has been added to the staff of A. G. Becker & Co., 120 South La Salle Street.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Olive C. Wulfing has joined the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York Stock Exchange and Midwest Stock Exchange.

Two With Soden-Zahner

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—William W. Brill and Maurice M. McNellis are with Soden - Zahner Co., Dwight Building.

Holds Government Debt Structure Unbalanced

Henry S. Sturgis, Vice-President of First National Bank of New York, says present debt picture has seeds of danger from two sides; it is too large and badly arranged as to maturities. Sees redemption demand excessive in event of financial panic or orgy of speculation. Holds present high taxes amount to confiscation

Speaking at a "Freedom Dinner" in Chicago on Nov. 30, on "Finance and Freedom," Henry S. Sturgis, Vice-President of the First National Bank of New York, told his audience the national debt structure is dangerous and is in need of correction.

Henry S. Sturgis

"Our government debt picture has an angle which we should all know about and urge its correction," Mr. Sturgis said. It has in it the seeds of danger from two sides. Not only is the total debt very large, but it is badly arranged as to maturities. the seeds of danger from two sides. Not only is the total debt very large, but it is bady arranged as to maturities.

"The total U. S. Government debt is $253,924,000,000. Of this, $220.563,000,000 is in the hands of the public. Nearly half of that amount is either short-dated debt, such as bills and certificates of indebtedness, or debt redeemable at the option of the holders, such as the E, F and G bonds. Now, it is conceivable that we could have a financial panic — not probable for some time, I hope, but still a possibility. Imagine, if you will, the financial status of our government if something over $100 billion were pressed upon it for payment within a year.

"On the other hand, let us suppose that confidence is so restored that we embark upon a speculative orgy, or people decide that they would rather own stocks or goods than government securities. Again, in that case, the U. S. Treasury might be faced with meeting in a short space of time an obligation to pay over $100 billion. Our debt structure is therefore a menace, given either extreme deflation or extreme inflation. I urge upon you that there is hardly one thing more important to do than to have the Treasury bring this short-dated and redeemable debt to manageable proportions."

In speaking of Federal tax structure, Mr. Sturgis stated:

"Today the cost of our Federal, State and municipal governments is taking about 30% of our national income. Once more we are being fooled by the use of words. This is not taxation. Let us call it by its right name. It is confiscation. Taxation we can stand. But confiscation is discouraging the incentive of individuals so much needed by our dynamic economy. It is drying up the sources of equity capital, also needed by a growing nation interested in full employment. We should and can reduce the cost of government. There are many places where we can reduce governmental expenses. Among others, I would venture the opinion that if we could accomplish unification of our Armed Services we could from that source alone balance our budget with a surplus and still have adequate defense measures."

Dealer-Broker Investment Recommendations and Literature

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

Business Man's Risk Fund — Portfolio for a suggested investment of $25,000 for income and appreciation in "Market Pointers" —Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

In the same issue are memoranda on **Reynolds Spring Co.** and **Mission Development.**

California—Study of bonds of the State—Bank of America, N. T. & S. A., 300 Montgomery Street, San Francisco 4, Calif.

Copper—Memorandum on current situation in the industry—Bache & Co., 36 Wall Street, New York 5, N. Y.

Investors Aid—1949-1950 edition of 32-page reference book containing important statistical facts about selected groups of common stocks and other securities and also analysis of influences affecting price trends of equity securities—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Local Notes—Brief data on several Kentucky situations — The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

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

Stocks Thoroughly Deflated Involving Minimum Price Risks— Tabulation—Ira Haupt & Co., 111 Broadway, New York 5, N Y.

20 Selected Stocks for Periods of Unbalance Budgets — Selected lists of income and speculative issues—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available are memoranda on **Petroleum Heat & Power Co.** and **Western Natural Gas.**

* * *

Bendix Aviation Corporation — Detailed report—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill.

Central Public Utility Corp.— Memorandum — New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Chase National Bank—Analysis —Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Also available is a report on **Christiana Securities Company.**

Ero Manufacturing Company — Memorandum—Straus & Blosser, 135 South La Salle Street, Chicago 3, Ill.

Florida Power & Light Co.— Circular—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Also available are circulars on **Iowa Power & Light Co., Niagara Mohawk Power,** and **Pennsylvania Power & Light.**

General Public Utilities Corporation—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

General Reinsurance Corporation—Memorandum—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Globe Wernicke Co. — Circular —Westheimer & Co., 326 Walnut Street, Cincinnati 2, Ohio.

Langendorf United Bakeries.Inc. —Memorandum — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Lockheed Aircraft Corp.—Circular—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Also available are circulars on **Ohio Oil Co., Seeger Refrigerator Co.,** and **Texas Gulf Sulphur Co.**

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

National Aluminate Corp.— Circular—Swift, Henke & Co., 125 South La Salle Street, Chicago 3, Ill.

National Chemical & Manufacturing Co.—Memorandum—Smith, Burris & Co., 120 South La Salle Street, Chicago 3, Ill.

National Homes Corp.—Analysis —Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

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

Pacific Intermountain Express Co.—Study—Stone & Youngberg, Russ. Building, San Francisco 4, California.

Also available is a memorandum on Yuba Consolidated Gold Fields.

Philadelphia Transportation Co. —Memorandum—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Penna.

Southern Union Gas Co.—Circular—Fridley & Hess, First National Bank Building, Houston 2, Texas.

Texas Engineering & Manufacturing Co.—Study—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Tung-Sol Lamp Works, Inc.— Circular—Richard E. Kohn & Co., 31 Clinton Street, Newark 2, N. J.

Texas Utilities Co.—Circular— Shields & Co., 44 Wall Street, New York 5, N. Y.

Washington Suburban Sanitary District, Maryland — Brochure — Wainwright, Ramsey & Lancaster, 70 Pine Street, New York 5, N. Y.

Laurence Keating Is Now With Hirsch & Co.

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that Laurence C. Keating has become associated with the firm in its Institutional Department. Mr. Keating was formerly a partner in Blanchard & Co.

Reginald Ward Joins First Boston Corp.

The First Boston Corp., 100 Broadway. New York City, announces that Reginald A. Ward is now associated with its investment department. Mr. Ward was formerly with G. C. Haas & Co. and D. H. Ellis & Co.

With Paine, Webber Firm

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Roderic D. O'Connor has become associated with Paine, Webber, Jackson & Curtis, Union Commerce Building. He was formerly with Carreau & Co. in New York City.

BOOK REVIEW

Economics and the Public Welfare

By BENJAMIN McALESTER ANDERSON

D. Van Nostrand Co., Inc., New York, Toronto, London, 1949, $6.00

About a century and three-quarters have elapsed since seriousminded students of public affairs began to give really mature attention to what the individual could and would do for himself if left reasonably free and responsible for his own economic well-being. Man had begun—or more than begun—by that time to lose faith in collective omniscience. But times change and it seems that the human race rarely remembers all that it has learned even at high cost.

Benj. M. Anderson

For several decades, particularly since the spring of 1933, ideas closely akin to the seventeenth and early eighteenth century mercantilism and the philosophy with which the medieval guilds were defended have been revived. They now threaten to restore the sterile doctrines which the liberals of a century or two ago had destroyed—or thought they had destroyed. More and more the history of the past half-century, and more particularly of the past three decades, has been almost monopolized by writers captivated by the broken-down mental furnishings of two or three centuries ago. One must fear that the youth of the land will obtain a distorted and dangerous view of the world in which they live. The main hope lies in the fact that now and then a really readable book comes from the pen of some writer wholly free of the now popular delusion that the ultimate in wisdom can somehow be distilled from the brains of sciolists either in government, the labor unions or the farm organizations. Such a writer is Professor Anderson. If any one book can insure salvation from the ignorant bigotry of the day and make certain that at least the choice minds of this generation will understand the true inwardness of the events of the past three or four decades, then the volume here under review should accomplish this feat.

Professor Anderson, who to the great loss of mankind did not live to see this work through the presses, entitled his last book "Economics and the Public Welfare," which truly reflects the spirit and the evident aim of the author. The medium through which Professor Anderson undertakes to develop his basic theses is, as the subtitle to the volume indicates, the financial and economic history of the United States from the outbreak of World War I.

Few are as well qualified for such a task. At the time of his death, Professor Anderson was Connell Professor of Banking at the University of California, Los Angeles, but this post was but a closing chapter of a career in the course of which he had not only studied what was taking place during the years about which he writes but had had a hand in no small part of it. His academic education had been completed prior to the period he chronicles. During a few of the earlier years of these decades he was teaching in one of the leading universities of the world, but during most of them he was economist for one of the largest banks in the world, and as such was in close contact with much of what was occurring both here and abroad. Indeed he was privy to much of what took place behind the scenes, and on more than one occasion was a positive and constructive influence in the councils which formulated policy and programs. In many others he was a vigorous opponent of what was contemplated and the country was the loser from the fact that his counsel did not prevail.

In this book of more than 600 pages, Professor Anderson takes the reader through the more important events of World War 1. He is more detailed and more explicit in a similar analysis of the financial and economic events of the years intervening between the two world wars. Here he gives an account, often fortified by personal experience, of the years in which the economy of this country, under mistaken public policies, the unfortunate nature of which Professor Anderson fully understood, was building up to the crash of 1929.

The New Deal and all its works, however, receives the closest inspection, and the most devastating refutation. The country must always remain grateful to Professor Anderson for the careful, systematic and profound analysis of the fallacies upon which the programs of Franklin D. Roosevelt and his successor rested and rest. There is often too great a tendency to dismiss such obvious nonsense as was brought forward during these years as hardly worthy of careful analysis. Of this shortcoming Professor Anderson is quite free. His "Digression on Keynes" is, of course, a digression only in a strictly technical sense. In demolishing the doctrines of this modern Marx, Professeor Anderson, obviously, leaves little foundation for the superstructure built upon them in so many capitals of the world.

The same penetrating criticism of many of the World War II policies and postwar programs closes this weighty volume. The labor that has gone into this work is stupendous. It is remarkable that the reader is able to follow the author through so much material without getting lost in the details. Yet this feat has been accomplished—and it is difficult to see how the reader can close the volume without having the scales begin to fall from his eyes—if only readers with scales on their eyes can be persuaded to read it carefully and with an open mind.

One thing is certain. This country and the world will be the loser if this book does not receive the study it so richly deserves.

Present Tax Structure Throttles Small Business!

By EMIL SCHRAM*

President, New York Stock Exchange

Asserting Federal tax structure has unwittingly strengthened position of large, well entrenched enterprises, Mr. Schram contends high corporate taxes, combined with excessive surtax rates on individual incomes, as well as capital gains taxation, discourages investment in new enterprises. Says only large concerns can now afford to take risks in development of new products.

We all know that acts or policies often have consequences far removed from the minds or intentions of the originators. Nevertheless, responsibility for these consequences must be recognized and cannot be evaded, because the consequences were not foreseen. In considering the problems of bigness, which has so many social and economic angles, I urge that you consider the effects of the Federal tax structure which, I am sure, unwittingly has strengthened the position of large, well-entrenched enterprises. I believe executives of so-called big business would not quarrel with this statement. Federal taxes have accomplished this result in several ways:

Emil Schram

(1) They have made it difficult for small and medium-sized business to grow and compete successfully. In this connection, I believe that one particular phase of the Federal tax structure weighs heavily against small business. I refer to the fact that business enterprises that are incorporated are taxed at the rate of 53% on their income between $25,000 and $50,000, which is the so-called "notch provision." Incidentally, Canada has reduced the rate of tax on the first $10,000 of corporate profits to 10%.

(2) Because of the large fraction of income diverted to the Federal Government, big business can afford to take risks and spend liberally for experiments and development of new products. Losses that might threaten the existence of small and medium-sized enterprises can be more readily absorbed by large corporations; the size of the fraction of the profit given up also works in this direction.

(3) At the individual level, high surtax rates and, especially, capital gains taxation, discourages the individuals most likely to invest in enterprises at their inception or formative stages from participating in ownership risks.

I shall come later to proposals which I shall recommend for consideration.

Buyers' Market Hurting Small Business

That smaller businesses are beginning to suffer now that a buyers' market, broadly speaking, has returned is indisputable. From the second quarter of 1948 to the second quarter of this year, all manufacturing corporations with assets of less than $250,000 had a 67% shrinkage in income after taxes. The reduction was 59% in the group with assets between $250,000 to $1,000,000. On the other hand, the income of corporations in the $100,000,000 and over asset size declined by only 11%.

The balance sheet liquidity position of manufacturing corporations as of June 30, 1949 also provides reason for concern over the outlook of small and medium-sized business. "Liquidity" is the ratio of cash plus government securities to total current liabilities. "Liquidity" is one of the most important ratios used in financial analysis by commercial bankers. In the absence of readily available sources of outside or external funds, it is important also as a factor in determining whether business management will be willing to add to its employees or embark on job-making activities. In a period of acute competition or business contraction this ratio may be the decisive factor in the ability of business to withstand adverse circumstances. Now, what do we find here? The liquidity ratio is least favorable at the smallest level and most favorable as the largest size business is reached. This is proved in the following table:

AS OF JUNE 30, 1949

Asset Classes (thousands of dollars)	Liquidity Ratio
1 to 249	.61
250 to 999	.83
1,000 to 4,999	.85
5,000 to 99,999	.97
100,000 and over	1.04

This, mind you, is the picture at the end of a great, prosperous post-war period of high volume and substantial profit margins.

It is most difficult for small and medium-sized business to divert any material part of savings to additions to ownership or equity capital—not that the volume of savings is small. The rate has declined from the highest postwar range but, even in the third quarter of this year, personal savings were at the rate of $13,300,000,000, according to estimates of the Department of Commerce. This rate was almost twice that of the twenties in relation to disposable income. You have already been told of the funneling of savings, to an increasing degree, through financial institutions largely limited to investment in obligations or debt securities. The amount of funds available to financial institutions is exerting continued pressure on the high grade bond market and yields available on preferred stocks, with the result that several weeks ago a company like Madison Gas

(Continued on page 16)

*Statement by Mr. Schram before House of Representatives Committee on the Judiciary, Sub-Committee on the Study of Monopoly Power, Nov. 28, 1949.

Pennsylvania Brevities

Pennsylvania Securities Dealers Operate Against Backdrop of Huge Industrial Activity

The 400-odd securities dealers located in Pennsylvania (exceeded in number only by registrations in New York and California) find the source of much of their fine-quality merchandise close at hand.

The State's importance in respect to the extent and diversity of its industry is interestingly set forth in figures provided by the Pennsylvania Department of Commerce.

Products whose annual value averages $12 billion are produced by more than 1,500,000 wage earners in the State's 19,100 manufacturing plants. Pennsylvania produces more than 99% of the anthracite mined in the United States and ranks second in bituminous coal production. The industry employs about 160,000 miners and produces about 175,000,000 tons each year.

Pennsylvania is by far the largest producer of iron and steel products in the United States, its huge mills representing about 25% of the country's total production. Metal working industries manufacture almost everything from watches to locomotives. The long list of products includes farm machinery and implements, aircraft and parts, engines, electrical machinery, hardware, radio, textile machinery, automotive cars, scientific and professional instruments, shipbuilding, railroad repair shops, aluminum, brass, bronze, copper, tin and zinc products, sheet iron work, stamped and enamel-ware products, wire and wire products.

Next in importance to steel in value of production, persons employed and payroll is a widely diversified manufacturing field whose 11,000 plants employ more than half a million persons making products valued at more than $4,750,000,000 a year. Chief products of this group are asbestos, chemicals, cement, cigars, coke by-products, cork products, drugs, medicines, dyestuffs, explosives, fertilizers, foods, glass and ceramics, tanned leathers, linoleum, oils, paints, varnish and lacquers, petroleum products, printing ink, pulp and paper, refractories, rubber and soap. Pennsylvania's rapidly growing foods industry leads the nation in production of pretzels, ice cream, chocolate and cocoa products, and ranks high in cane sugar refining, liquors, slaughtering and meat packing.

Pennsylvania is one of the great textile manufacturing states with products valued at $1,756,000,000 a year. It is the leading hosiery State, its $165,000,000 production constituting 32% of the nation's total. Annual production in silk and rayon goods is $215,000,000 (40%); in knit goods, $62,000,000 (21%); in men's and boy's clothing, $217,972,000 (17%), and about half the lace goods made in the United States valued at $20,415,000.

Aside from its distinction as a great industrial state, Pennsylvania's agriculture and dairying represent an investment of over $2 billion, providing cash income of about $767,000,000 annually.

* * *

P. I. I. F.

The Pennsylvania Institute of Investment Firms reports that responses to its initial display advertising have far exceeded expectations. As reported in the "Chronicle" of Nov. 3, this non-profit association of security dealers was formed to promote a better understanding of securities on the part of the people of the State and to extend information about the many attractive investment opportunities that are available.

* * *

Warner Company

Warner Company has declared a special dividend of 65 cents per share payable Dec. 15 to stock of record Dec. 1. This compares with 35 cents similarly declared in 1948. The Board also declared a dividend of 25 cents per share for the final 1949 quarter, payable Jan. 16, 1950, to stock of record Dec. 30.

* * *

Fare Rise Granted

PITTSBURGH — The Pennsylvania Supreme Court has refused City Solicitor Anne X. Alpern's move to block Pittsburgh Railways Co.'s schedule of fare increases which became effective Nov. 23. The increased fares were originally filed Nov. 18, 1948, but the City succeeded in obtaining a stay order from the State Superior Court last June. This order has now been canceled.

The basic cash fare has been raised from 10 to 12 cents; local zone fares from seven cents to eight cents, or four for 30 cents. Bus fares are now straight 15 cents.

The higher schedule is expected to strengthen the financial condition of the system now nearing the conclusion of reorganization proceedings.

* * *

Philadelphia Transportation Co.

Improvement in the affairs of Philadelphia Transportation Co. has probably come too late in the year to offset losses sustained in the first nine months of operation and it is expected that the company will fail to earn 3% contingent interest on its more than $28,000,000 consolidated mortgage bonds.

Adverse factors were a 10-day strike last February, followed by wage increases which added $2,400,000 to the annual labor bill, plus failure to obtain relief in the form of higher fares until October.

On the favorable side, settlement of tax liabilities for 1945 became final and a reserve of $424,000 set up to cover the contingency has been transferred to income. On Nov. 21, the U. S. Supreme Court upheld the company's claim for a $800,000 tax refund relating to 1942, but it is not as yet determined whether this amount can be added to 1949 income.

* * *

Fire Association Absorbs

Stockholders of Fire Association of Philadelphia and of its three affiliated companies, Reliance Insurance Co., Philadelphia National Insurance Co. and Lumbermnen's Insurance Co., have approved the plan to merge and consolidate. At a special meeting, capitalization of Fire Association was increased from 240,000 to 360,000 shares and charter was amended to provide for both fire and casualty underwriting. A stock dividend of 20.77% in Fire Association shares will be paid to stockholders of the four companies.

* * *

Pennsylvania Salt Mfg. Co.

Both gross and net earnings of Pennsylvania Salt Mfg. Co. for 1949 are expected to exceed 1948 figures, according to Dow-Jones estimates. It is believed sales for the year will approach $33,000,000 against $32,430,710 last year and that per share earnings will be about $3.21 against $2.78 in 1948. Dividend disembursements in 1949 will total $1.80 per share, a new high.

* * *

Insurance Co. of North America

Authorized capitalization of Insurance Co. of North America has been increased from $15,000,000 to $30,000,000 and a plan put into effect under the terms of which employes with two years or more service can subscribe to stock at a price 20% under the prevailing market. Directors also declared a 20% stock dividend which will participate in the $1.50 semi-annual and 50-cent extra dividends expected to be declared in December.

* * *

Hershey Chocolate Co.

HERSHEY — Reclassification of Hershey Chocolate Co.'s outstanding irredeemable preference stock has been approved by stockholders. Each share of preference stock will be exchanged for one share 4¼% Class "A" preferred (par $50), one share 4½% Class "B" preferred (par $50) and one share of common. At present rates, dividend return from the three shares offered in exchange is $6.375 annually compared with the $5 return on the preference stock.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Annual Meeting of the Security Traders Association of New York will be held on Friday, Dec. 2, 1949, at the Produce Exchange Luncheon Club at 6:00 p.m., for the election of officers for 1950, and such other business as shall properly come before the meeting.

The polls will open at 4:30 p.m. and will close promptly at 6:00 p.m. The final slate of candidates for the various offices as submitted by the Nominating Committee is as follows:


John M. Mayer


Leslie Barbier


Harry L. Arnold


John J. Meyers, Jr.


George V. Hunt

President: John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane.

First Vice-President: Leslie Barbier, G. A. Saxton & Co., Inc.

Second Vice-President: Harry L. Arnold, Paine, Webber, Jackson & Curtis.

Secretary: John J. Meyers, Jr., Gordon, Graves & Co.

Treasurer: George V. Hunt, Starkweather & Co.

Directors (Two-Year Term): Richard H. Goodman, Shields & Co.; T. Frank Mackessy, Abbott, Proctor & Paine; John D. Ohlandt, Jr., J. Arthur Warner & Co., Inc.; D. Raymond Kenney, D. Raymond Kenney & Co.

Trustees of Gratuity Fund (Two Years): Philip H. Ackert, Freeman & Co.; David R. Mitchell, Blair F. Claybaugh & Co.

National Committeemen: Stanley Roggenburg, Roggenburg & Co.; Henry Oetjen, McGinnis, Bampton & Co.; Gustave L. Levy, Goldman, Sachs & Co.

National Committeemen Alternates: Charles M. Zingraf, Laurence M. Marks & Co.; William H. Boland, Boland, Saffin & Co.; Irving P. Grace, W. C. Pitfield & Co. Inc.; Edwin J. Markham, Wertheim & Co.; Harold B. Smith, Pershing & Co.

Nominating Committee (Four Members to be elected): Herman D. Meyer, Stern & Co.; Bernard J. Conlon, P. F. Fox & Co.; William T. Mellin, Walter Murphy, Jr. & Co.; Harry F. Reed, Carl M. Loeb, Rhoades & Co.; John Gahan, Schoellkopf, Hutton & Pomeroy; Bernard Weissman, Siegel & Co.; Frank J. Orlando, Goodbody & Co.; Samuel Gronick, Gilbert J. Postley & Co.; Charles Bruggeman, Dean Witter & Co.; Gustav J. Grindel, Francis I. duPont & Co.; Charles H. Jann, Estabrook & Co.

As usual there will be a delicious buffet supper with Free Beer.

NSTA ENTERTAINS SEC

Representatives of the National Security Traders Association entertained the Commissioners of the Securities and Exchange Commission and members of the staff at a dinner in the Mayflower Hotel in Washington. Among those present were: SEC Chairman Harry A. McDonald, Commissioners Richard B. McEntire, Donald C. Cook, and Edward T. McCormick, and the following members of the SEC staff: Anthom H. Lund, Sherry T. McAdam, Jr., Joseph A. Keenan, Walter G. Holden, Louis Loss, Charles A. Cole, and Jerome S. Katzin.

Representing the National Security Traders Association were Edward H. Welch, Sincere & Co., Chicago, President; H. Frank Burkholder, Equitable Securities Corp., Nashville, the incoming President; R. Victor Mosley, Stroud & Co., Inc., Philadelphia, of the Executive Council; and Louis E. Walker, President of National Quotation Bureau, Inc.

The purpose of the dinner was for the officers of the traders association to meet the new members of the Commission, and to exchange ideas concerning the promotion of equity securities markets.

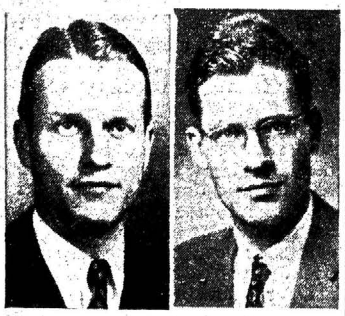
SECURITIES TRADERS ASSOCIATION OF DETROIT & MICHIGAN

The annual fall party of the Securities Traders Association of Detroit and Michigan, Inc. will be held at the Prince Edward Hotel in Windsor, Ontario, on Tuesday, Dec. 6, 1949; refreshments 5-7; dinner at 7.

Tickets for this party may be acquired by contacting Harry B. Buckel, Chairman of the Entertainment Committee, c/o Carr & Co., 2117 Penobscot Building, Detroit 26, Mich.

(Continued on page 12)

Hornblower & Weeks Admit Seven Partners



R. Hornblower, Jr. H. Hornblower II

Hornblower & Weeks, members of New York Stock Exchange and other leading exchanges, are filing with the New York Stock Exchange for the admission of seven new general partners, effective January 1, 1950. Among the new partners are Ralph Hornblower, Jr. in New York and Henry Hornblower II. in Boston, sons of the present head of the firm and grandsons of Henry Hornblower, its founder in 1888. They represent the fourth generation of Hornblowers in the securities business.

The other new partners are Tristan Antell and Joseph Gimma in the New York office; Harold F. Carter in the Philadelphia office; and Harry W. Puccetti and William J. Lawlor, Jr., in the Chicago office.

Ralph Hornblower, Jr., a Harvard graduate (1941), was a Marine lieutenant in early Pacific actions in the war, became a pilot and resigned a major's commission in 1946 to enter the securities business with Hornblower and Weeks.

Henry Hornblower II, also of Harvard '41, joined the firm in 1946 following wartime service with the OSS and in the European theatre as a first lieutenant. He is a director of The Cape Cod Company, treasurer of The Cape Cod Cranberry Growers' Association and president of Plimoth Plantation, Inc., an organization working to restore Plymouth Colony as of 1623.

Mr. Antell, who entered the securities business in 1919, came to the firm in 1942 from G. M. P. Murphy &Co. He has headed the research department of Hornblower and Weeks for the last seven years.

Mr. Gimma started with Herrick, Berg & Co. in 1924, was later associated with G. M. P. Murphy & Co. and joined Hornblower & Weeks in March, 1942. He is a director of the Tuberculosis Preventorium for Children and the Italian Welfare League.

Mr. Carter, a past president of the Philadelphia Securities Association, joined the firm in 1935 and has been manager of the investment department in Philadelphia for several years.

Mr. Puccetti has been with the firm since 1916 except for overseas duty in World War I. He has been manager of the stock department in Chicago since 1941.

Mr. Lawlor, formerly a vice-president of Hickey & Co. in charge of the investment department, joined the firm in 1947 and became manager of the Chicago investment department in 1948.

Hornblower & Weeks, a pioneer in the underwriting and distribution of investment securities, has offices in Bangor, Maine; Boston; Chicago; Cleveland; Detroit; New York; Philadelphia; Portland, Maine; Providence and Westerley, Rhode Island.

NASD Governors Support Frear Bill in Principle

Board favors objectives of measure requiring registration of securities of corporations having $3 million or more of assets and at least 300 stockholders, but recommends prohibiting unlisted trading privileges for any security not already listed on an Exchange.

At their recent Fall meeting the Board of Governors of the National Association of Securities Dealers, Inc., adopted the report of a Special Committee appointed early this year to study the Frear Bill (Senate Bill 2408). The Committee concluded that the Bill in its present form contained both desirable and undesirable features, and recommended that an entirely new approach to the problem be considered.

The Frear Bill, through amendment of Sections 12, 13, 14 and 16 of the Securities Exchange Act of 1934, would

(a) Require registration with the Securities and Exchange Commission of all corporations having $3,000,000 or more in gross assets and at least 300 stockholders.

(b) Impose upon such corporations various requirements including reporting of information regarding corporate affairs and observance of proxy rules, and

(c) Establish specified liabilities for officers, directors and principal stockholders.

The Board stated it regards as a basic objective of such proposed legislation the obtaining of essential information for stockholders of all American corporations and went on record as favoring this fundamental principle.

It was determined that while the basic objective should be retained, the Association in conjunction with other groups within the securities business as well as individual corporations and trade associations, should endeavor to effect changes in the Bill that would make it more workable and acceptable to all interests.

The Special Committee report held that certain provisions of the Bill were not in the best interests of over-the-counter securities dealers and that effort should be devoted to effect cooperation and correlations between the stock exchanges and the unlisted market.

The report, adopted by the Board, made these specific recommendations:

(1) That the provisions of Section 12(f) (3) of the Securities Exchange Act of 1934, permitting extension of unlisted trading privileges on exchanges to securities not listed on any other exchange, be completely eliminated from the Act and that the only unlisted trading privileges to be retained by the Act be those pursuant to Section 12(f) (2) which encompasses the situation in which one exchange may obtain unlisted trading privileges with respect to a security fully listed on some other exchange.

The effect of this recommendation would be to make all securities either fully listed or in the over-the-counter markets.

(2) That the 1934 Act be amended to permit securities, whether listed or unlisted, if subject to the requirements of registration under the Act to be eligible for margin. The present re-

(Continued on page 14)

Mutual Funds

By HENRY HUNT

Canadian Funds Catching On

Current assets of United States mutual funds are equal to approximately $12.00 per capita. On the other hand Canadian mutual funds assets amount to less than $3.00 per capita. But in Canada mutual funds are starting to catch on. Witness the recent growth of **Calvin Bullock's Canadian Investment Co., Ltd.** which is head, shoulders and body above its nearest competitor in size.

During the past 12 months, the assets of "CIC," organized in 1932, have jumped from $14,000,000 to nearly $24,000,000, with third quarter sales exceeding any previous full year's total. Furthermore, liquidations have been practically nil. Congratulations to Bob Clark, George Beves as well as the Bullock dealer group in Canada.

In second position is **Montreal's Commonwealth International Corp., Ltd.** with assets of about $6,000,000. Aggressive and industrious, Douglas Porteous, recently elected President, is in charge of sales.

In third place is **Toronto's** little **Corporate Investors, Ltd.** (assets some $2,000,000) run as a sideline by able accountant W. D. Glendinning.

Canadian mutual funds invest most of their assets in Canadian securities. American stocks may be purchased only from Canadian owners and a special Canadian tax of 15% on dividends of foreign corporations lessens the incentive to buy United States securities.

With the outlook bright for continued growth of Canadian industry, mutual funds north of the border should do well.

Inflation Hedge

"We have suggested from time to time in the past the use of common stocks as a hedge against inflation, but we have also strongly advocated that no individual place all, or anywhere near all, of his money in common stocks. In fact, we are convinced that the average individual should have provided for adequate insurance, savings and government bond programs **before** he makes his first purchase of common stocks. Nevertheless, here in part is what Mr. Howard F. Vultee, Vice-President of the Marine Midland Trust Co. of New York, has to say about the problem as reported in an article published in the last issue of the magazine **"Trusts and Estates"**:

" 'It is difficult to visualize the ownership of businesses (**common stocks**) being a less desirable holding in the long run than the ownership of cash, savings deposits and fixed income securities. The record of the last decade bears out this reasoning and vividly shows that common stocks were a much sounder place for savings than were cash or bonds.

" '. . . I am sure that many people who think common stocks are unsafe, do not realize how unsafe cash and bonds really were in the inflation of the last decade or what really happened to them. They have experienced a capital levy without realizing it in the form of a depreciation of about 40% in purchasing power since 1938.

" 'While the market prices of common stocks did not give full protection against the inflation, the earnings and dividends increased more than enough to completely offset the change in purchasing power of the dollar, notwithstanding the fact that dividends were the lowest percentage of earnings in history. It is evident that quality common stocks represented a far safer place for savings than did bonds or cash over the last decade.

" 'The impairment in real value of bonds, cash and savings and in the income received from these groups is permanent to the extent that the inflation is permanently frozen into the economy.'

"We agree in general with Mr. Vultee's comments and feel that it is especially important that an investor in these times not hold a disproportionate amount of his capital in such media as bonds, cash and other fixed income obligations."—From **Vance, Sanders' Brevits.**"

Gift Certificate for Mutual Fund Shares

The gift certificate, well known American symbol of the Christmas season, is making its initial appearance in the investment securities field as a sales medium. **Kidder, Peabody & Co.,** members of the New York Stock Exchange, and one of the leading retail firms offering a full mutual funds service, has adopted the gift certificate idea for those who will want to give mutual fund shares as Christmas presents to members of their family, particularly their children.

The firm's gift certificate is handsomely designed for permanent possession. In advertising and promotional literature announcing the innovation, Kidder, Peabody stresses the importance of providing the younger generation with a stake in the future of our free American economy, both to encourage its support and to teach its practical benefits. Parents and relatives will be urged to avail themselves of various tax benefits enabling them to transfer wealth in the form of selected mutual funds, to their children. Such gifts will help to provide children later on with funds for education, professional careers, or other purposes.

It was pointed out that gift certificates will be furnished free with purchases as small as $100, to enable as many parents as possible to benefit from the unique arrangement.

British Devaluation

Calvin Bullock's latest issue of "Perspective" discusses effect of British devaluation. It concludes:

"It does not appear that British devaluation will cause a repetition of the severe deflationary trend it initiated in 1931. On the contrary, a revaluation of currencies on a realistic basis to their true values should be a great help in promoting a sounder flow of foreign trade throughout the world providing concomitant steps are taken to loosen trade barriers between countries, and to place emphasis on increasing production of goods rather than on social services which cannot be maintained by the present productive facilities of most countries."

"D. G." Still Bullish

A continuation of the present stock market rise is foreseen by the Investment Research Department of **Group Securities, Inc.** in its November "Investment Report."

"Selected common stocks do not yet reflect full realization that corporation earnings and dividends promise to hold at or near present levels. Despite the market rise to date, less than $400 invested in good grade common stocks will earn as much as $1,000 in high grade bonds will earn. This contrast is distinctly abnormal. While reactions in the stock market are to be expected after such a protracted advance, we feel that the general price trend of good common stocks will continue to be upward."

The reasons, the Report continues, are that "there appears to be a specific conviction behind the stock market rise, in which we concur, that the decline in postwar earnings will level out in the present area; and that the currently high level of dividends can and will be maintained over the foreseeable future. In addition, of course, investors are gradually recognizing in the government's unbalanced budget the reversal of its 1946-1948 deflationary policy to one of inflation."

NSTA Notes

(Continued from page 10)

DALLAS BOND CLUB

At its luncheon meeting Nov. 29, the Dallas Bond Club elected the following officers and directors to serve during the year 1950:

Harry N. McConnell W. R. Newsom, Jr. O. V. Cecil

President—W. R. Newsom, Jr., Sanders & Newsom.

Vice-President—O. V. Cecil, Merril Lynch, Pierce, Fenner & Beane.

Secretary—C. Rader McCulley, First Southwest Company.

Treasurer—Harry N. McConnell, Central Investment Company of Texas.

Directors—Allen L. Oliver, Jr., E. F. Hutton & Company; John B. Cornell, Jr., Dallas Rupe & Son; John L. Canavan, Rauscher, Pierce & Co.

Boston Attorney Lauds Mutual Funds Growth

Mayo Adams Shattuck, Past President of Massachusetts Bar Association and a director of the Boston Fund, sees present investment companies as well disciplined through the severe strain of financial depression of 30's, and holds they are now worthy of a place in investment market and as means of participation of ownership in American industry by large segments of population.

In an article to appear in a local Boston publication, "Industrial Teamwork," Mayo Adams Shattuck, a prominent Boston attorney and authority on trustee practice, explains the advantages of mutual funds as a means of increasing participation in ownership of American industries of low income groups in the population, and comments favorably on their remarkable growth and improved soundness in recent year.

Mayo A. Shattuck

Part of the text of Mr. Shattuck's article follows:

I have observed, before now, that a selected group of men of prudence, discretion and intelligence can, conceivably, make a joint mistake, but they are less likely to make a serious mistake, let alone a series of mistakes, than is a single individual who is unable to test his impulses and processes of thought against those of others.

The problem which is of very great interest to me, however, is the broad social aspect of every sort of fiduciary management. What does it mean to the nation? How can it help make a better United States? For years I have been asserting that only by liberating the savings of our citizens into substantial participation in our expanding national economy can we maintain the American traditions to the full. Hence, as I have declared, we must have the Prudent Man Rule; we must ask our legal men to draft their family instruments with broad and elastic powers; we must expect our fiduciaries to be alert and imaginative in a managerial sense; we must encourage any and every movement which, within the limits of sober propriety and caution, will encourage the habit of saving against a rainy day and which will also encourage the employment of some portion of those savings in something socially productive and useful, rather than in something which is static and sterile.

It seems to me that this viewpoint is of growing validity and importance in the American Republic of the Twentieth Century. The burden of two great wars, and the demands of government upon each one of us which have ensued not only from those bitter struggles, but also from our constantly expanding concept of proper government activity have produced a state of affairs where a great many of our people have a little more and a few of our people have a good deal less. Hence, many small accumulations of capital must now fill the breech left by the diminished number of large accumulations of capital if our economic system is to thrive and prosper. Many thoughtful observers believe that if our people will only appreciate and understand that each one of us has a direct stake in our economic system and if that stake can be made more real and enduring through ownership of the nation's resources and productive facilities, then there is just hope and expectation of an American future stronger, if anything, than

Workmen Should Own Shares of Corporations

Thus, it is in the very best national interest that workmen should own shares in corporations such as those which employ them; that labor unions and fraternal associations and charitable societies and, within reasonable safe limits, insurance companies, trust companies and banks, yes, even savings banks, should be joint owners, with ordinary businessmen, in the great business corporations which in substance pool the savings of past generations and put them to imaginative work for future generations.

I am not, of course, preaching speculation. I am certain that reasonable limits must be defined and followed with due regard to function. I believe, for example, that the Savings Bank, constantly faced by possible total maturities, is in a different position from the Life Insurance Company, whose maturities are somewhat safeguarded or from the trustees whose maturities, in some cases, may be almost disregarded. Certainly none of these managers of capital can be said to occupy the position in which stands the speculative business *entrepreneur*. Yet the point remains clear: whether from the semi-starved standpoint of the widowed beneficiary of a small family trust fund invested in so-called "legal" securities, or from that of the minor or incompetent beneficiary of a similarly invested slender guardianship account, or from that of the harassed businessman unable to save very much after paying his taxes and life insurance, or from that of a society whose life blood is the power contained in the "atomic energy" of the national stockpile of savings, several conclusions emerge as clearly desirable. *First* it is desirable that our people continue their long-established habit of saving. *Second*, it is desirable that these savings be *employed* and not buried in idleness. *Third*, it is desirable that *all* worthy devices of collective management and employment of American savings, like the Common Trust Fund and the well-seasoned and reputable Mutual Investment Company, be encouraged and fostered in the national economy.

It follows, naturally, that I was greatly pleased to read the comments of Mr. Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System, which appeared in a recent report to the Committee on Banking and Currency of the U. S. Senate. Observing that there are many potential investors among farmers, skilled laborers, proprietors of small businesses and professional men who would like to invest money in common stocks if they knew how to go about it, he called attention to investment trusts as at least a partial solution. "Treating the matter of obtaining wider public interest in common stocks as a major problem of the times, he suggested that one desirable means at hand was through the medium of investment trusts which have "diversified holdings of preferred and common stocks and other securities, and thus can offer the small saver diversification of risk together with the higher income to be derived from equity shares."

"Nor is it a sufficient objection that equity shares involve a risk. What course open to mankind does not involve a risk? I have repeated a hundred times the now famous saying of a wise Massachusetts judge, uttered as long ago as 1830, when Massachusetts was standing, as many of our great sister states stand today, upon the very threshold of its glowing future. That judge said, and applied his remarks to everything from government bonds to shares in New England mills and factories, *"Do what you will the capital is at hazard!"* Never was there a more truthful remark. Risk there must always be, and "safety," like "security," is ever elusive.

As Mr. McCabe added, "I agree that there is a certain element of risk involved in the ownership of equity shares. Yet there is little ground in past experience to support the broad premise that many permitted bond investments involve less risk than carefully selected common stock. In general, I feel that informed and flexible investment policy together with sound judgment are much to be preferred to rigid legal restrictions. The experience of endowment funds of educational institutions, as well as of the fire insurance industry, which operate under more liberal investment regulations, has demonstrated that diversified investment in common stocks along with other types of securities can produce better than average return."

Indeed, Mr. McCabe might have added, with entire soundness, that the diversification approach to the investment management problems which he described has demonstrated itself over and over again as not only the most *productive* method of employing savings, but is also the *safest* ever devised.

Diversification" Explained

The word "diversification" is elaborate in its construction. It is too bad that so valuable a concept is expressed in so ornate a dress. The businessman will tell you that he is somewhat careful, especially in difficult times, to "hedge his bets." Everyone understands him. The housewife knows what it means not to "put all of her eggs in one basket." And everyone understands that. But the word "diversification" fails, somehow, to reveal its true worth. The operation of a *committee*, of a sound and experienced board of directors, is "diversification" of judgment and is the accepted central characteristic of constructive American effort. The "diversification" comes about because, as any sound man would declare, "Two heads are better than one."

An investment policy which restricts participation in any one security to not more than a small fraction of the whole portfolio is "diversification" and is obviously protective in its result. If anything goes wrong, if there is a dead loss in any one commitment, only that small percentage is gone. To possess equities as well as fixed income-bearing securities, to stagger maturities in certificates of indebtedness, to select divergent industries and to scatter geographical commitments, to employ the clear virtues of one participation against the less clear potentials of another—all these, and dozens of other generally recognized prudent practices are "diversification" in action. Each such practice reduces, in fact, the chance of devastating loss. Indeed, each such practice tends, inevitably, to yield a more productive return. The business or professional man who deals with a number of prospects or clients is likely to be both more prosperous over the long run, and more safe, than he who is dependent only upon a few.

Carried to a full extreme in the light of the social good (and it is here that the work on the Boston Fund has given me unexpected and unusual satisfaction), it must be true that when an individual buys a cross-section of American industry, he has, in substance, become a part owner, on a prudent and "diversified" basis, in the very corporations whose products he buys. He thus receives his share of the very profits which he has helped cause by his everyday expenditures. A burgeoning of this sort of development in the American economy is, in my opinion, all to the good.

Collective Investment on Increase

Certainly the art of collective investment and management is greatly on the increase in this republic. It would be tiresome to repeat in this brief comment the statistics which report the geometric progression of insurance funds, charitable and educational portfolios, savings bank deposits and fiduciary accounts of all sorts which serve today to administer the savings of our past and present generations. The investment company industry, taken by itself, presents a dramatic picture of sturdy growth almost all of which has taken place in less than one human generation. And the *nature* of this growth throughout the qualitative and conservative sections of the industry is of very greatest interest to me. Speaking from direct experience with Boston Fund, corporate and private fiduciaries have acquired our shares in increasing numbers, schools and colleges, hospitals, associations, lodges and fraternal orders have pooled parts of their endowment funds in our portfolio. A church, with more than a quarter-million dollars in our shares, is one of our largest shareholders. Yet the peculiar opportunity open to the man of modest means is illustrated by the fact that the holding of our average shareholder today is between three and four thousand dollars.

Observation of all these peculiar virtues and characteristics of an industry surely destined to take its greater and growing place in the national economy, directly alongside the mutual savings bank, the life insurance company and the professional fiduciary, gives me a solid sense of satisfaction in many respects.

Legal developments, such as an increasing adoption of the Prudent Man Rule, widespread enactment of legislation permitting Common Trust Funds, growing recognition of the power of prudent trustees to invest in suitable investment company shares, enactment of special statutes (like that which was enacted this year in New Hampshire) enabling savings banks to make carefully restricted purchases of this nature are a certain sign, moreover, that our law is surely moving to accord a proper place to this form of investment.

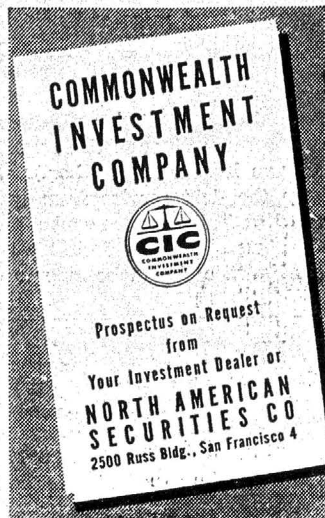
What is more, the investment company industry gives every sign of being adult and worthy of that place. It disciplined itself severely and voluntarily after the severe strain of the great depression and, speaking broadly, has steadily moved toward a more imaginative and statesmanlike attention to the public interest. If it can continue this careful and thoughtful process of continuous self-analysis and self-correction, it will certainly emerge as an outstanding segment of a prosperous national economy.

Now Benton M. Lee, Ficks & Tompane

PHOENIX, ARIZ.—The firm name of Benton M. Lee & Co., Security Building, members of the New York Stock Exchange, has been changed to Benton M. Lee, Ficks & Tompane. There has been no other change in the firm.

Frederick W. Young Opens

SCOTT CITY, KANS.—Frederick W. Young is engaging in the securities business from offices at 420 Main Street.



Russell McJury Joins Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, OREG.—Russell McJury has become associated

Russell McJury

with Dean Witter & Co., Equitable Building. Mr. McJury was formerly in the trading department of The First National Bank of Portland.

NASD District 13 Gets Nominees' Slate

The Nominating Committee of District No. 13 of the National Association of Securities Dealers, Inc., have made the following nominations for two governors and four committeemen whose terms will expire Jan. 15, 1950:

Board of Governors: Charles P. Cooley, Jr., Cooley & Co., Hartford, Conn., to succeed Wilbur G. Hoye, Chas. W. Scranton & Co., New Haven; W. Fenton Johnston, Smith, Barney & Co., New York City, to succeed T. Jerrold Bryce, Clark, Dodge & Co., New York City.

District Committee: George L. Austin, G. L. Austin & Co., Hartford, Conn., to succeed Charles P. Cooley, Jr.; Harry R. Amott, Amott, Baker & Co., New York City, to succeed W. Fenton Johnston; H. Warren Wilson, Union Securities Corp., New York City, to succeed R. Parker Kuhn, Kuhn, Loeb & Co.; William L. Canady, W. L. Canady & Co., Inc., New York City, to succeed Oliver J. Troster, Troster, Currie & Summers.

Members of the Nominating Committee were Walter F. Blaine, Goldman, Sachs & Co., Chairman; Louis H. Whitehead, Louis H. Whitehead & Co.; John J. O'Kane, Jr., John J. O'Kane, Jr., & Co.; Phillip W. Brown, Smith Barney & Co.; and Robert S. Morris, Robert S. Morris & Co., Hartford.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A government market which had been making new highs on not too substantial volume, was tipped over on larger "special situation" spot selling of longs by Federal, and because concern was expressed at Washington hearings over the yield and level of prices of Treasury obligations. . . . Prices were quoted down and although there was some legitimate selling of securities, a large part of the decline was of a professional nature. . . . The longer-term issues, which led the market rise, bore the brunt of the markdown, as was to be expected. . . . Some of the fluff has been removed by the setback. . . . Short-term rates have advanced slightly under Federal sponsorship. . . . The refunding announcement, which is expected shortly, will give the answer as to whether or not yields are to be increased. . . .

The tap bonds all gave ground as did the longest taxable eligibles, with the last four partially-exempts joining the parade later on. . . . Investors in a few instances were able nonetheless to make some favorable purchases, despite the thinness of the market, because it was reported not too many longs were available for sale, even with the dropping market. . . . More funds, however, are going temporarily into shorts because of the unsettled conditions. . . .

UPSETTING THE APPLE CART

The testimony before the Subcommittee on Monetary, Credit and Fiscal Policies of the Joint Committee on the Economic Report in Washington last week, especially the remarks of Marriner S. Eccles, member of the Board of Governors of the Federal Reserve System, helped to upset the government securities market. . . . Prices declined under not too much pressure and further irregularity might not be unexpected, while these hearings are being held. . . .

Warnings like that sounded by Mr. Eccles brought into the picture a different type of action since this was not the usual "open mouth operation" that the market has experienced in the past, because the latter has nearly always come from New York and not Washington. . . . Also there is generally more mystery connected with the so-called "open mouth operations." . . .

FUTURE PRICE TREND UNCERTAIN

Whether there will be higher interest rates or sizable selling of long-term securities by the Federal Reserve Banks to keep prices from going too high will depend upon the trend of business and the psychology of inflation which seems to have been brought to the forefront by the devaluation of foreign currencies. . . . It is believed in some quarters the psychological (inflation) factor will be most important in determining the future policies of the monetary authorities, as far as the money markets are concerned. . . . If the inflation fear is going to cause further maladjustments in the economic system there seems to be little doubt there will be action taken by the powers that be to remedy the situation. . . .

The government market had been run up because the supply was limited, with the Federal Reserve Banks offering practically nothing at all to prevent prices from going ahead. . . . Whether this policy of the money managers of allowing the market to make new highs on rather limited volume is the best for the money markets and business in general is open to considerable question. . . . There is no doubt, however, the lower yields for Treasuries have also pushed down yields of all other interest-bearing obligations, corporates as well as state and municipal issues. . . . This in turn has not had an adverse effect upon the offerings of non-government securities, which does not detract from the inflationary forces. . . .

TECHNICAL POSITION VULNERABLE

To be sure, the government market cannot continue to advance indefinitely and this level might be as good as any to call a halt to the rise. . . . In the not distant future many non-government obligations will be coming out and these will take care of a part of the demand which has been making prices of Treasury issues strong. . . . The purchases of pension funds, which have been among the important buyers of longer Treasuries, along with recently won pension benefits by labor, seem to have created a certain amount of forward buying, which has tended to aggravate a market which has been thin, particularly from the offering side. . . . Also, in an advancing market, selling naturally dries up because most sellers believe they will get higher prices for the issues which are to be liquidated. . . .

Although a good many of the recently acquired government obligations, especially the longs, went into strong hands, there was some buying for inventory and position purposes, which helped to make the market vulnerable for a set-back. . . .

REACTION DEEMED SALUTARY

Despite what has been said about interest rates and prices of government securities, no drastic change is looked for in money rates because of the heavy debt charges and need for future refundings by the Treasury. . . . There will most likely be no important alterations in the refunding patterns unless the inflation psychology worsens. . . . If this should result, it seems as though there will be higher certificate rates and longer-term higher coupon bonds will be offered despite the need to keep the debt service from going higher. . . . For the time being, a reaction in the government market could be healthy because it will take some of the less desirable type of buying out of it. . . . Investors likewise should be able to get needed issues at more favorable yields.

With Moors & Cabot

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Courtney F. Bird has joined the staff of Moors & Cabot, 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

Hanrahan & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, MASS.—James F. Phillips has become affiliated with Hanrahan and Co., 332 Main Street, members of the Boston Stock Exchange.

Purchasing Agents See Business Leveling Off

Survey of opinion, though optimistic, indicates general business in next two months will merely recover ground lost in August and September.

According to a composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Corporation, Division of Olin Industries,

Robert C. Swanton

Inc., New Haven, Conn.; the over-all conditions reported by purchasing executives for the month show no material trend changes from October. Production was slightly down; order books were 5% better; commodity prices steady with a tendency to advance, inventories and employment lower.

The tone of the reports is distinctly optimistic as Purchasing Agents find inventories and commitments have generally been held in balance with any reduced production schedules during the strike period.

While it is realized that steel may not be available for several months to build satisfactory inventories, it is the consensus of opinion that critical shortages will be over in January, and production, at that time, will cover current needs. The ready availability of other materials makes it possible and advisable to keep those commitments in balance with steel deliveries.

At the present time there is no indication that general business will resume the upward swing recorded in August and September; it will probably recover in the next two months the ground lost in October and November.

Commodity Prices

The price structure developed more strength in November, with a tendency to increase; 20% of the survey committee report higher prices, the largest number since August. Much of this is traceable to copper, lumber and textiles. Fabricated items continue strongly competitive.

Inventories

The inventory build-up reported in September and October was sharply reversed in November. Heavy consumption of steel stocks and cutbacks on deliveries of other materials to maintain balanced inventories are shown by the November Business Survey Reports. Of particular interest is the large number of companies reporting no major material adjustment problems, because of careful inventory control policies since the start of the business decline a year ago.

Buying Policy

Buying policy is very conservative, predominantly not over 90 days, with 82% reporting 60 days and under. With nearby deliveries available on most materials, except steel and aluminum, Purchasing Agents are holding forward commitments to producers' lead time and their own definite production schedules. This general policy, which has been in effect for several months, is reflected in the over-all healthy inventory position reported by most companies.

Employment

Employment reduction continued through the first half of November. With the break in the steel strike, a slow build-back of labor forces is indicated which is expected to run well into December. Christmas goods manufacturers have increased running time. Labor turnover is down to a minimum and productivity is increasing.

Specific Commodity Changes

Strength in current markets offers evidence that many of the anticipated lower price adjustments may be deferred for some time.

Showing increases were—Copper, brass and brass products, burlap, caustic soda, chlorine, animal fats, hides, lumber, cocoanut, Chinawood and tung oils, textiles.

On the down side—Antimony, electrical supplies, grains, fruits, kerosene, lead, menthol, linseed, cottonseed, edible oils, paint, petroleum, solvents, bar soaps, tin, zinc.

Canada

Canadian general business maintains a higher level than the United States, in November. Production increased over October. Back orders are up, though less than in the States. Commodity prices continued the uptrend but with a tendency to level off. Inventories are reduced, reversing the October trend, although running higher than in the United States. Employment is further off, reflecting seasonal declines. Buying policy is closing in, but still of longer range than in the United States.

NASD Governors OK Frear Bill in Principle

(Continued from page 11)

striction of margin privilege to listed securities is regarded as unjustifiable discrimination.

(3) The establishment of standards for delisting securities from exchanges where the record of trading has indicated that such securities are not susceptible of auction trading; and that some mechanism and procedure be established for a periodic review to determine which securities are subject to delisting.

The effect of this proposal would be to promote greater competition between listed and unlisted markets, and to properly promote marketability in its best aspects in each type of market.

It was the conclusion of the Committee that the best interests of the public and the investor would be served if the securities markets are made truly competitive along the lines suggested. The Committee also held that further study should be made to determine whether or not the figure stated in the Bill of $3,000,000 in gross assets and 300 stockholders is the proper dividing line between those corporations and securities subject to the Securities Exchange Act of 1934 and those not so subject.

The Board, while providing for appearances before the appropriate Congressional Committees in support of their position, stipulated that this course should be preceded by conferences with officials of registered stock exchanges in an endeavor to arrive at a solution of the problem of listing and delisting securities which could be supported by all segments of the investment banking and securities business in the interest of stockholders and investors.

Big Government Spending Inflationary!

By ALFRED H. WILLIAMS*

President, Federal Reserve Bank, Philadelphia

Prominent Reserve Bank executive, holding heavy government spending induced by zeal for social justice is making problem of inflation more difficult, warns it is impossible to expand output indefinitely, together with rising wages, by means of gifts and subsidies. Advocates substitution of general instrument of economic control for series of specific controls. Condemns dominating power of labor unions

I would like to make the general point that in my judgment the problems of economic instability are becoming increasingly difficult, and that the basic ground swells may well be inflationary. As I reflect and digest developments, it seems to me that in considerable measure these stem from a zeal for social justice. There are many observers who think of this as arising only in the United States. In my judgment, it is world-wide. Roughly, there are 65 sovereign powers on the planet, and I think a survey of these would indicate that the zeal is at work in almost every one of these groups. I suspect that at some future time, when a historian sits down to record the developments, he will think of this as the period in which the Zeitgeist, the spirit of the age, is one of getting a greater amount of what we may term social justice.

Alfred H. Williams

In the United States, that is taking the form of conscious efforts on the part of the state to achieve a larger measure of equity in every specific situation where trouble appears. It would be presumptuous for me to go into this in any detail. I take it that the experience of the members of the committee in specific provinces that fall within their assignments would furnish us all the material we need.

Attempting a Cure for Each Aggrieved Part of Economy

What we have is an attempt to give to each aggrieved part of the economy, to each claimant, a cure. We look at agriculture, at veterans' affairs, at housing, at local depressed areas. My native birthplace, a town in Pennsylvania, is added to the list as of this past week.

The danger is that we give to each and assume there shall be no losers. This, of course, is impossible unless we can expand output with each gift, and this in turn soon comes to an end because of the impossibility of indefinite expansion. The Germans have an adage that trees do not grow to the sky.

We tend to shore up the weak points as they appear rather than view the development of weakness as a process by which resources are redistributed.

I turn for a moment and contemplate the small business scene. Without taking the position that none of these claimants deserves all possible aid, I think of the philosophizing of a Danish economist, who says, "Thank God for the bankruptcies." By that he was thinking of the bankruptcy as a process by which individual enterprises are sloughed off and resources are redistributed. This is not to say that we ought not make every effort to see that, for example, a depressed area is given some aid; but we should raise the question as to whether we ought not to make an orderly transition from the type of economy that exists there to something that is more balanced and will not continue the difficulties that are occupying our current interest.

This zeal for social justice reflects itself also in the form of our efforts to obtain full employment with ever-rising wage rates. The postwar record is one of successive demands and pretty much of successive acquiescence.

A second force that is likely to make our economy more unstable is the changed character of economic action.

It seems to me that economic movements are more pronounced; they are more powerful; they are more unpredictable. Decisions are no longer made by large numbers of participants in the economic process, where you get the operation of the law of large numbers.

I referred a moment ago to the 65 sovereign powers. All of them are now entering into the actions of the market place. One gets by reason of state action—and for other reasons, too, of course—gyrations in all forms of economic activity. An example before us at the moment is the price of coffee.

Now, these are in some cases unpredictable because they grow out of political influences and not the give and take of the buyer and seller in an open market place. I am not saying we ought to return to the days of so-called free competition. I am discussing what seem to me to be realities at the moment in the light of achieving economic stability. This will bring us ultimately to the question of what we can do via fiscal policy, in the management of the public debt, and through the operations of the Federal Reserve System.

Changed Character of Economic Action

I would cite as a second illustration of the changed character of economic action what is happening in the field of collective bargaining. At the outset I would make the point that I am not against collective bargaining and that what I am about to say ought not to be construed as anti-union.

We have had a development in the labor movement which is of the utmost significance from the standpoint of wage rates, pensions, et cetera. I enter this field with some diffidence because of your professional interest and competence in the area, but as I read it, we had up to 1934 a relatively slow growth of trade unions. At that time there were 3,000,000 members. If one looks at the composition of the unions, we find for the most part they were the elite of the labor movement. The A. F. of L. and the Brotherhoods dominated the situation. The general public was not conscious of the results of their collective bargaining efforts.

But suddenly there came forth in 1934 and continued to grow a democratization of the labor movement. We brought in not only the craftsmen, the men with technical skills, but went down into the ranks of labor and organized those. Today we have not 3,000,000 members of trade unions, but 16,200,000.

Now, these new members differ from those that peopled these smaller unions. They have zeal for social justice. They set up demands; and because they are unskilled for the most part or have highly specialized skills, and for other reasons, we have the development of industry-wide bargaining. So, as a result of contractual negotiations, we have wage rates that cut right across an industry. If, as a result of strong bargaining, a leader in one industry achieves a wage increase, perforce the leader in every other industry must get it too. He must bring the bacon home to his men. You have here a force that is very pervasive. One contract permeates until it soon influences an entire industry, and that industry influences the others. If a mistake is made in the initial contract, it is transmitted to others and becomes a major mistake for the whole economy.

There is a witticism concerning Nazi Germany to the effect that it was so well organized that it could make only major mistakes. In a sense that conveys something of the thing I am trying to put across at the moment.

Another aspect of these major factors making for economic instability is the fact that this country has been catapulted into a position of world leadership by virtue of a long chain of events that need not be analyzed here.

It seems to me that this position of world leadership and responsibilities which are attached to it reinforce the drive to see that we shall not fail, because of the consequences of any untoward domestic action on us in the international scene. This tends to make us less flexible, less willing to suffer defeat on one front because we fear it may go to others.

I am leading to the conclusion that we must redouble our efforts to achieve stability and to achieve it under conditions of high levels of employment and production and at reasonably stable prices. This, in the minds of able students, is the only way in which, in the long run, you are going to be able to achieve social justice.

The problems are not only complex, they are on the increase. The stakes are larger.

Best Way to Achieve Stability

The question is: How do you achieve this stability? Broadly speaking, there are two ways in which it can be achieved. One is by a series of specific controls and the other is by attempting to get some general influences that will be impartial, that will be pervasive.

To select the former route is to begin to go down a road where one control leads to another. I suspect that the British Labor Government finds itself in a position where it cannot very well go back and, therefore, is going on, perhaps very reluctantly.

This background focuses attention upon the role of the Congress, of the Treasury, and of the Federal Reserve System in this drama, if I may use the term, the social drama that I am attempting here to sketch.

I consider first the role of the Congress in fiscal policy. Here again I may be presumptuous in bringing up the question. I do so only because it is such an essential part of it.

The role of fiscal policy in economic stability is one that in broad outline is easily handled by students of the subject under the general term of compensatory fiscal policy.

The government achieves economic balance by putting funds in and taking them out of the spending stream. Question is raised as to how frequently you must be in balance. There are several schools of thought with respect to it. Do you attempt to achieve it annually? Do you attempt to achieve it over a longer period of time? Theoretically, the scholars say you achieve it over a longer period than a year. These economic recessions and swells do not occur according to the calendar.

When you turn to compensatory fiscal policy, in practice, you step out of the closet into the world of men who are sensitive to political values—and I do not use that invidiously. I mean congressmen are locally elected, and I may say re-elected or rejected; and that influences their actions.

In 1948 we had tax cuts which increased the money available for spending by $5 billion. There were probably many considerations which led to the action, but the chances are that not many of them centered around—let me put it this way: there were some that did not center around the question of achieving economic balance. I am not saying this critically, because there are a great many limitations to the effectiveness of the role that Congress can play in this question of achieving economic balance, and I hope if I am in error here that you will set me right.

To be successful, there must be some fairly accurate predictions, sometimes far in advance, because the economic effects of Congressional action may be delayed for a considerable time. Fiscal policy as carried out by Congress is not a flexible tool. You cannot change tax and expenditure policies quickly.

Also, as important as anything, when the decisions are made, frequently the aggregates are not in view. By focusing attention on one aspect, particularly if a person is politically motivated, you get a total result which you would not accept if you knew in advance that it was coming. You do not get the discipline that frequently arises in other fields of action, notably business, where the penalties are pretty direct and pretty immediate and pretty close at hand.

I think that the most we can hope for in the consideration of what Congress can do in this whole area—that is, fiscal policy—is that it will not seriously aggravate the problem. That is a pretty mild statement.

At the same time, the effects of fiscal policies are large and growing. For example, during the 'twenties Federal governmental expenditures were in the magnitude of $5 billion, compared to a gross national product of $90 billion. Today we have $40 billion of governmental expenditures and gross national product of $250 billion.

Now, the government can waste resources just as readily as can the individual citizen or the business enterprise. I think it would be helpful if we were constantly reminding ourselves that the responsibilities that are set forth broadly in the Employment Act of 1946 contain implied responsibilities for Congress as well as for the Treasury Department or the Federal Reserve System. It involves the art as well as the economics of government and, I think, deserves the fullest possible attention.

*Extract from testimony of Mr. Williams before subcommittee on Monetary Credit and Fiscal Policies of the Joint Congressional Committee on the Economic Report; Washington, D. C., Nov. 16, 1949.

Shaskan & Co. Opens Local New York Office

Shaskan & Co., members of the New York Stock Exchange, and located at 40 Exchange Place, New York City, announce the opening of a new branch office at 100 Second Avenue, New York City. The office will be under the supervision of Henry D. Shuldiner, resident partner, and will be managed by David Adelman and Bernard Daniels.

Melton Arnett Joins Lentz, Newton & Co.

SAN ANTONIO, TEX.—Melton B. Arnett, Sr., is now associated with Lentz, Newton & Co., Alamo National Building, as manager of the municipal department. Mr. Arnett was formerly with Halsey, Stuart & Co. and Blair & Co. and conducted his own firm, M. B. Arnett Co.

George L. White With Bache & Co., Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George L. White has become associated with Bache & Co., 135 South La Salle Street. He was formerly with Hicks & Price and prior thereto conducted his own investment business in Chicago.

F. W. Roe Opens

TEXARKANA, TEX. — Frank W. Roe is engaging in a securities business from offices at 1122 Hazel Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Dividend action by major fire, casualty and life companies continues to dominate the current news concerning investments in insurance shares.

Two weeks ago The Continental Insurance Company and the Fidelity-Phenix Fire Insurance Company, the two principal companies of the America Fore Group, announced their intention, subject to approval by the stockholders and the Superintendent of Insurance, of paying stock dividends. In the case of Continental the payment would be 25% while Fidelity-Phenix would pay 33⅓%.

Capital of Continental would be increased from $20,000,000 to $25,000,000 by a transfer of $5,000,000 from surplus to capital. Fidelity-Phenix would transfer a similar amount from surplus increasing its present capital of $15,000,000 to $20,000,000. In both cases the $5,000,000 additional capital would be the amount distributed to shareholders in the form of a stock dividend. Total shares outstanding would be increased to 2,500,000 of $10 par value for Continental and 2,000,000 of $10 par value for Fidelity-Phenix.

There was no indication given at the time of the recent announcement as to the cash dividend policy to be followed after the stock dividend is paid. A number of the other large fire insurance companies which have declared stock dividends have indicated they would continue to pay the same cash amount on the larger number of shares. Both Continental and Fidelity-Phenix will meet the latter part of December for the dividend to be paid in January. However, as the increase in capital will not be voted upon until the annual meeting in February, and not paid until March, the new dividend policy may not be announced for some time.

On a historical basis the level of investment income has been one of the primary determinants of dividend policy and it is in this connection that the following figures are presented. Consolidated investment income on the basis of the present capitalization and adjusted for the proposed increase in shares is shown for each of the past eight years for the two companies, together with an estimate for the current year, 1949.

	Investment Income Per Share			
	Continental		Fidelity-Phenix	
	Present Capital	Increased Capital	Present Capital	Increased Capital
1949 (Est.)	$4.50	$3.60	$5.00	$3.75
1948	4.13	3.30	4.64	3.48
1947	3.61	2.89	4.18	3.14
1946	3.07	2.46	3.55	2.66
1945	2.85	2.28	3.22	2.41
1944	2.71	2.17	3.09	2.32
1943	2.53	2.02	2.91	2.18
1942	2.53	2.02	2.36	2.14
1941	2.56	2.05	2.89	2.17

Investment income this year should show a moderate increase over 1948. A larger volume of investment funds and higher dividends on common stockholdings will aid both companies. In the first six months of the current period on a non-consolidated basis, Continental showed an increase of 12.6% in investment income over the comparable period of 1948. Fidelity-Phenix for the same period showed a gain of 10.6%. Thus for the full year a gain in investment income of around 10% in each case would seem to be logical.

The current dividend rate on Continental is 50 cents quarterly plus an extra of 20 cents for a total payment of $2.20. The current dividend amounts to approximately 49% of the estimated investment income for the year 1949. If the present cash dividend were continued after the payment of the 25% stock dividend, it would amount to about 61% of the expected investment income of $3.60 on an adjusted basis.

For Fidelity-Phenix the current dividend rate is 50 cents quarterly plus an extra of 40 cents for a total disbursement of $2.40, 20 cents more than Continental. The current payment amounts to about 48% of investment income estimated for 1949. If the current cash dividend were continued after the payment of 33⅓% in stock, it would amount to approximately 64% of the investment income expected for the current year of around $3.75 on the increased number of shares.

In both cases the payment of between 60%-70% of investment earnings would seem to be a reasonable expectation. Inasmuch as the stock dividend proposed by Fidelity-Phenix was higher than that of Continental, there is some basis for expecting that the cash dividend established on the two stocks next year may be equal. After adjusting the investment income to the increased capital the per share results for the two companies vary by only a few cents each year.

Joins Otis & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, KY. — John F. Eisenbeis has become associated with Otis & Co., Terminal Tower, Cleveland, Ohio.

Arthur Goodwin With Shields & Co.

HOUSTON, TEX.—Arthur E. Goodwin has become associated with Shields & Co., Gulf Building, as manager of the municipal department. He was formerly with Russ & Co. of San Antonio and prior thereto for five years was Quartermaster Property Officer.

Paul A. Peeples Opens

NEWPORT NEWS, VA.—Paul A. Peeples has opened offices in the First National Bank Building to engage in the securities business. He was formerly with R. S. Dickson & Co., Lord, Abbett & Co. and Pioneer Enterprises, Inc.

Present Tax Structure Throttles Small Business!

(Continued from page 9)

and Electric Company successfully sold a $3,000,000 2⅝% bond issue which the bankers recently offered to the public above par. This issue had an AA rating, one grade below the highest rating. General Electric Co., Westinghouse Electric Corp. and General Motors Corp. recently repaid loans not maturing for some years, in the respective amounts of $25,000,000, $20,000,000 and $125,000,000. The problem of investment outlets for financial institutions' funds has been pointed up again. Whether life insurance companies should be permitted to buy common stocks more extensively is a controversial topic. I know there is a great divergence of opinion among life insurance companies' executives who have studied the problem. Investment in common stocks would be a drastic change and is not a step to be taken lightly.

Need More Individual Investment

I offer this thought to the Committee. If a reasonable part of the funds now seeking shelter in financial institutions moved over to ownership investment by individuals, the problem would tend to disappear. If present rates and methods of taxation did not stand in the way, companies would have the benefit of a larger flow of ownership funds at lower rates. Correspondingly, incentive of companies to borrow on the one hand, and of financial institutions to bid up the price and depress the yield of bonds, would be lessened. In our kind of economy it should not be necessary to engage in serious discussion of a runaway bond market when common stocks of sound companies show a high return. The difference between common stock and bond yields is still extraordinarily great. The average yield on 200 common stocks at the end of October was 6.1% compared with 2.9% on an index of corporate bonds, and top grade corporate bonds yield only about 2.7%. These stock yields are representative of the market but not of the price of ownership funds in the economy; the list includes the highest grade common stocks of the strongest nationally known enterprises in the United States.

The whole economic machine made up of all corporations in all types of industry used about $102,000 000,000 of new money in the years 1940 to 1948. Out of this total, retained corporate earnings amounted to $62,000,000,000. The second largest source of funds, creation of corporate debt, was much smaller and amounted to $35,000,000.000. Together the money raised by the sale of debt securities and through other loans, plus the re-investment of earnings, amounted to $97,000,000 000 out of the total of $102,000,000,000. Preferred stock issues accounted for $2,600,000,000. Finally, proceeds from the sale of common stocks provided only $2,400,000,000 in this entire period, or barely more than 2% of all the funds used.

To rely on retained earnings of corporations on the scale of recent years is likely to be a major blunder. Retained earnings fluctuate very rapidly. As a result of the moderate decline in earnings of corporations this year, which leaves the aggregate at the respectable rate of around $15,000,000,000 annually retained earnings are now at the rate of only a little more than $6.000,000,000, against more than $13,000,000,000 in 1948.

On the present volume of saving, to double the amount of funds going into common stock representing new money would require only a moderate change. This year new money common stock issues are unlikely to exceed $1,000,000,000 to $1,200,000,000. The larger figure is less than 8% of personal savings for the year, estimated at around $16,000,000,000 and less than 10% of the annual rate in the third quarter. Savings of individuals going into all corporate securities, bonds, preferred stocks and common stocks are at the rate of less than $2,000,000,000 annually.

I submit that these figures and the present rate of earnings retained by American corporations will not support an expanding economy or even the current rate of business investment. The rate of business investment I am told by Washington economists almost without exception is the X-quantity in the economic outlook, more specifically in maintaining employment, let alone the absorption of the 700,000 yearly accretion to the net labor force.

Eliminate Unjust Taxation

I am more convinced than ever before—if that is possible—of the imperative need of making a start toward elimination of the unjust double taxation of dividend income and, also, of revising the treatment of capital gains and losses.

Capital gains taxation violates a deep-seated feeling on the part of the taxpayer that there is a fundamental distinction between occasional realized gains and income derived more or less regularly from wages, salaries or capital assets. As this form of taxation has been part of the tax structure for almost 30 years, entire elimination of capital gains taxation is too much to expect. Proper changes would help to reduce the degree to which the present tax is an embodiment of the spirit in the phrase "heads I win, tails you lose." I cannot emphasize too much the restrictive effects of the present taxes on capital gains. They are making it almost impossible to obtain a foothold in the economy, except for those who are born in unusually fortunate circumstances. Capital gains taxation does not help to establish those who display ability and energy.

Let me add that a moderate dividend credit is open to some criticism because it is only a token in reality, but I am relying on the psychological factor that is involved. I believe enactment of a dividend credit would be regarded as a promise of a fairer deal for American risk-takers at the earliest moment the Congress is not constricted by Treasury needs. It is significant that Canada has already made a beginning in the reduction of double taxation of corporate earnings by allowing shareholders resident in Canada an income tax credit equal to 10% of the dividends they receive on shares of Canadian corporations, at the same time reducing the rate of tax on the first $10,000 of corporate profits to 10%. The dividend credit, which applied originally only to common shares, has been extended to income from dividends on holdings of preferred stocks. Mr. Douglas Abbott, Canadian Minister of Finance, in an address made last week declared that this step, coupled with other measures involving a bold program of tax relief, were responsible for the fact that Canada is enjoying the "only undiminished boom left in the world." We should not lose the opportunity to benefit from the experience of our neighbor to the north, where changes in the tax structure in the interest of incentive have proved invaluable in expanding employment, thus proving again that a reduction at strategic points in the tax system need not necessarily be followed by a loss of revenues.

Mr. Chairman and members of the Committee, we are in the midst of a great economic revolution which, in my judgment, will extend industrial progress beyond the dreams of the most optimistic, unless it is throttled by shortsighted tax policy. The financial position of American industry on the whole is sound, but is in danger of becoming an inverted pyramid with too heavy a debt structure if recent financial tendencies persist. One alternative—a sorry one—would be a sharp cut-back in expenditures on plant and equipment with a correspondingly sharp increase in the number of unemployed. The alternative I propose is the use of strategic revisions in Federal taxes that could be made now, with slight or no loss of revenue, to spark the economy and set off a new period of sound; solid expansion.

Constance E. Brouillet With Daniel F. Rice & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Constance E. Brouillet has become associated

C. E. Brouillet

with Daniel F. Rice and Co., Ingraham Building. Miss Brouillet was formerly with Curlette & Co. and Atwill & Co.

Securities Corp. of Iowa

CEDAR RAPIDS, IOWA—Securities Corporation of Iowa has been formed with offices in the Merchants National Bank Building to engage in an investment business. Principals are Clyde R. Sanborn and William P. Whipple. Associated with the firm is Russell F. Knapp, formerly with Knapp & Johnson.

COMING EVENTS

In Investment Field

Dec. 2, 1949 (New York City)
Security Traders Association of New York Annual Election Meeting.

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

Dec. 6, 1949 (Detroit, Mich.)
Securities Traders Association of Detroit and Michigan annual fall party at Prince Edward Hotel, Windsor, Ontario.

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

Dec. 14, 1949 (New York City)
Annual Meeting and Election of the Investment Association of New York.

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.

Railroad Securities

Southern Pacific

Southern Pacific stock has been giving a good account of itself recently. Presumably this reflects increasing investor confidence in the fundamental operating and earnings status of the properties. This resurgence of optimism toward one of industry's largest units certainly appears fully justified on the basis of earnings reports since the mid-year. It is believed in many quarters that this recent operating improvement stems largely from the new program of dieselization. Prior to this year the road had continued to cling to its steam power.

Following the war, many railroad analysts had begun to feel some concern as to the road's future because of its apparent inability to get operating costs under control. In the first postwar year, 1946, the company would not even have covered bare operating expenses had it not been for the large Federal income tax credit. There was some improvement in 1947 but last year, contrary to the general experience, the transportation ratio again rose. At 41.0% it was appreciably above the industry average of 39.5%. To a considerable degree it was felt that this showing could be attributed to unduly high fuel costs. If the condition could not be corrected, it boded ill for earnings under more nearly normal general business conditions.

In the current year the company got off to a particularly poor start. This was, of course, attributable to the unusually severe weather conditions prevailing throughout most of the Western section of the country. Many lines were tied up almost completely for weeks at a time. The transportation ratio for this first quarter soared another 3.6% in the face of a modest reduction for the industry as a whole. April and May witnessed some modest relative improvement but it was not until June that any real decline in this important ratio was noted. Since then, and through October, the road's performance has been uniformly gratifying.

The October report, released last week, was particularly impressive. For the month the road reported a drop of $5,734,767 in gross revenue, to $46,982,219. This entire drop in gross was offset by the cut in operating costs. Part of the expense cut was due to lower accruals for maintenance of equipment but by far the major factor was the lower transportation costs. Transportation expenses were reduced by $4,423,238 and the ratio was down from 39.7% in October, 1948 to 36.8% this year. Taxes were somewhat lower than a year earlier and there was a modest reduction in the net debit for hire of equipment.

With a drop of more than 10% in gross revenues during the month the company was able to realize a modest increase of $465,567 in net operating income. Net operating income of $4,539,823 was higher than in any of the preceding five years with the exception of 1945. It was only $207,557 below the 1945 month. The recent improvement in operating results has naturally not been of sufficient scope to offset the particularly poor first quarter. Nevertheless, for the full 10 months share earnings are indicated at close to $7.00 a share. For the year 1949 it is possible that results may be around $9.00. Obviously this affords adequate protection for the $5.00 dividend which affords a return of better than 11%.

In the near-term future it is likely that highly favorable year-to-year earnings comparisons may further stimulate the renewed confidence toward this road. It is reasonable to expect that early 1950 months will not see a repetition of the unprecedented storms and the low temperatures of last year. Augmented by the indicated improvement in basic efficiency, then, the road should be doing far better at least in the first quarter of 1950 than it did a year earlier. From a long-term standpoint, the growth characteristics of the territory are highly favorable.

Counsels of Perfection

"Democracy will work for the free peoples of the world when their economy becomes one competitive economy instead of being divided as it now is into as many separate and distinct economies as there are nations. The political union of the free peoples of the world, similar to the Federal Union formed by our thirteen colonies in 1787, is necessary to accomplish these ends.

William L. Clayton

"This union would embrace such an overwhelming proportion of the world's political, military, material and spiritual resources and would be so prosperous that no nation or group of nations would dare attack it."—Will L. Clayton, formerly Under-Secretary of State.

Extreme nationalism in economics has for long centuries been a plague which mankind insists upon inflicting upon itself. Causes doubtless have their origin in other facets of human nature. In any event, however, there seems to be little likelihood of radical departures from the past in these matters.

It may be questioned whether any particularly good end can be served by such counsels of perfection as Mr. Clayton (and some others) are fond of placing before the world.

Knife-in-the-Back Taxation

By THOMAS I. PARKINSON*

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

Mr. Parkinson attacks proposal to levy a retroactive income tax on insurance companies covering years 1947, 1948 and 1949. Says levy would be a direct tax on property and therefore is unconstitutional, unless apportioned among the states on basis of population.

Continued spending by our Federal Government forces the Treasury to seek new and larger taxes. That is the problem of most modern governments because most modern governments are on a spending spree. In this search for additional tax revenues, our fiscal officials are apt to forget long - established rules intended to preserve reasonableness in taxation. One of these rules which has become a tradition in our Congressional tax laws is that retroactive taxes are always unreasonable and sometimes invalid.

T. I. Parkinson

When we speak of reasonableness of taxes, we do not forget that Chief Justice Marshall once said, "The power to tax is the power to destroy." He said that, however, not to justify destruction of property through taxation, but rather as a warning against unreasonable and oppressive taxation.

It should also not be forgotten that the Supreme Court has many times condemned statutes imposing taxes that were "arbitrarily retroactive" as being in clear violation of due process of law.

At the moment, a Subcommittee of the Ways and Means Committee of our House of Representatives, after a brief hearing, has announced that it will recommend to the Ways and Means Committee in January a change in the Federal income tax law as applied to life insurance which will levy upon the life companies taxes for the years 1947, 1948 and 1949 which were not provided by the tax laws in force during those years. That is retroactive taxation.

The books of the life companies for all three years will have been closed by the time Congress gets around to the enactment of the proposed new law. Dividends will have been determined and, in most instances, paid out. The reserves and other factors of a life company's accounts will have been determined and set up, and surplus will have been set aside.

That which was "income", in 1947 and 1948 especially, will have become "property"; and when income becomes property taxes can not, under our Constitutional provisions, be levied on that property unless they are apportioned among the states in accordance with population. That is the direct prohibition of our Constitution relieved only by the Thirteenth Amendment which permits income taxes to be levied without apportionment. But the Amendment refers only to "income taxes" and, as we have just said, when income passes into the general property of the taxpayer, it is no longer income; and it can not be taxed except by apportionment. At least this is what we had come to believe was the meaning and effect of our Constitutional provisions relating to taxation.

Now, hard-pressed for revenues, the Treasury has sought ways and means of adding to the taxes paid by life insurance companies. It is true that for the past few years the income tax laws applicable to the life companies did not return much tax to the Treasury, but that was because the monetary policies of the Treasury had so decreased interest rates that the life insurance companies simply did not have taxable income. What income they had was needed to accumulate the reserves which their policies require them to accumulate annually in order to meet their obligations to their policyholders. To suggest that because the existing laws did not obtain sufficient taxes from the life companies during the past few years those laws should now be changed, not only for the future but for the last three years, is simply adding insult to injury—insult and injury not to the companies but to their policyholders.

The Treasury, by its own policies, indirectly taxed the life companies by keeping interest rates so that the companies had no taxable income; and because they had no taxable income, the Treasury now proposes to tax them on a different basis not merely for the future but for the past as well. That is retroactive taxation. It is certainly unreasonable, without precedent, and probably invalid.

It is significant, as the late Chief Justice Stone once said, that, "in the entire one hundred and forty years of its history, the only taxes held condemned by the Fifth Amendment were those deemed to be arbitrarily retroactive."

There is still time for the Subcommittee to change its announced intention to recommend such a tax; and, of course, there is still time for the Ways and Means Committee, or for the full House, or for the Senate, to disapprove of this unprecedented retroactive taxation.

What is proposed is unprecedented, and ought to be a shock to all taxpayers. If life insurance can be taxed now on the business results of 1947, so can the automobile companies. Indeed, what is to prevent an excess profits tax on all corporations for 1947 and 1948 because that tax was not levied in those years and the Treasury needs the money?

In the past there has been no occasion where income taxes have been increased for any year after the time when the taxes for that year were payable under the laws existing during that year. There have been occasions when the tax committees of Congress have inserted in tax legislation while it was being debated in Congress provisions that a tax levied would go back to the time when the bill levying the tax was first introduced into the Congress. There have been other occasions, many of them, when the tax levied went back to the beginning of the year in which the tax law was enacted.

Indeed, the 1918 Revenue Law which was not enacted until February of 1919 provided that its tax provisions should cover all income from Jan. 1, 1918. This writer participated in drafting that tax bill and remembers very distinctly that what seemed to be retroactive was justified at the time on the ground that taxpayers did not make their returns and pay their taxes for 1918 until March 15, 1919. Therefore, the tax enacted in the middle of February simply replaced, for reporting and fixing income taxes for 1918, the law which had been previously in force. It did not go back of return days and payment dates and require a reopening of accounts and increases in the tax payable.

Admittedly, the continued spending by our Federal Government makes the Treasury's tax problem difficult, but the total budget of spending exceeds forty billion dollars and the amount which the retroactive tax gatherers of the Sub-committee propose to impose on the life companies for the years 1947 and 1948 totals something less than thirty million dollars. In order to get its hands on that amount, the Treasury asks the people of the United States to surrender their protection from retroactive taxation.

*Statement by Mr. Parkinson released by Continental Press Syndicate, Bright Waters, N. Y.

Emanuel, Deetjen Co. Admits Heinz H. Biel

Heinz H. Biel has been admitted as a general partner in the firm of Emanuel, Deetjen & Co., 120 Broadway, New York City, members of the New York Stock Exchange, effective today, Dec. 1, 1949. For the past 12 years Dr. Biel has been associated with the firm of Laird, Bissell & Meeds, as economist, in charge of investment research. During World War II he served in the military intelligence branch of the United States Army.

Heinz H. Biel

Canadian Securities

By WILLIAM J. McKAY

Recent events demonstrate that U. S. interest in Canada's enormous wealth of undeveloped natural resources is at an unparalleled high level. Dwindling domestic reserves of essential industrial requirements have spurred the quest in recent years for alternative foreign sources of supply. No other country is as well situated to fill the breach as the neighbor to the North. Canada is not only in a position to meet U. S. deficiencies in reserves of many vital commodities, but is also ideally placed with respect to low cost transport. Moreover the exploitation of such resources provides reciprocal benefits as the Dominion at the present stage of development is dependent on foreign capital for full development of its natural wealth which otherwise would lie largely dormant.

The potentialities of Alberta oil are now fully appreciated. All the major U. S. oil companies are already embarked on ambitious production programs. Although it has been necessary recently to dispel over-optimistic opinions to the effect that the oil-pools of Alberta are comparable to those of Texas, it is nevertheless confidently predicted that they will supply all Canadian domestic needs by 1960. For the moment, however, it is possible that there will be a certain lull in activity in order to permit the construction of storage facilities, pipelines, and refineries that are necessary to cope with the rush of new production. Furthermore, climatic conditions, especially in view of the extension of exploration to more northerly latitudes, will preclude winter-time activity on the scale that prevailed during the summer months.

Another Canadian resource that is now in course of exploitation by U. S. commercial interests is titanium. In this case actual production is not expected to commence until 1951. At that time, however, the Quebec Iron and Titanium Corporation, which is 67% owned by the Kennecott Copper and 33% by the New Jersey Zinc Company, expect to start operations on the estimated 125 million tons of ilmenite deposits at their property in the province of Quebec.

Although ranking high in the long list of recent Canadian economic developments, the Alberta oil and Quebec titanium discoveries are likely to be surpassed as a result of the exploitation of the vast Quebec and Labrador iron-ore deposits. It has just been announced that a new $170 million firm, the Iron Ore Company of Canada, will be formed as the next step in the direction of actual production. Considerable exploratory work has already been done by the Labrador Mining and Exploration Co. and the Hollinger North Shore Exploration Co., both of which are controlled by Hollinger Consolidated Gold Mines. These Canadian companies will be participants in the expanded enterprise but the bulk of the capital of the new Iron Ore Co., of Canada will be furnished by the Republic Steel Corporation, Armco Steel Corporation, National Steel Corporation, Youngstown Sheet and Tube Co., and the Hanna Coal and Ore Corporation from the United States. As in the case of the titanium venture, it is not expected that actual ore extraction will commence before 1951.

Thus in the next few years these extremely important Canadian ventures will reach their fruition stage and will play a large part in placing Canadian economy in better balance. This assurance of greater future stability consequently should permit a bolder approach to the solution of the immediate difficult economic problems. There is now ample confirmation of the view that the northward flow of U. S. investment funds will eventually adequately offset the chronic Canadian deficit in trade with this country. Consequently there would now be little risk involved in lifting all the restrictions that currently impede the entirely free movement of capital funds and trade across the northern border. In the event of the establishment of a single rate of exchange for the Canadian dollar any undue decline of the exchange resulting from commercial operations would be ultimately precluded by an accentuated demand for investment purposes.

During the week, apart from slight activity in Alberta bonds, the external section of the market remained at a virtual standstill. In the internal section there was an almost complete absence of business but prices were shaded in sympathy with the continued weakness of free funds. In the absence of investor interest at the current level the market for internal bonds appears highly vulnerable and liquidation on any important scale could produce a severe decline. The corporate-arbitrage rate on the other hand strengthened to 14% from its recent low level of 15½%. Stocks continued to slide from the peak levels attained during the past month led by the golds and base-metal groups but the Western oils showed a tendency to resist the general downward trend.

Minneapolis Assoc. Add

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Minneapolis Associates, Inc., Rand Tower, have added to their staff Iver Amundsen, Jr., Morris F. Bailey, Charles H. Davidson, George A. Flynn, George E. Gjertsen, Paul J. Hodgdon, and Albert M. Sheldon.

Joins King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — George S. Bangert, Jr. is with King Merritt & Co., Inc., 408 Olive Street. He was previously with Waddell & Reed.

The Menace of Investment Curbs

By THOMAS P. O'CONNOR*

Barrister & Solicitor, Toronto, Ont., Canada

Former Chief Counsel of Ontario Securities Commission, asserting securities business is most highly regulated of any business in our modern economy, describes development of securities regulation in U. S. and Canada. Says efforts to raise venture capital in U. S. for Canadian projects are strangled in web of restrictive and discriminative legislation by both Federal Government and States and delays and expenses are prohibitive.

My experience with the securities business has been somewhat restricted. It was first as a Civil Servant in an administrative and prosecuting role and more recently in an advisory and defending capacity. Never has it been in the more lucrative promotional and selling field. Any of you who are concerned in the securities business, either as brokers, dealers, promoters, or even as directors of company, and have sought public assistance in financing an enterprise, will realize that it is undoubtedly the most highly regulated of any business in our modern economy. The severest critics of our numerous regulatory bodies, who in most cases are the unscrupulous promoters, contend that the present numerous regulations restrict free enterprise as should be allowed in a true democracy. My answer to such people is that the restrictive legislation as we now have it was self-inflicted. The Securities and Exchange Act of the United States, which was enacted in 1933 as a Federal statute regulating the sale of securities and the operation of stock exchanges, and the Securities and Exchange Commission, the body administering the Act, came into being as a result of a national protest against the financial misbehavior during the 1920s which behavior culminated in the 1929 crash.

The most recent legislation in our own province, with which I shall deal more fully later, resulted from the speculative orgy and the resultant frauds which followed our "drill hole" market in the early 1940s.

But if we look back into history we find that fraudulent stock promotion is not a modern invention. You will all remember from your history in primary schools the "South Sea Bubble." The South Sea Company was granted a charter in 1711. Recklessness, fraud and deception permeated the management. Financially and politically, men of leading reputation became involved. There was unscrupulous manipulation by insiders and outsiders who were not adverse to sharing in ill-founded profits. Such activity in the South Sea Company resulted in a frenzy of promotion of speculative companies of all kinds and manipulation of markets and generally speaking a defrauded and penniless public until finally there was enacted the first "blue sky law," the Bubble Act passed on the 11th day of June, 1720.

In the United States the modern blue sky laws date back to 1911 with the State of Kansas, followed by every State in the Union in some form or another with the exception of Nevada. In the United States it was found that the various State laws did not protect the public in one State from the promoter in another in the facing of extradition and other related problems. The result was a Federal Securities Act in 1933 following the Senate Banking and Currency Committee investigations under Ferdinand Pecora which were brought about by the violence of the 1929 market crash.

This most important, and much criticized piece of legislation, was accompanied by a message to Congress by the late President Roosevelt as follows:

"In spite of many State statutes the public in the past has sustained severe losses through practices neither ethical nor honest on the part of many persons and corporations selling securities.

"Of course, the Federal Government cannot and should not take any action which might be construed as approving or guaranteeing that newly issued securities are sound in the sense that their value will be maintained or that the properties which they represent will earn profit.

"There is, however, an obligation upon us to insist that every issue of new securities to be sold in interstate commerce shall be accompanied by full publicity and information, and that no essentially important element attending the issue shall be concealed from the buying public.

"This proposal adds to the ancient rule of *caveat emptor,* the further doctrine 'let the seller also beware.' It puts the burden of telling the whole truth on the seller. It should give impetus to honest dealing in securities and thereby bring back public confidence.

"The purpose of the legislation I suggest is to protect the public with the least possible interference to honest business."

The first securities legislation in Ontario was introduced in 1928 and the first Ontario Securities Commissioner was Colonel George Drew. It was during his regime that the famous trials of the bucket shop operators were conducted.

A completely new statute was passed in 1945 during the Chairmanship of the Hon. C. P. McTague, and a further new Act was passed in 1947, under which we now operate. The present Ontario Act, which I consider the most advanced in Canada and far superior to the American State blue sky laws, is like the United States Federal statute, primarily what is called a full disclosure statute. The basic philosophy behind our legislation is, to paraphrase Mr. Roosevelt's remarks, is simply this—before selling a security to John Public give him all the material information regarding the security, then if he gets stung he has only himself to blame.

Our Act provides for a three-man Commission; the present Chairman is O. E. Lennox, K.C., former Master of the Supreme Court of Ontario; one Commissioner is Dr. H. C. Rickaby, Deputy Minister of Mines, and the other, A. S. Marriott, K.C., Present Master of the Supreme Court. The Chairman's position is a full-time one. His staff includes a legal staff of four, an investigation department of six, an audit department of six and the registration branch.

No securities may be sold in Ontario except by a licensed salesman, broker, broker-dealer or investment dealer. No securities may be sold until complete information, as required by the Securities Act, is filed with the Commission in the form of a prospectus. No payment for the purchase of a security may be accepted until a prospectus has been delivered to the prospective purchaser. There are some exceptions to the last statement insofar as securities listed on the Stock Exchange and securities not being distributed in the course of primary distribution are concerned. The information required before a prospectus will be accepted for filing is extensive and detailed, but if a potential purchaser would sit down, read and study the prospectus, there is no reason why he should afterwards be heard to complain that he did not realize what he was buying.

However, in spite of the stringent requirements before a security may be sold in this province, we are still a long way from having completely eliminated fraud and unfair practices. Our Commission has been given very broad powers of investigation and these powers are being fully exercised daily. When the three-man Commission was set up in 1946, it was charged with the duty of reviewing all registrations then in effect. As a result, the licenses of many brokers and salesmen were revoked on the basis that it was, in the opinion of the Commission, against public interest to continue the registrations.

The investigation procedure laid down in our Act provides for the appointment of a Commission employee, usually a solicitor, by the Attorney General, to conduct the investigation. The person appointed is given all the powers of a Supreme Court Judge to compel the attendance of witnesses, administer oaths, seize documents, books and records, etc. Witnesses and persons being investigated are allowed to be represented by counsel. The evidence is given in the presence of a court reported and is transcribed. If, as a result of the investigation, a prosecution follows, the evidence which the accused has been compelled to give during the investigation is not used as a part of the Crown's case at the trial. It may, however, be used upon cross-examination of the accused at his trial.

You will realize that this procedure is a great departure from that normally used in police investigations. As you know, a person suspected of a crime is under no obligation to give any information to the police either before or after he is charged, whereas during a Commission investigation a suspect may be subpoenaed, placed under oath and, in effect, compelled to say whether or not be is guilty. At first blush one might think that great unfairness or hardship is being worked upon the suspect, but in practice the result has been the opposite.

In a great number of investigations, because of its wide powers, the Commission has been able to persuade itself that the suspect is innocent and he is not put to the expense and notoriety of a trial to prove his innocence. During my term of chief counsel for the Commission I would say that in only one of every six investigations did a prosecution result and of the 123 prosecutions conducted 108 resulted in convictions. This is a very high average and is not mentioned as being indicative of the zeal with which we prosecuted, but rather of the care with which we reached the decision to prosecute.

Of these prosecutions the charges included trading without registration, acting as an investment counsel with registration, failure to deliver a prospectus,

(Continued on page 33)

*An address by Mr. O'Connor before the International Alumni Association, Toronto, Canada, Nov. 19, 1949.

Securities Salesman's Corner

By JOHN DUTTON

One Example of Attracting New Business

A very effective and successful campaign is now being used by a New York City dealer. It is based upon the opportunities for effecting tax savings through the proper handling of sales and purchases of securities in order to establish losses for tax purposes. A letter offering a booklet which explains the possibilities of making reductions in taxes is sent to a qualified group of prospects which have been taken from stockholder lists. A return card is enclosed and the letter, we have been told, averages about 10% replies.

The firm's salesmen then deliver the booklet in person, and make a call which has as its primary purpose the offering of the firm's services and help in determining whether or not the prospect can be assisted in regard to his taxes and his securities. The proper handling of purchases and sales, long and short-term gains and losses, etc., are explained by the salesman. As a result it has often been possible to open up a discussion which leads to an analysis of the prospect's entire list. Or sometimes, the prospect is stimulated to ask for advice regarding what he should do concerning his holdings. As this dealer said, "There is no form of real property that you can buy or sell today, where the ultimate effect of the capital gains tax can be disregarded, and this certainly applies to securities."

It is this time of year, with taxes looming up ahead, that causes practically everyone to be receptive to suggestions which may reduce their tax bill. There are people everywhere who just do not know the simple basic facts concerning the capital gain and loss provisions of the tax laws. Once the possibilities are presented to them for reducing taxes, the door is opened for establishing a relationship that hardly could be secured in any other way.

In one such instance, the prospect was so impressed by the clear way the subject was handled when the salesman called, that he stated he had sold a house during the year and was going to have to pay some heavy taxes on the profit. But he did have some securities and he suggested that there might be some way those taxes could be reduced. The list was brought in and analyzed and through the sale of certain items and the reinvestment in others (that appeared more promising) losses were established that practically eliminated the payment of taxes on the sale of the house. This list totalled about thirty items and it is very likely that it could not have been obtained in any other way, nor could business have been done until a long time had elapsed, where in this case a client was obtained on the first call.

When you offer information that can save money for people, and you state specifically in your letter that the information is free, it is more likely to bring a good response than almost any other appeal that you can make. After you have made your call you can always go back because whether or not you have obtained a list, or made a sale, you have performed a service. Once you have saved money for a client it is also possible that he will tell others and send you to see them. The large investor can employ counsel and he has his tax experts to assist him. But think of the people in your community who do not have these facilities—they need competent advice too. This New York dealer says that this tax letter is the basis for the growth of his business, which has been substantial, during periods when other firms have not been so fortunate. He says, "I sell a complete investment and financial service, and helping people with their taxes is part of it."

* * *

I saw this on the desk of a successful life insurance salesman the other day—"THE BEE THAT DOESN'T STAY AROUND THE HIVE BRINGS IN THE MOST HONEY."

U. S. Labor Bureau Reports Less Idle

Estimates 85 out of 100 major areas showed decline in unemployed between July and September this year.

The current classifications of 100 major labor market areas according to relative labor supply reflected marked improvement in labor market conditions between July and September, says a report issued by U. S. Department of Labor. Unemployment receded during this period in 85 areas. Although 41 reported reductions of at least 10%, revised classifications resulted for only 12. Employment picked up considerably, both in seasonal and non-seasonal activities, as two-thirds of the areas reported over-all gains. In addition, many temporary workers and young job seekers withdrew from the labor force to return to school.

By September, the distribution of the major areas by classification closely resembled the pattern shown in May, indicating that July was the month of heaviest labor surpluses thus far in 1949. In July, more than half of the areas (54) had substantial labor surpluses whereas, in September, less than half of the areas were in this group.

Lamborn & Co. Forecast Ample Sugar Supply

Study prepared by firm reveals that areas serving United States will produce more than 10 million tons in 1950. Consumption in 1949 estimated at 7.5 million tons

Sugar supplies for the United States for next year will be ample, according to a study just completed by Lamborn & Company, Inc., 99 Wall Street, New York 5, sugar brokers.

The United States receives the major portion of its sugar supplies from continental beet and cane producers, Hawaii, Puerto Rico, Philippines and Cuba. These areas will produce over 10,000,000 tons in the new year. The distribution of sugar in the United States for the 12 months' period ending Oct. 31 of this year was 7,648,000 tons.

The United States Secretary of Agriculture during December must announce his estimate of the consumption requirements of the United States for 1950 and at the same time establish the quota for that year. His original estimate in December of 1948 for the 1949 requirements was 7,250,000 tons. This has since been increased to 7,500,000 tons.

Dempsey-Tegeler Adds

LOS ANGELES, CALIF. — Jeanne J. Nichols has joined the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

Economic Therapy Under Employment Act

By EDWIN G. NOURSE*

Former Chairman, Council of Economic Advisers

Asserting no panacea for economic health is forthcoming, Dr. Nourse describes President's Council of Economic Advisers as a polyclinic for diagnosis of our economic ills and prescription of remedial or preventive measures. Assigns as government economic roles: (1) fixing monetary policy and fiscal policy; (2) facilitating free flow of goods and services; and (3) promotion of general economic health. Denies he is unalterably opposed to government deficits, but says danger of increasing large government debt should not be ignored. Scores pressure groups as instigating heavy government outlays.

Economic health is the stated objective of the Employment Act. It is not an act which guarantees jobs or provides for handouts. It is not an act which supersedes or subtly undermines our traditional system of free enterprise or which expands the role of government into new and doubtful territories. It declares a national policy under which government would assist free competitive enterprise in the great task of providing "conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work." Its goal is "to promote maximum employment, production, and purchasing power." I have always regarded "maximum production" as the key words in this trilogy because if we attain maximum production we shall have created maximum employment and, necessarily, employment under conditions of high efficiency—ample equipment and skilled management. Likewise, if we really maintain high production, it not merely permits but in fact necessitates keeping consumption or purchasing power at a corresponding high level.

Edwin G. Nourse

All this is simply a reaffirmation of the basic tenets of economic theory as enunciated by Adam Smith in 1776 and as espoused by economic thinkers, professional and lay, since that time. There have been lapses and strange aberrations of course, but there have also been refinements, enrichment, and practical adaptation to the changed and more complex conditions of modern industrial life. But the basic theme is still the same—a purpose of maximizing the wealth of nations and a search for demonstrable methods by which to improve the material lot of mankind. High production and distribution of the product in accordance with the productive contribution of each participant would bring about a state of maximum economic health — a goal to which every conscientious economist is devoted as truly as every conscientious physician is devoted to the purpose set forth in his Hippocratic oath.

The problem of health is complex and the pathways of science branch in many directions. Hence, the quest for health has followed many lines. Therapy is defined quite simply as the treatment of diseases, but the dictionary then lists—with no claim of completeness—twenty-six special kinds of therapy, from actinotherapy to thermotherapy.

When I was a child the first impression I got about medicine was that there was some great controversy between the allopaths and the homeopaths. Then the surgeon took the limelight and he was to be the miracle worker who put the old boys with their pills and plasters far in the background. Then mental or even mystically spiritual factors in health came to the front, and faith healers of the more ardent type would have superseded both physician and surgeon. About the same time, orthopedic extremists made skeletal adjustments a fetish, and, with muscular manipulation and the physical relief of congestion in circulation, would have abolished chemical therapy and the use of the newer "biologicals." Today there is growing mutual respect and co-operation among all the specialists in so far as they are truly scientific in their several approaches to the complicated problem of human health. The patient does not have to be so sophisticated as to make a choice between doctor, surgeon, osteopath, or psychiatrist, but, to an increasing degree, will be guided by the one to whom he first turns for medical aid or to whichever of the others have most to contribute—singly or in combination.

A Polyclinic for Economic Health

Certainly the body politic is not less complicated in its structure and functioning than is the human body. In seeking to promote its health, some approaches are almost as mechanical as those of surgery or physical adjustment. Others are as mental or spiritual as those of psychiatry. To solve our problem of economic health or even get reasonable freedom from illness, we cannot safely rely on any one of these approaches or suppose that now or ever a panacea will be forthcoming. The Senate bill which was the antecedent of the Employment Act was in my judgment defective in placing too great faith in a single remedy, somewhat mechanical in character. While many people have said that the Employment Act we now have is a watered down or emasculated version of that bill, it seems to me it is an act which expresses the same high spirit and courageous intention but presents a much richer, more flexible, and more practical approach. The Council of Economic Advisers is set up as a sort of polyclinic in which all the skills of professional economists and statisticians and of ripely experienced business, labor, and agricultural leaders can be brought to the diagnosis of our economic ills and the prescription of remedial or preventive measures.

Now, let us consider how complementary or alternative lines of therapy may be brought into use under the Employment Act. In any skillful attempt to carry out the broad and challenging purposes of this act, analysis and recommendations must center first on a role of government which is of basic importance and which is the undisputed province of government, namely monetary policy and action. But the soundest monetary policy alone would not assure economic stability. Nor can anyone with his eyes open at the middle of the 20th century suppose that the control of our monetary system should be the limit of government's responsibilities. At the same time, any tinkering with the dollar at this moment of delicate domestic and international adjustment would be one of the surest roads to demoralization and possible disaster. Fortunately, no such tinkering is, to the best of my knowledge and belief, now being contemplated.

Second, fiscal policy is an area in which government, by its very nature, must be an active participant and in which the inescapable complications of a second stupendous war have involved us most deeply. Government fiscal action, prudent or careless, sophisticated or naive, will in the next few years go far toward determining whether we shall have a healthy or an ailing body politic.

The third broad area of government therapy has to do with our institutional arrangements, primarily those of the market in its broadest sense — the market in which goods and property and services are sold. Here we must rely on government to establish conditions which will facilitate the healthy flow of the life-giving income streams, avoid pressure on sensitive nerves, and furnish healthy stimulus at vital spots. What we do about our labor relations legislation and our agricultural adjustment legislation right now is of the utmost importance. The doctors are gathered in consultation around the bedside of the labor patient and the farmer patient, both of whom are reliably reported to be in a critical condition. It will be tragic, and I think inexcusable, if we fail to use methods of science instead of anybody's patent medicine at this serious juncture. If I may be dogmatic as to my own approach to this wage problem, I would say that perfecting both the machinery and the practice of collective bargaining — bargaining in good faith on the objective facts that are readily available — offers the surest way of preventing most labor-management ills and of curing that remainder that will inevitably arise.

Finally, every well-trained and fully experienced physician knows the limitations of both radical surgery and the use of specific drugs. He will lean on stimulants and sedatives with discretion and welcome the ancillary services of psychological treatment. But in the last analysis he knows that the curative power of nature is his greatest ally. He will try to make the most favorable conditions under which the normal processes of nature may reassert themselves.

Similarly, wise practioners of economic therapy will not debonairly embark on drastic carving of the body of industry or suppose that their manipulations can supersede the delicately adjusted reflexes of a complex economic process that is more organic than mechanical. They will recognize that there are great vital tides in the living process of industry, trade, and finance which have tremendous powers of recovery from ills and of normal vigorous growth. This is not to preach *laissez faire* or the abolition of well-considered economic therapy. But it is a warning against the economic hypochondriac who is eternally yelling for help for every personal ill or the economic counterpart of the surgeon who peddles unnecessary operations for fat fees. It is a plea for conscientious, skillful, and feet-on-the-ground promotion of economic health under the mandate of the Employment Act.

(Continued on page 34)

*An address by Dr. Nourse at the 56th Annual Meeting, Ohio Chamber of Commerce, Columbus, O., Nov. 2, 1949.

CIO Views on Pensions

By L. S. BUCKMASTER*

General President, United Rubber, Cork, Linoleum & Plastic Workers of America, CIO

CIO spokesman, asserting organized labor is in favor of basic social security program, upholds demand for non-contributory pensions in collective bargaining. Says employers have as much responsibility in bearing expense as in providing for depreciation and replacement of machines. Holds Federal Social Security program is woefully inadequate and is but a teaspoonful in a bucket.

Among primitive nomadic tribes it was frequently the custom to kill off the older people. Sometimes this was accomplished by letting the old drop out by the wayside and die from exhaustion. The Hudson Bay Eskimos strangled the old who were dependent on others for their food or left them to perish when the camp was moved. The Central Eskimos kill the old because they believe that all who die by violence go to the happy land. The Hottentots used to send old people out into the desert where they were left in a small hut prepared for the purpose with a little food.

L. S. Buckmaster

These primitive people saw nothing cruel or inhuman in killing off the old, who were no longer able to hunt, fight or do necessary work. Indeed, they considered it humane and the practice was consistent with their religious beliefs.

How to provide for older people has long been a problem with civilized man. During the first century or so in this country as we expanded our frontier, we did not have to devote much attention to the problem of older people because every person of every age was useful and could find important work to do in the family or in the community. But industrialization and its related developments created new social and economic conditions. Instead of making our living and producing most of the necessities of life at home, today we buy them from others, using money which we have earned as employees. Our interdependence has increased. Efficiency has become a catalyst of progress. Older and less efficient workers are not wanted in industry. Neither are they wanted in their children's homes as doting "in-laws."

As a nation today, we do little more for our older people than the tribe that sent its elders into tiny shacks in the desert. We are, in a shocking measure, condemning our aged people to live in poverty and squalor in the awesome loneliness of big cities.

It is for this reason that we are conducting many meetings such as this one, and I am sure that we are all resolved to do something to solve these problems.

The growing concern of labor unions in this matter is not new. The very first organizations of workers in the United States and Great Britain were generally mutual aid associations such as loan, sick benefit, or burial societies. Many of these societies initially just expanded their activities to become labor unions as we now think of them. The Philadelphia Typographical Society, for instance, was organized in 1802 as a benevolent group, but in 1833 it gave way to a similar organization whose primary and paramount intention was the "determination and support of adequate wages for journeymen printers." In later years groups which were originally organized as labor unions expanded their activities to include welfare programs. These welfare and mutual aid functions of early labor unions gave them a stability and common friendliness. Some of the early fraternal customs still exist in labor unions today, such as the practice of addressing fellow members as brothers and sisters.

As labor unions increased in size, however, they began to experience administrative difficulties with their benefit programs which caused an appreciable decline of interest in them by the end of World War I. Between 1900 and 1930, however, the number of welfare plans sponsored by employers increased substantially. The railroad companies were the first to set up formal plans for old age and disability relief. Labor again turned its attention to benefit programs when, in the great organizing campaigns of the early 30's, it was found that many workers were reluctant to join the new unions because their old company unions were providing them with various forms of health and welfare plans which the new unions were not immediately prepared to offer. So, the new unions had to promise a continuation of these benefits to workers.

The CIO Convention in 1939 went on record as urging a minimum pension of $60.00 a month for single persons 60 years old and over with a supplementary allowance to wives so as to make the minimum $90.00 a month for couples. On the whole, however, progress was slow during the 30's and at the beginning of World War II there were relatively few union agreements which made provisions for health and welfare programs or old age pensions. It was during the Second World War that major impetus was first given to those programs as a part of collective bargaining agreements. Wartime regulations limited the amount of wage increases which employers could grant, but at the same time permitted the adoption of reasonable employee insurance and pension benefits, with the result that the number of these programs achieved by collective bargaining was increased. After the war, the major unions became increasingly concerned with the problems of pension and health and welfare benefit plans, and, in fact, quite a few such plans were inaugurated through collective bargaining. Recently the U. S. Supreme Court ruled, in effect, that pensions are wages, and are therefore a proper subject for collective bargaining. This year adequate pension programs became the major goal of most CIO unions. This interest in pensions was intensified as a result of the Presidential Steel Board's report and recommendations.

Source of Pension Programs in Collective Bargaining

The increasing concern in recent years of the major labor unions for the inclusion of pension programs in their collective bargaining agreements stems somewhat from the nature of our unions themselves. The labor organizations of this country as democratic institutions are not wedded to any particular kind of economic system. We are charged with the responsibility of serving the needs and best interests of the people we represent. At the same time we are not fanatic revolutionaries nor are we seeking change just for its own sake. We recognize and appreciate the great success which American industry has had under capitalism and we are ready and willing to try and make it work.

When we are confronted with problems like that of the welfare of our older people we are compelled to seek some adequate solution. Occasionally that solution involves some trespassing on management's ideas of economic theory or their cherished notions of an individual's obligation to himself. We have what might be called a "problem oriented" approach and we believe it to be socially and economically healthy.

When we saw an increasing number of our members being retired on pitifully inadequate incomes, we realized that here was a problem demanding our attention. We saw that in many cases they had to appeal to charities for assistance. We saw other older workers being forced to stay on the payrolls far beyond 65 in order to assure themselves of an income. Certainly the present stage of our technological knowledge does not require that every man work till the day he dies. In many cases, these superannuated employees prevent younger people from finding jobs. Thus the effects of an inadequate retirement program are felt throughout the working force.

Looking more broadly into the situation, we found that the problem was increasing in size and importance. Whereas in 1900 only 4.1% of the 76 million persons living in the United States were 65 years of age or over, it has been estimated that by 1950, 7.7% of the total population or more than 11 million people will be in this age bracket. The average person at 65 may now expect to live to be 78, two years longer than in 1900, and the upward trend is expected to continue. Today, only about 25% of the men and women over 65 hold jobs.

Inadequate Job of Federal Social Security

The Federal Social Security program has done a woefully inadequate job of alleviating the needs of older people. I read in the newspaper recently that almost one in every four aged persons in the United States is now on the public assistance rolls. This is not the old age insurance program to which employees and employers jointly contribute. This is sheer charity. It is demoralizing and open to grave political abuses. More than that, it is a sad commentary on the attention which we as a nation have given to the people who deserve our respect and esteem. Looking at the Federal plan known as old age insurance, we see more inadequacies. The old age insurance benefits speak for themselves to anyone who appreciates the cost of living today. The average pensions are about $25 a month for a retired worker and about $40 a month for an aged couple. Union members and all American workers are more than statistics and more than machines producing dollars for corporate tills. They want the small but necessary comforts of home and they want them now, not in some happy hunting ground of the future. Under the present law, full social security benefits will not be realized for more than 17 years. Even then the full benefits will be available only to that small fraction of the population who will have had an average yearly income of $3,000 for 30 years, starting in 1937. Anybody who is now 50 years old will never be able to receive the full benefits even if the Social Security program as it is presently constituted were to be expanded today. So, 17 years away, for a few fortunate people, there are misty promises of a small measure of security, but if prices continue to rise and the dollar continues to buy less, even that meager vision will fade.

The picture which we saw when we looked at the unfortunate circumstances of our older workers became a problem to us. It is a problem that demands an immediate solution. The union which I represent and other CIO unions are meeting the challenge in two ways. The need is so urgent that we cannot wait for legislative processes to develop adequate Federal or state programs. We are presently urging and we are obtaining the inclusion of pension programs in our collective bargaining agreements with employers. We are also urging in the legislative halls in Washington and throughout the nation an expansion of Federad old age insurance plans which are so inadequate in coverage and benefits. We in the CIO are today trying to make American business and the Federal Government recognize these inadequacies. We sincerely hope that our efforts will engender an enlightened attitude on the part of American business and the Federal Government so that we may all work together for a broad program of adequate retirement benefits for the American people.

Contributory vs. Non-contributory Plans

I have been asked to comment in this discussion of labor's interest in pension programs on the question of contributory versus non-contributory plans. As we all know, the recent steel strike largely revolved about that issue.

Many of the opinions concerning the financing of retirement benefits were formulated in earlier periods when employer contributions were considered as paternalistic and gratuitous payments to the employees. This notion has fallen by the wayside in the course of more recent social and economic developments and the emergence of labor unions as national institutions directly representing the interests of employees. It is our position, and it is basic to this question, that a worker's health and retirement security is a legitimate responsibility of industry. Retirement benefits are a deferred compensation by the employer for service rendered by the employee. This principle has been recognized, and in recent years the trend in American industry has been towards those programs which are financed entirely by companies. The Steel Board's report quoted a study by the Bureau of Labor Statistics which showed that most of the collective bargaining plans in effect by mid-1948 and covering over 3,000,000 workers were financed entirely by the employer. In a carefully reasoned analysis, the steel panel also endorsed the non-contributory plan. The President of the CIO, Philip Murray, has frequently in recent months illustrated labor's position on this important question by the following example. In many factories around the country today you will see a man and a machine standing side by side. The employer each year lays aside out of his operating costs a certain amount to care for the machine to keep it working in tip-top shape and indeed to replace it when it must be discarded. But at the same time, many employers who so diligently take care of their pieces of metal refuse to give one cent to the welfare of the man. It is our position that the welfare of the man and provision for a suitable retirement benefit is a legitimate cost of operating a modern industry. These payments by the employer are not gratuitous. The worker, by the performance of his job, earns a retirement income and other security benefits as a deferred part of his compensation. It is a certainty that employers will integrate pension costs, even where they are now set up on a non-contributory basis, into their wage structure. They will argue in the future against wage increases on the very grounds that their expenditures for pensions must be considered as a part of wages.

It is incorrect to say that employee contributions are necessary to maintain their dignity and self respect. Non-contributory plans are not paternalistic or gratuitous. We, of course, believe that workers should understand and take an active interest in their retirement plans, but we believe this to be best accomplished by democratic participation in the administration of the program. In fact, when workers have an equal voice with management on a board of trustees under such a plan their interest is likely to be more effective and meaningful to them than under contributory plans.

There are, of course, many detailed consideration on the question of contributory versus non-contributory plans, but I believe the important thing for us to realize here is the comparatively new but very fundamental idea that I have conveyed to you—that retirement benefits are earned by a worker in the course of his employment and are received as a deferred compensation. It is this idea which we ask management to recognize and by so doing, to face squarely their social and economic responsibilities today.

We have made a slight digression in the discussion of the non-contributory feature from the broader aspects of the pension problem, to which I would now like to return with a few words about labor's attitude toward union-management pension plans in relation to Social Security.

I would like to make it clear at the outset that organized labor is in favor of a basic public social security program. We are urging such a program now as we have done historically for several fundamental reasons. First, a public program is necessary to assure complete coverage, not only for organized workers whose unions are strong and interested in social security programs, but also for unorganized workers and other people who are not in a position to enjoy privately sponsored programs.

The mobility of our working force is an important factor if we are to maintain a dynamic industrial growth, and this also is most easily assured under a public plan. In addition, a comprehensive Federal program is administratively more efficient and financially less costly than comparable private programs. This is true even under the present low scale of social security benefits.

For example, under a rubber company's pension program with which I am familiar, where the worker and his employer share the costs as they do under the Federal program, the benefits paid to an employee who has earned an average of $3,000 a year for a period of 20 years amounts to only $37 a month. Under the Federal program, this same employee receives $48 a month in benefits. Significantly, the cost for the $37 a month under the private program amounts to almost 6% of the employee's earnings, whereas under the Federal program the cost of the $48 pension amounts to only 2%.

We cannot submerge the realities of the present situation, how-

(Continued on page 27)

*An address by Mr. Buckmaster before 308th Regular Meeting of the National Industrial Conference Board, Inc., New York City, Nov. 22, 1949.

Social and Economic Implications Of Private Pension Plans

By CLARK KERR*
Director of Industrial Relations, University of California (Berkeley)

Industrial relations expert, calling attention to aging of population as source of rising demands for social security, describes negotiated private pension plans as inadequate, defective and even unwise. Points out how such plans may have unfortunate consequences and contends they may be, in long run, disappointing because of inadequate funding. Sees diversity of opinion on part of both unions and employers regarding pension plan advantages and suggests they either be replaced or be supplemented by broader Federal social insurance program.

The Nineteenth Century was characterized by the expansion of freedom; the Twentieth is characterized by the search for security. The contemporary grave concern over collectively bargained pensions derives in part from the difficulties of achieving the main goal of the current century while preserving the principal accomplishment of the last—for the claims of security can be and frequently are satisfied at the expense of freedom. It is alike, a task and a test of statesmanship to extend the former without curtailing the latter.

Dr. Clark Kerr

The drive for security is one consequence of an aging society, although it finds its origins in other social developments as well. The salient facts are well known: In 1900, 4% of the population was over 65 years of age; today, 8%; and in 1975, 11%. Nor is 1975 the end of the story. The aging process feeds upon itself. One British economist, by projecting to their ultimate and illogical conclusion current population trends in England, concluded that in 200 years only four people would remain alive—all over the age of 65. This assumes *ceteris paribus*, but in this field, at least, other things do not remain equal. The drift, however, regardless of the ultimate destination, is unmistakable; and older people are the more security-minded.

The prospect of old age, like old age itself, influences views of society and self. Today, one-third of all voters are over 50 years of age; 25 years hence, 40% will be. Age, as the recent experience in certain western states testifies, can be a powerful coalescing force for a political bloc. The aged bloc may and in some cases has come to rank with the farm, labor and veteran blocs as powerful influences in our political life—and the possibilities of coalition have not and will not be overlooked. It may be too early to suggest that the struggle of youth versus age will be the great conflict of the first half of the twenty-first century; but as the older citizens become more numerous and better organized, the latent possibilities for clashes of interest will be better realized. And the traditional roles may well be reversed, with the aged talking distributive profligacy and youth talking productive efficiency.

Urbanization and industrialization, the twin molders of our changing society, have made their important contribution to the fight for security. The family, the traditional source of security in age, has shortened its typical span of inclusion from three to two generations. The factory with its fluctuating labor force has supplanted the farm, which was almost as impervious to employment shocks as it was sensitive to price changes; and which accepted and utilized the older person, who was venerated rather than rejected. Economic progress brought insecurity; and insecurity a hunger for security.

A further and little-known but incipiently consequential process may be at work. It is customary to rank and weight the goals of men, as though they were static—wages, recognition and so forth. This may miss the fact that each time an important goal is largely attained, the weighting of the remaining goals may change drastically. To a man long lost in a desert, the all-important goal may be a drink of water; once having obtained the water, a meal becomes the new dominating goal; and once having eaten, sleep is the new-found goal. Thus it may be that, as the result of enriching our society, the most elemental demands for material goods and services and for leisure have been increasingly satisfied and the need for security seems more important. Once security has been attained, some more ascendant goal may make its appearance. This is to suggest that as more basic desires are largely satisfied, new desires come into view from among those previously more latent and the former weighting of goals must be reexamined. Currently security seems to be the next important step in this eternal growth of human aspiration and beyond security may come new goals to serve as fountainheads of new demands.

Assuming that, for better or for worse, the desire for security must be more fully satisfied, there are alternative methods of accomplishing this, and costs and benefits must be realistically examined. This is particularly true of security for the aged. There is no single road and no single end to the several roads. It is the essence of wisdom to identify, appraise, select and reject the several options.

Negotiated Pension Plans

One contemporaneously well-traveled road to old age security is private pension plans negotiated in collective bargaining. It is not a traditional path. Nationwide there were about 600 plans in 1939; and today there are 13,000. Collective bargaining in the United States in 1939 was almost a century and a half old and in that year bargained plans were a rarity. Samuel Gompers, the founder and philosopher of the American Federation of Labor, was deeply opposed to company pension plans, believing they were a chain to workers today and a mirage tomorrow. Nor did companies commonly undertake plans on their own initiative. In 1939 private pension plans were limited to a few unions and a few companies. Then came the deluge; but it did not flow so much from the natural development of collective bargaining as from governmental policy. Private pension plans are more the consequence of governmental action than an alternative to it.

The great spawning of plans first came in the fall of 1942. The urgent wartime pressure to expand production led to a wild hunt for manpower, but the raising of wages, the customary lure extended to attract additional employees or retain those currently on hand, while not prohibited, was inhibited. Many companies, with profits to spare, established pension plans—the current cost in the face of excess profit taxes was nominal and the current advantage in a tight labor market substantial. Meanwhile, retirement benefits under the Federal system were becoming increasingly less adequate as prices rose above the levels of 1935, the year in which the Federal act was passed.

What was at first voluntary, if induced, later became coerced. Imitation is the key to survival for many labor leaders. Few are so frequently imitated, however inadequately, as the President of the United Mine Workers. When the Federal government, through the person of Secretary Krug, completed the Krug-Lewis agreement in May, 1946, pension and welfare plans became a bargaining issue par excellence. What Lewis had accomplished, others must seek. Unions are political organizations. The coins with which support is bought are in large part concessions from employers. A new type of coin had been minted—one side read pensions, the other, welfare plans.

Then in April, 1948 an important decision was handed down by the National Labor Relations Board in the case of the Inland Steel Company and Local Union Nos. 1010 and 64 of the United Steel Workers of America. The Board ruled, and it depended in part on the legislative history of the Taft-Hartley Act, that "wages and other conditions of employment" included pensions; and, henceforth, employers must bargain about them. Finally in September, 1949, the Steel Industry Board, appointed by the President of the United States, submitted its recommendations that the basic steel companies and the United Steelworkers of America bargain on pensions; as they have now done. The steel "pattern" has had and will continue to have, as in the past, a substantial impact on bargains in many other industries and localities.

This is not to suggest that some pensions would not have been bargained without this influence of government, but rather that the issue has been raised to one of national import not by the natural evolution of free collective bargaining, but by the intervention of the Federal Government at critical points. Private pension plans are more the creation of, than the cure for the "welfare state," if cure there is or need be.

The State, a secular Zeus, has given industry and labor a veritable Pandora's box. It has been sampled variously with hope, caution and fear. Before the lid is opened wider, the full consequences of such action warrant careful scrutiny.

Collective Bargaining Plans—Difficult and Often Unwise

Collective bargaining is an accepted instrument for establishing many important rules in our society. Some issues are more suited to solution through this process, however, than others. Among them are such issues as wages and hours of work, which can be stated rather simply and uniformly; and which can be treated with best (although not ideally from the viewpoint of the public interest) in free collective bargaining. But pension plans as a bargaining subject fail these tests. It is not impossible to provide old-age security through private contracts between unions and employers, or else so many plans would not exist, but it is difficult and often unwise.

Pensions are an unusually complicated matter for negotiation. The professional consultant, rather than the union negotiating committee or the employer, is at home in this field, with its mortality tables and problems of funding, vesting, interest rates, eligibility and so forth. This transfer of competence from the practical men to the professionals is a big step to take in collective bargaining. Complexity is compounded when a company deals with several unions, each with a different policy toward pensions. Bargaining can be unduly drawn out and settlements impeded by the new uncertainties and intricacies. At the same time, "chaos in the bargaining process" certainly need not result.

Rounds of wage changes, up and down, can spread through the economy; and hours similarly can be changed gradually. All firms must and do pay wages and set hours; but paying pensions is quite another matter. The impact of any given pension plan varies enormously from company to company — much more than changes in wages and hours. The pre-war plans were limited almost entirely to companies with 500 or more employees. There are 5,000 such companies in the United States, or less than one-tenth of one percent of all firms. Ninety-five percent of the business firms, or 3,250,000, have fewer than 20 employees. The large firm, the old firm, the prosperous firm may be able to absorb a pension plan quite readily. It can hire an expert; it can assure sound financing; it can expect to remain in business permanently. Not so the many small firms. Even in prosperous years 5% to 10% fail annually. Consultants are costly, even if they can be found by the small business man. Adequate financing at the outset, even if past service is not to be credited, is beyond the grasp of many small firms. Full funding of a pension, which is the only way to assure the employee security if the company fails, costs approximately $4,000 for one employee aged 45 if he is to retire at age 65 with a $50 per month pension. The coverage of workers in industries with a casual labor force is almost impossible. Pensions, unlike wages and hours, can not readily be taken from the highways to the by-ways of collective bargaining.

Unfortunate Social Consequences

The chief count against bargained pension plans, however, is their unfortunate social consequences. By their very nature, private pension systems assure great inequality. It is unlikely that some workers will be covered at all—the self-employed, the casual workers, the employees of very small firms, many of the unorganized, some of the members of weaker unions — among them some of those most in need of pension privileges. Marion B. Folsom has estimated that less than half of the gainfully employed could be covered by private plans. ("Atlantic Monthly," August, 1949.) Among the covered, benefits are bound to vary greatly depending upon the power of the union, and the ability to pay and the charity of the employer. These inequalities assuredly will breed resentment, inter-union rivalry and attempted political retaliation by the disadvantaged. Federal old age insurance benefits already reflect the level of a person's pre-retirement pay. Those with high pre-retirement pay are most likely to be the ones with the more adequate private coverage also, and retirement benefits for them thus disproportionately greater. A two-to-one pre-retirement income ratio, as between the high and low-paid, may well become a four-to-one post-retirement ratio. Another sort of inequality, already prevalent, may be intensified. The unemployed worker over 40 or 45 frequently now suffers some handicap in the search for a job as against the younger worker. Under many plans, the cost of providing a pension for such a person is greater than for the younger worker and the employer is naturally more reluctant to engage him.

In feudal society the serf was bound to his lord, and the journeyman to his guild. The libertarian movement in Western Europe and the United States freed the worker from these ties. Free enterprise for the worker has meant freedom to select a job of his choosing. The relatively free movement of labor from place to place and job to job has been one of the advantages of the United States in building its great productive system. The new firm, the expanding firm, the efficient firm could draw workers from the old, contracting, inefficient firms. Private pension plans, except where they provide full and immediate vesting of both the employee's and firm's contribution, and few of them do, retard such movement. They tend to tie the worker to the company while employed; and hold him in a company-attached labor pool when unemployed. Even with full vesting, since plans vary, workers can be confused and even harassed. In a current study of 1,000 heads of families in the Oakland, California, labor market, we have found the average worker has had a new job every three and one-half years, or 10 to 12 during his total working life. By retirement age, if all his employment had been covered by private plans with vesting, he would be drawing income according to the provisions of several different plans. Any one who has moved from one plan to another knows how exasperating this can be.

A private pension plan can control more than movement from job to job. Modern industrial society requires discipline, but discipline (if it is carried too far) can be an evil as well as an indispensable antidote to individualistic inclinations of industrial workers and union members. Pension plans can be used to induce too much conformity. Discharge by the company, or by the union under maintenance-of-membership rules can then deprive a man simultaneously of his job and his stake in a pension plan. Greater subservience to company and union may ensue than is proper for a free man.

Men should not be swallowed by the private governments of capital and labor any more than by public government. They should not be too beholden to any company or any union. Just as it it important to distinguish between what belongs to Caesar and what belongs to God, so it is important to distinguish between what belongs to private bodies, government and the individual. Welfare unionism and company paternalism can make too large an area of a man's life belong to these institutions. Instead of going into social service work, industry might do better to continue to concentrate on efficient

(Continued on page 26)

*An address by Prof. Kerr before the 308th Regular Meeting of the National Industrial Conference Board, Inc., New York City, Nov. 22, 1949.

Public Utility Securities

By OWEN ELY

Puget Sound Power & Light

Puget Sound Power & Light serves a large part of the State of Washington, including the city of Seattle. This area has been a hot-bed of public power propaganda, both Federal and local, for some years. The public utility districts ("PUDs") organized by local promoters and able to sell bonds at low interest rates, have been nibbling away at the private utilities through condemnation proceedings. Puget Sound has sold properties in seven or eight counties, but the deals have probably been to the Company's advantage, since most jury condemnation awards are on a liberal basis. Instead of using original cost, cost of reproduction, less depreciation, is usually the basis of appraisal, and "severance damages" are sometimes allowed. Under present conditions such a basis should enable the company to realize a profit over book values, since it has just completed writing down plant account to an original cost basis (some $9 million was recently charged to surplus).

But Puget Sound has a big problem in Seattle, where the company's franchise expires in 1952. The City operates a competing municipal lighting system and there has been friction between city and company officials for some years. There has even been some fear that in 1952 the city might "throw the company out," since it has already indicated that the franchise would not be renewed. Roughly, Seattle might account for about ¼ of the company's properties, it is estimated.

While the company has sold a large number of its outlying properties to the PUDs, there has always been the possibility that a plan might be developed for sale of the entire remaining property as a unit. Such a program was almost consummated in 1946 by Guy C. Meyer, who had successfully sold the Nebraska Power properties to PUDs in that state. He organized a deal for the Skagit County Public Utility District (in cooperation with 13 other PUDs) to purchase the company's entire properties for $135,000,000. The deal reached the prospectus stage, with a group organized by Halsey Stuart & Company to handle it, before it was declared illegal by the State Supreme Court. It was fought in the courts by the Weyerhauser Lumber interests. The Court's vote was 4-to-4, the Chief Justice being in Germany; a new Chief Justice, after appointment, first ruled in favor of the sale. But this was held up, and after two new justices were appointed, the vote was 5-4 against permitting the sale.

Now another attempt is being made to revive the sale. A law was put through the Legislature allowing two or more PUDs to join and buy an entire utility system. But before a new deal could be consummated, four Olympia firms sued as taxpayers holding the law unconstitutional. However, the threat that the PUDs might buy the entire system (including the Seattle property) stirred the city authorities to action. It employed Ford Bacon & Davis, together with a local firm, to value the property at cost of reproduction net. These experts came up with a figure of $23.8 million, while company experts produced a valuation of $36.4 million. The spread of $12.6 million was due principally to varying estimates of accrued depreciation. Earlier this year, possibly before the new law went into litigation, the Mayor of Seattle foresaw a race between the districts and the city to buy. Apparently the city then felt that it might be able to make a better deal with the company than with the PUDs for the property in Seattle. It apparently also wanted to take over some hydro plants owned by the company.

But recently the situation changed again. Seattle officials have notified the PUDs that the city has abandoned its plans to buy the properties. The managing director of the Washington Public Utility Commissioners Association said that the districts would not attempt to take over the company's operations in the Seattle competitive area. However, the districts would make no policy statement pending a meeting of their negotiations committee. There is no PUD in King County where Seattle is located, and it has not yet been determined whether PUDs outside of Seattle could operate the system. Meanwhile Tacoma is keeping alive its action to condemn the company's generating plants at White River and Electron.

Formerly Paul Rader of the Bonneville Authority was interested in joining the PUDs and Seattle to purchase the property. But apparently this involved legal difficulties as Bonneville hasn't been mentioned recently. However, there is now a bill before Congress to create a Columbia River Valley Authority and give it almost unlimited powers (see Raymond Moley's "Newsweek" story "Death Sentence for State Government" reprinted in "Readers Digest" for December). This bill might permit the directors to dip into the Federal Treasury for funds to buy Puget, or permit to act as "angel" for the PUDs.

An over-all sales figure of $120 million has been mentioned at times, although this might now have to be reduced to exclude certain properties recently sold to Snowhomish PUD for $16 million, part of which used to retire $7.4 million debt. The company's remaining $44 million bonds are callable at 104½ in the event of sale, or about $46 million. The $13.8 million preferred stock is callable at 110 but in liquidation would be entitled to only $100. After deducting these two amounts from the net sales figures of $104 million about $44 million would be left for the common stock or over $20 a share. (Plus any liquid assets.)

While the 1948 balance sheet indicates a book value for the common stock of only about $13.50 a share after write-offs, President McLaughlin was quoted a short time ago as forecasting about $22 a share book value at the end of 1949. (It is possible that the Snowhomish sale has yielded a few million dollars profit above the book value of the properties sold.) A figure of $18 a share has also been rumored in Wall Street as the eventual sale proceeds per share for the common stock (see Standard & Poor's Stock Guide of Oct. 17). But all these estimates must be considered in the light of four questions: (1) Will Seattle really force junking of the Company's property in the City, or does the recent statement reflect only a "war of nerves"? (2) Can the company continue to realize enough profits on gradual, piecemeal sales (based on net reproduction cost) to offset possible loss of the Seattle plant? (3) If the new law is cleared by the Courts, will the PUDs pay enough for the System (ex-Seattle) to give stockholders some profit over the present price level around 13? And (4), will the Federal agencies eventually play a role in the purchase?

Wants Free Gold Market as a Yardstick to Determine Redeemable Basis of Dollar

Joseph Stagg Lawrence, writing in "Empire Trust Letter," holds testing period should intervene for future reestablishment of currency on fixed gold basis.

Writing on "Our Currency Credo" in the "Empire Trust Letter" of Nov. 28, published by the Empire Trust Company of New York City, Joseph Stagg Lawrence, its Vice-President and economist, though announcing "we do not favor devaluation," calls for a free gold market and a testing period to determine what the gold content of "tomorrow's dollar" should be. According to Mr. Lawrence:

Jos. Stagg Lawrence

"It is difficult at times to distinguish between exposition and advocacy. The detached analyst sometimes discovers to his dismay that a dispassionate explanation of a point of view is construed as his own. In the following discussion we weigh the future prospects of the American dollar and find them dim. Under the prevailing premises—an absence of political integrity, a widespread belief in the necessity of state intervention, the powerful effect of British example, and a central bank hell-bent on currency management—we hold the future devaluation of the dollar to be probable.

"We wish to say that we do not favor devaluation. The physician who brings in a diagnosis of incurable cancer can hardly be said to be in favor of it, though his diagnosis may be entirely correct.

"We wish further to distinguish between a rise in the price of gold *a la Cripps* and a rise that might be necessary as a result of changes in basic economic and monetary factors, so far-reaching and irreversible as to make impracticable the restoration of an earlier fixed gold base for the currency.

"Deliberate devaluation is the result of state intervention in the monetary mechanism to achieve an ulterior purpose. It is generally mischievous and, in the long run, futile. The English government devalued not because the nominal equivalent of the pound in gold and dollars was misleading. It was not interested in validating open market ratios or authentic purchasing power parities. It devalued to achieve a trade advantage in the markets of the world. This was probably the dominant reason for the action of 29 other countries which have since followed the example of England.

"By contrast, a change in the price of gold resulting from the free play of economic forces is a recognition of changing emphasis upon factors of price and production expressed in open markets under conditions of free choice. This does not mean that the monetary standard, if it consists of a fixed quantum of gold, must be changed every day or that it cannot remain fixed for long periods of time.

"After every great upheaval in the past it has been necessary either to change the standard or to suspend it for varying periods. The return to a prior base, when achieved, has usually been accomplished only after a period of probation during which such a return has been checked and found feasible. After the two Punic Wars the Romans established a standard that contained one twenty-fourth of the copper it had before the prolonged struggle with the Carthagnians.

"After the Civil War this country waited until 1879 before reestablishing the prewar gold base for the dollar. In the interval between the end of the war and resumption of specie payments, general prices declined to the level prevailing in 1859-60. In other words, the dollar, in terms of real buying power, was as good as it was before the war. It was, therefore, a reasonable presumption that it was also as good in terms of gold.

"By the time gold payments had been resumed the Federal Government had demonstrated an ability to live within its means by balancing its budget for 14 years in succession. During the last 18 years the American Government has operated in the red 13 years. By 1879, the per capita Federal debt had been reduced 44%. During the last 18 years the per capita debt has been increased 1,200%.

"Congress never contemplated the indefinite continuation of a fiat greenback paper standard after the Civil War. Nor did any high official of the government ever suggest that gold should be barred permanently from circulation as the currency base.

"On Nov. 15, 1949, in a statement before a Congressional subcommittee, John W. Snyder, Secretary of the Treasury, said: 'I do not think that conditions require any alteration of the monetary system. As the Committee undoubtedly knows, I am on record as being opposed to any change in the price of gold; and the Treasury Department is firmly of the view that a gold coin standard should not be re-established in the United States.'

"In 1879 the rest of the world, without any important exceptions, was on an honest metallic standard—either gold or silver or a combination of the two. That world knew its monetary history and did not ignore the lessons. It knew all about John Law and the management of currency by 'competent and responsible men.' It had followed the experience of a revolutionary American government with paper Continentals and a liberal French government with paper Assignats.

"Today a new monetary pied piper, John Maynard Keynes, has revived the monetary fallacies of Law. He has a host of followers entrenched in government posts of great power and in university chairs of great influence.

"The President of the New York Federal Reserve Bank told the American Bankers Association at San Francisco to relax and forget its concern about the paper dollar. It 'has the supreme attribute of general acceptability. There is no widespread fear of the soundness of the dollar in this country, no widespread flight from money into things.' This invites the comment that neither is there any 'widespread flight' from Leavenworth to other abodes.

"He chided the bankers gently for their faith in the 'Gospel of St. Midas' and advised them in effect to forget it. He asked them to trust the skill, the wisdom, and the integrity of a Federal bureaucracy charged with the adminstration of the currency. Gold as an impersonal and automatic foundation for the currency, he implied, carried the same date line as Eliza crossing the ice.

"It is difficult to find any similarity between this situation and that which prevailed on the 1st of January, 1879 when John Sherman opened the doors of the mint and offered to redeem all paper dollars at the pre-Civil War gold value. The constant reiteration that only the will to resume gold payments is needed to restore an authentic gold standard on the prewar base does not seem realistic.

"We, therefore, believe that a testing period should intervene between the present fiat paper currency status and the future reestablishment of the currency on a fixed gold base. The world has had two great upheavals within the span of a single lifetime, no less disturbing in their effects than the Punic or Napoleanic Wars. There has been a complete revolution in official thinking on the subject of a sound currency.

"Maybe we can establish gold as the basis for our currency at $35 an ounce. Let an open market with free buyers and sellers, operating under conditions of complete information and independent judgment, determine the equation between gold and paper money. And not a group of bureaucrats responding to political motivation.

"Such a market prevailed prior to resumption in 1879. It did not lead to successive devaluations. The pillars of the republic did not vanish down the drain. The experience proved that gold could be re-established as the basis of our currency and, when it could be so re-established, with the assurance that it would stick."

Judson S. James & Co. Formed in Dallas

DALLAS, TEX. — Judson S. James, Jr., has formed Judson S. James & Co., with offices in the First National Bank Building, to act as underwriters, participating distributors and dealers in corporate and municipal securities specializing in Texas municipal bonds. Mr. James was previously President of James & Stayart, Inc.

Judson S. James, Jr.

William Alden, Jr. and H. Chrisiman Officers

LOUISVILLE, KY.—William O. Alden, Jr., and Henry Christman, Jr. have become vice-presidents of O'Neal-Alden & Co., Inc., 421 West Market Street. Mr. Christman will be in charge of the Mutual Fund Department and Mr. Alden will be in charge of trading.

J. H. Blackburn With T. J. Feibleman & Co.

NEW ORLEANS, LA.—James H. Blackburn has become associated with T. J. Feibleman & Company, Richards Building Arcade, members of the New Orleans Stock Exchange, as manager of the underwriting department. Mr. Blackburn was formerly industrial relations manager for Todd Johnson Dry Docks, Inc. of New Orleans, a subsidiary of Todd Shipyards.

Powers With McCarley

COLUMBIA, S. C.—E. Capers Powers has become associated with McCarley & Co. as co-manager of the new Columbia, S. C office in the Palmetto Building.

Says Peacetime Deficits Invite Disaster

Guaranty Trust Co., in current issue of its publication, "The Guaranty Survey," holds inflationary fiscal policy is an unpredictable medicine that may have explosive effects. Links inflation and high prices to government debt, and contends high taxes and low interest rates retard flow of capital.

To incur deficits on a large scale and over a long period in time of peace is an invitation to disaster, the Guaranty Trust Company of New York states in "The Guaranty Survey," its monthly review just published. It was not until the depression of the 1930s, the article recalls that a Treasury deficit ceased to be regarded as an occasionally unavoidable misfortune and came to be favorably thought of as a business stimulant.

"During the last session of Congress, repeated demands were made for curtailment of Federal expenditures, and some legislation designed to effect economies was enacted." "The Survey" says further. "Such efforts, however, were far more than outweighed by the acceptance of new programs of expenditure, with the result that at the end of the session the deficit for the current fiscal year was officially estimated at $5½ billion, as against the President's January budget forecast of $873 million. And with the 'cold war' still going on, the Marshall plan more than two and a half years short of its original expiration date, general agreement among foreign experts that the contemplated four-year period will not suffice for the restoration of the European economy, the 'Point Four' program still to be financed, plans for Asiatic rehabilitation in the making, and the President's demands for vast social welfare schemes at home, the end of deficits is not even dimly in sight.

Deficits as a National Policy

"Inflationary fiscal policy is not a medicine that can be administered in measured doses and with predictable effects. Its results occur in waves, the timing of which is determined by forces far beyond governmental control in any but a totalitarian economy. Experience indicates that it has little or no influence at times when stimulation seems to be needed but that it takes effect with almost explosive force at times when conditions call rather for restraint.

"Most of the programs of expenditure that are causing our Treasury deficit are being carried on in the name of democracy and free enterprise. But there seems to be only a dim appreciation of the fact that the first duty of a democratic free-enterprise economy is to keep its fiscal house in order. A balanced budget is recognized as desirable, to be sure; but other objectives are put first. Even the admirable work of the Hoover Commission on Governmental Reorganization, which points to measures of economy that would not involve the sacrifice of other objectives, has been received almost apathetically; and Congress at its last session made only a start toward implementing it. Such an attitude toward sound fiscal policy is not a good way to preserve democracy at home, much less to propagate it abroad.

Debt and Inflation

"Inflation of currency and prices invariably attends a large and sustained rise in public debt. It is not practically possible for the government to borrow on a large scale over a long period except by inflationary means. An attempt to finance heavy deficits from savings would choke off the supply of capital funds to industry, cause a prohibitive rise in interest rates, and precipitate a financial crisis. Actually, the government usually goes to the other extreme and tries to borrow as cheaply as possible.

"An inflationary episode ends in one of two ways. If the cause of inflation is removed, or if the inflated credit structure becomes too great for the monetary base to support; the result is a painful deflation and depression, with enormous loss of production and widespread hardship. On the other hand, if the cause continues, and if the credit structure is cut loose from its monetary base, the confidence of the people in the soundness of their currency is eventually destroyed. Holders of money race to get rid of it before it loses its value. Economic life degenerates into an orgy of speculation. Productive investment is much too slow to keep pace with the depreciation of money, and shortages of goods intensify the inflationary pressure. Economic values and moral values disappear together in the general chaos. This process continues until a new monetary unit appears, with enough prospective stability to command the confidence of the people.

Effect on the Money Market

"A large national debt has the highly undesirable effect of forcing the government into the money market as a participant, and usually as a regulator as well. In order to borrow as cheaply as possible, the government tries to keep interest rates low. The most convenient and powerful instrument for this purpose is the central banking mechanism. The central bank or banks tend to fall more and more under Treasury domination and to use their powers of credit control primarily to facilitate the government's fiscal operations, rather than to stabilize business and financial conditions in general. Interest rates are prevented from performing their normal function of promoting a balance between the supply of savings for investment and the demand for investment funds.

The combination of high taxes and artificially low interest rates impedes the normal flow of new capital into industry and thus retards industrial expansion. High taxes make saving more difficult by reducing incomes and make it less attractive by diminishing returns to investors, and low interest rates offer little incentive to productive investment. Both business and the government turn to banks and other financial institutions for types of credit that should more properly be supplied by individual investors."

Chas. King & Co., to Be NYSE Member Firm

Charles King & Co., 61 Broadway, New York City, as of December 8th will become members of the New York Stock Exchange. Partners will be Charles King, member of the Toronto Stock Exchange, Benedict Jarmel, Herbert Hipkins, Gerard L Burchard, Joseph H. Amy, member of the New York Stock Exchange, Robert H. King, Paul E. Ostiguy, member of the Montreal Stock Exchange, and William N. Moxley, member of the New York Curb Exchange, general partners, and Viola C. King, and Ursula Squier Reimer, limited partners.

Mr. Hipkins and Mr. Burchard were formerly with Goodbody & Co. Mr. Moxley did business as a Curb floor broker, and Mr. Ostiguy was active as a floor broker on the Montreal Stock Exchange.

No Second Devaluation of Sterling

By PAUL EINZIG

Dr. Einzig, commenting on rumors of further devaluation of sterling, contends there is no foundation for these rumors, and sterling is at present undervalued instead of overvalued. Explains discounts on sterling exchange as due to limits placed on use of pounds sold abroad, as well as to inadequate measures to combat inflationary effects of devaluation.

LONDON, ENGLAND—If on Sept. 18 anybody had dared to prophesy that within less than two months after the drastic devaluation of sterling from $4.03 to $2.80 rumors would arise about its further devaluation, nobody would have taken him seriously. After all, the low rate of $2.80 was chosen deliberately with the object of ruling out any further devaluation fears. In all probability $3.00, and possibly even $3.25 would have been low enough to correct the disequilibrium between British and American price levels. But the British Government wanted to fix the rate to a level at which it would not be considered too high even by the most extreme pessimists. With that object in view, sterling was deliberately undervalued on Sept. 18. And yet, towards the end of October and early in November, the possibility of a further devaluation began to be canvassed in foreign exchange markets abroad.

Dr. Paul Einzig

There is nothing in the economic situation of Britain that would justify the suggestion that there might be a second devaluation. Needless to say, no currency could be guaranteed against devaluation for eternity, and nobody could foretell what the position is likely to be in a few years' time. But on the basis of the known facts of the present situation no second devaluation is called for. Even though prices in Britain and in the Sterling Area have risen since the devaluation, at the rate of $2.80 sterling is still distinctly undervalued. It is likely to remain so even after its devaluation has produced its full effect both on British and American prices in the course of the next year or so.

It would be premature to form an opinion on the question whether the devaluation has checked or slowed down materially the outflow of gold. According to officially inspired press reports, the increase of the gold reserve by some $80,000,000 between Sept. 18 and Oct. 1 was followed up by a further increase during October and November, even though the actual figure will not be announced until the next quarterly official statement on gold movements which will be published at the beginning of January. This reversal of the trend of gold flow may be purely temporary; but until there is evidence that the outflow has been resumed on a large scale there is no justification for assuming that the devaluation has failed to improve Britain's dollar position. And even if it became evident early in 1950 that the dollar gap has remained as grave a problem as it was before the devaluation, there would be no justification whatever for assuming that the solution would lie in a second devaluation. If the drastic cut of 30% in the dollar value of sterling failed to improve the balance of payment, there would be no reason for believing that a further cut of 10% or more would produce any better results.

The origin of the rumors of the possibility of a second devaluation is manifold. It arose partly from the view that the government's measures for the reinforcement of the effects of the devaluation were inadequate. Whether or not the government's measures are economically adequate is a matter of opinion, but they are certainly not sufficiently impressive to inspire confidence. Apart altogether from the modest scale of economies, the fact that most of them will not become effective until some time next year has caused concern. Whether or not, from a material point of view, more drastic measures would have been needed, it was certainly a mistake from a psychological point of view to apply the minimum of remedy instead of trying to impress the world with Britain's firm determination to make the devaluation succeed.

The development of a discount on sterling abroad was in part due to the view taken about the inadequacy of the British measures, but to a large degree it was the result of technical circumstances. There are something like a 100 different types of sterling accounts in existence, and most of them can only be used for limited purposes. It stands to reason that, if the price of sterling which is widely usable is $2.80, then the price of sterling with a narrow field of employment should be less. In particular the pound notes are bound to be at a discount, seeing that they can only be re-imported into Britain legitimately in very limited amounts. If, as a result of the devaluation, sterling had become a scarce currency, there would be sufficient demand even for sterling with a limited sphere of use to keep its rate in the vicinity of the official parity; otherwise, a discount was bound to arise on the inferior types of sterling.

Continued delay in the funding of wartime sterling balances is yet another reason why sterling is viewed with distrust. In respect of its policy—or rather absence of policy—in the matter of these balances ever since the end of the war, the government has certainly succeeded in getting the worst of all possible worlds. So long as there is a possibility of the unregulated use of such balances at the rate of hundreds of millions of pounds per annum, sterling is bound to remain under a cloud of distrust at no matter what rate its parity is fixed.

Over and above all, there is the political factor. Taking a short view, it operates against the possibility of an early devaluation. For it is inconceivable that the Socialist Government would devalue again before the general election in any circumstances. But since the general election may take place any time after the new year, the reassuring effect of this consideration is very limited. The anticipation of a Socialist victory at the election is of course largely responsible for the anticipation of a second devaluation. It is assumed, rightly or wrongly, that the new Socialist Government would pursue the same policies which were largely responsible for Britain's dollar deficit during 1945-49; that it would continue to release too much purchasing power at home and to overseas holders of sterling balances; that it would continue to pursue bilateralism and bulk buying, as a result of which British imports would be too costly; and, above all, that it would maintain its policy of over-employment, as a result of which the level of British wages would continue to tend to rise above that of countries where no over-employment prevails.

Even if all these assumptions were correct, it would take years before the resulting rise in British costs and prices converted the present undervaluation of sterling into an overvaluation. What pessimists are afraid of is that the discount on sterling, unjustified or grossly premature as it may be at present, might force the government's hands. Sir Stafford Cripps made many errors of judgment in his explanation of the devaluation, but none of them were more fatal than the admission that in fixing the rate as low as $2.80, the government had been influenced by the rates of sterling quoted in black markets and free markets. It is now widely assumed that, since these markets were able to force the government's hands in September, 1949, they would be able to do so again. Indeed, since Britain lost large amounts of dollars through operations in cheap sterling before the devaluation, the development of a new discount is causing grave concern even in quarters which are usually far from being defeatist.

Allowing for all the above considerations, it seems utterly unlikely that we should witness another devaluation of sterling for years to come. The inadequacy of the result of this devaluation would provide a powerful argument against repeating the experiment.

M. S. Wien & Co. Celebrates 30 Years

The firm of M. S. Wien & Co., of 40 Exchange Place, New York City, members of the New York Security Dealers Association, is celebrating the Thirtieth Anniversary of the founding of the firm. Melville S. Wien who founded the firm is still at the helm.

Melville S. Wien

William T. Meyers With Gordon Graves & Co.

William T. Meyers has become associated with Gordon Graves & Co., 30 Broad Street, New York City, in the trading department. Mr. Meyers was formerly with Reed, Lear & Co.

William E. Pollock Co. Adds Arnold Cowan

William E. Pollack & Co., Inc., 20 Pine Street, New York City, announce that Arnold M. Cowan is now associated with them. He was formerly an officer of the Fiduciary Trust Company of New York.

John G. Gallaher Dead

John G. Gallaher, who for the last four years has been Vice-President and Pacific Coast Manager for Putnam Fund Distributors, Inc., of Boston, died at his home in Glendale, Calif., on Friday, Nov. 25.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Joseph A. McFadden, formerly Assistant Vice-President, has been appointed Vice-President of the **Chemical Bank & Trust Co. of New York,** according to an announcement made on Nov. 25 by N. Baxter Jackson, Chairman of the Chemical Bank. Mr. McFadden graduated from the Wharton School of Business and Finance of the University of Pennsylvania in 1929, and since that time has been associated with the Chemical Bank. More recently he has been a general loan officer at the main office and on Dec. 1 he will become identified with the bank's 30 Broad Street office.

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Nathan C. Lenfestey, Vice-President and Cashier of **The National City Bank of New York,** celebrated on Nov. 25 the 30th anniversary of his appointment as Cashier of the bank. Mr. Lenfestey, a graduate of Dartmouth College and the Amos Tuck School of Finance and Business Administration, joined the National City in 1917. He was appointed Cashier on Nov. 25, 1919, and elected Vice-President and Cashier on July 23, 1940.

On Nov. 28 The National City Bank of New York opened its new building at 89-50 164th Street, near Jamaica Avenue, housing its Jamaica branch, formerly located on Union Hall Street. The building embodies the latest in banking architectural design.

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E. Chester Gersten, President of **The Public National Bank and Trust Co. of New York,** announced that at their meeting on Nov. 23 the directors declared a regular quarterly dividend of 50 cents per share payable Jan. 3 to shareholders of record Dec. 20. It was further announced that subject to the approval of shareholders at their annual meeting on Jan. 17, and the Comptroller of the Currency, the directors also voted to increase the capital stock of the bank by 10%, the additional shares to be distributed on Feb. 1 as a stock dividend to shareholders of record Jan. 20, 1950. Transfer of the amount required will be made from undivided profits. Upon approval of the above, additional funds will be transferred from undivided profits to surplus, thus increasing total capital and surplus from $22,000,000 to $24,000,000. The capital, now $9,625,000, will be enlarged under the plans to $10,587,500.

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Irving Trust Company of New York announced on Nov. 21 the election of William W. Pevear as Assistant Vice-President of the company. Mr. Pevear joins the company's staff to assist correspondent banks and corporations in the management of their investment portfolios. In his new capacity Mr. Pevear will not only serve customers and prospects at company headquarters but will also travel throughout the United States. Mr. Pevear. who has had wide experience in the investment field, was for six years in the U. S. Government Bond Department of the Guaranty Trust Co. of New York, of which he was Assistant Treasurer. After leaving the Guaranty he continued in investment work as a Vice-President of Blair & Co. until early this year.

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The New York State Banking Department reported on Nov. 10 that the authorization by the board, dated April 3, 1939, to the **City Bank Farmers Trust Co. of New York** to establish a legal common trust fund under the title "Statutory Common Trust Fund of City Bank Farmers Trust Co.," was surrendered as of Nov. 9, 1949. The board states that the Fund was never established and the authorization was surrendered in connection with the establishment of a Discretionary Common Trust Fund under Banking Board authorization granted Oct. 18, 1949. The establishment of the latter by the City Bank Farmers Trust Co. was noted in our issue of Nov. 3, page 1782.

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Maurice Golay, Managing Director and President of the General Management of **Swiss Bank Corp.,** died unexpectedly after a short illness on November 18 in **Basle, Switzerland,** according to advices received by the corporation's New York Agency. Mr. Golay, who was 58 years of age, joined Swiss Bank Corp., in its London Office in 1910, was transferred to the Geneva (Switzerland) Office two years later, becoming Manager in 1920. In 1927 he returned to England as Manager of the London Office but was recalled in 1932 to Switzerland to assume the post of General Manager at the Head Office in Basle. In 1942, the bank, faced with problems created by the war, asked Mr. Golay to assume the functions of sole Managing Director and President of the General Management. He was particularly active as Chairman of the Board of Directors of LONZA, Electric and Chemical Works S. A., as President of the Union Generale pour l'Industrie in Geneva and as director of the S. A. l'Energie de l'Ouest-Suisse, Lausanne. He was a director of the Swiss Bankers Association. The Swiss Government had repeated recourse to his services and recently designated him as a member of the Executive Committee of the Federal Old Age Insurance Fund. Among international banks he was a Director of Societe Commerciale de l'Ouest Africain Paris and the Union Europeene Industrielle et Financiere, Paris.

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To further facilitate and foster trade and commerce between the United States and foreign countries, a new corporation has been organized to engage in international banking and financial activities abroad. The new corporation, with home office in **New York,** will operate under the name **Bank of America.** It is a wholly owned subsidiary of the **Bank of America National Trust and Savings Association of San Francisco,** the California statewide branch banking organization which will continue to operate its established branches in London, Manila, Tokyo, Kobe, Shanghai and such others as may be established in the future. Formation of the new company was effected under Section 25(a) of the Federal Reserve Act, with approval of the Federal Reserve Board, according to announcement by L. M. Giannini, President of both organizations. Russell G. Smith, in charge of international banking activities for Bank of America N. T. & S. A. will be executive Vice-President of the new corporation.

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It was announced on Nov. 17 by Fred Berry, President of the **North Side Savings Bank of New York,** that Henry P. O'Connor has been appointed Assistant Secretary. Mr. O'Connor is in charge of School Savings. The School Savings Department of the North Side Savings Bank serves 28 schools in the Bronx. Deposits total to almost $1,000,000 and there are over 27,000 individual accounts.

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A display of the New York Telephone Company, in the lobby of the main office of the **East River Savings Bank,** 26 Cortlandt Street, New York City, Nov. 18 to Dec. 16, will have audience participation. The observers will see: (1) How the dial telephone works; (2) Overseas telephone service; and (3) Colored telephones. Also a time-of-day telephone service and a special telephone for the hard of hearing will be demonstrated. The telephones of tomorrow are being exhibited, showing a palette of five plastic and three metallic colors which will be available. There are also four actual telephones in the new colors.

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Under the effective date of Nov. 18, the Comptroller of the Currency reports the consolidation of the **First National Bank & Trust Co. of Freeport, N. Y.** (capital $215,000) and the First National Bank of Merrick, N. Y. (capital $300,000), under the charter of the Freeport bank and under the title of "The Island National Bank of Freeport." The initial capital stock of the consolidated bank will be $750,000, divided into 37,500 shares of common stock of the par value of $20 each. The initial surplus of the consolidated bank will be $750,000, with initial undivided profits and reserves of not less than $200,000. The Comptroller's office likewise makes known the issuance on Nov. 18 of a certificate authorizing a change of title of the consolidated bank to **"The Meadowbrook National Bank of Freeport,"** said change having become effective as of the opening of business on Nov. 21. The issuance of a further certificate is also indicated authorizing the consolidated bank to establish a branch at 15 North Merrick Avenue, Merrick, N. Y., to be known as the Merrick office.

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The **Hempstead Bank of Hempstead, Nassau County, L. I., N. Y.,** announces the opening of a branch office in Levittown, N. Y., on Nov. 26.

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Incident to the proposed merger of the **State Bank of Sea Cliff, at Sea Cliff, N. Y.,** into the **Nassau County Trust Co. of Mineola, N. Y.,** the New York State Banking Department on Nov. 14 announced that on Nov. 10 an application by the trust company for the maintenance of a branch at Sea Cliff had been filed.

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Oswald G. Schutrum has been appointed an Assistant Vice-President of the **Liberty Bank of Buffalo, N. Y.,** as officer in charge of the bank's new office in Williamsville, N. Y., which is to be opened Dec. 3. Announcement of this, said the Buffalo "Evening News" of Nov. 16, was made by George C. Kleindinst, President of the bank. Arthur Ward will be Manager of the new office and Charles E. Keily, Assistant Manager, it is stated.

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John Boyd Thacher, 2nd, was elected President of the **City & County Savings Bank of Albany, N. Y.,** on Nov. 14, succeeding the late Louis F. Hartmann. Mr. Thacher advances from the post of Vice-President of the bank. According to the Albany "Times-Union" Mr. Thacher is in his second term as President of the Albany Chamber of Commerce; he is senior partner in the law firm of Thacher, Casey & Honikel, and was formerly Mayor of Albany, and Judge of the Children's court.

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The election of Herbert A. Jones as a trustee of the **Home Savings Bank of Albany, N. Y.,** was reported in the Albany "Times-Union" of Nov. 15, which notes that Mr. Jones is Vice-President of the **National Commercial Bank & Trust Company of Albany,** and also a director of the Albany Insurance Company.

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A Spring Glen branch, Hamden, Conn., of the **Connecticut Savings Bank of New Haven, Conn.,** was opened on Nov. 15. Carleton B. Smith is manager of the branch, which offers deposit and loan facilities, as well as savings bank life insurance, it is learned from the New Haven "Evening Register." Robert A. Babcock, Secretary of the bank states that as of close of business Nov. 14, total deposits both main office and branch were $75,799,634 and total assets $85,542,304.

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In reporting in its Nov. 14 Bulletin the placing of the **Irvington National Bank of Irvington, N. J.,** in voluntary liquidation on Nov. 4, the Office of the Comptroller of the Currency reported the bank's common capital as $150,000; preferred stock "A" (RFC) $230,000 and preferred stock "B" (local) $50,000. The absorption of the bank by the **Fidelity Union Trust Co. of Newark, N. J.,** was referred to in our Oct. 20 issue, page 1559.

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Gary M. Underhill, Executive Vice-President of the **Charter Bank of Philadelphia,** has been elected a Vice-President in the banking department of the **Girard Trust Co. of Philadelphia,** effective Dec. 1. Prior to his connection with the Charter Bank in July, 1948, Mr. Underhill was Executive Director of the Consumers Bankers Association.

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On Oct. 31 the **Claymont Trust Company of Claymont, Del.,** was merged with the **Wilmington Trust Company, of Wilmington, Del.,** under the title and charter of the latter institution. As a result of the merger the offices of the Clayton Trust will be operated as a branch of the Wilmington Trust according to the Nov. 5 advices of the Board of Governors of the Federal Reserve System.

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George B. Earnshaw, 42 years of age, Vice-President of the **National Metropolitan Bank of Washington, D. C.,** died on Nov. 15, collapsing, it is stated, apparently of a heart attack, while hunting quail. Mr. Earnshaw, the Washington "Post" says, had been with the bank for about 19 years, the last five as Vice-President. It is also stated that he was a former President of the Washington Chapter of the American Institute of Banking, of which he had been Treasurer, First Vice-President and a Governor.

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Edward L. Maas has become Assistant Vice-President in the investment division of the trust department of the **National City Bank of Cleveland, Ohio,** it was announced on Nov. 21 by Sidney B. Congden, President of the bank. The Cleveland "Plain Dealer" of Nov. 22 indicating this, stated that for several years Mr. Maas was with the New York Trust Co. engaged in statistical and investment work. During World War II he served with the Army Air Forces and after the war he returned to trust and investment work in Boston.

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The election of Edward C. Doll, President of the Lovell Manufacturing Co., Erie, Pa., and the reelection of John D. Bainer, President of the **Merchants National Bank and Trust Company of Meadville, Pa.,** to the board of directors of the **Federal Reserve Bank of Cleveland** was announced on Nov. 17 by Chairman George C. Brainard. Both men were chosen for terms beginning Jan. 1, 1950, and ending Dec. 31, 1952, by member banks in Group 2, consisting of banks having capital and surplus of more than $300,000 and less than $2,000,000. Mr. Bainer is a Class A director representing banks, and Mr. Doll is a Class B director representing industry in the Fourth Federal Reserve District. Mr. Doll will succeed Ross Pier Wright, a director of the Federal Reserve Bank of Cleveland since 1917. Mr. Wright, who was 75 years of age on Aug. 22, had announced he did not wish to be reelected. He is Secretary-Treasurer, plant manager and director of the Reed Manufacturing Co. of Erie, Pa.

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Arthur Hawes Lindsay, Honorary Chairman of the board of the **Marine National Exchange Bank of Milwaukee, Wis.,** died on Nov. 25. He was 87 years old at his death, and in his 71st year of banking in Milwaukee. He remained active in his banking affairs, having presided at the directors' meeting as recently as April 14, according to the Milwaukee "Journal" of Nov. 25, which states that he started as a messenger at the old First National Bank in 1878. The "Journal" further said:

"A year later he became a clerk at the Marine Bank and remained there until 1893, when he went to the Wisconsin National Bank. In 1900 he returned to the Marine Bank as Cashier. He became Vice-President in 1911, President in 1930 and Chairman of the board later the same year when the Marine National Bank and the National Exchange Bank joined to form the present Marine National Exchange Bank. In 1942 Mr. Lindsay become Honorary Chairman of the board.

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Announcement of the election of Charles N. Christiansen as Vice-President of the **Marshall & Ilsley Bank of Milwaukee, Wis.,** has been announced by Charles F. Ilsley, Chairman of the Board of the bank. In making this known, the Milwaukee "Journal" of Nov. 9 stated that Mr. Christiansen was elected an Assistant Vice-President in January, 1945. He entered the service of the bank in 1914 as messenger, and became an Assistant Cashier in January, 1930.

* * *

Henry E. Atwood, President of the **First National Bank of Minneapolis, Minn.,** and Homer P. Clark, Honorary Chairman of the Board of the West Publishing Co., St. Paul, were on Nov. 15 named directors of the **Federal Reserve Bank of Minneapolis, Minn.** Roger B. Shepard, Chairman of the Board, announced their election following balloting by Ninth Federal Reserve District member banks. Mr. Atwood is a new member of the 9-man board while Mr. Clark was reelected to the position he has held since 1941. Both men will serve three-year terms beginning Jan. 1, 1950. Mr. Atwood was elected a Class A—or banker—member of the Board to succeed Clarence E. Hill, Chairman of the **Northwestern National Bank of Minneapolis, Minn.,** who was not a candidate for reelection. Mr. Atwood is a former Vice-President of the B. F. Nelson Manufacturing Co. and has been President of the First National Bank since 1945. For the past three years, he has served as the Ninth District representative to the Federal Advisory Council. Mr. Clark, associated with the West Publishing Co. since 1892 and a director of the Waldorf Paper Products Co., is a Class B director.

* * *

On Nov. 14, the stockholders of the **Liberty National Bank & Trust Company of Louisville, Ky.,** approved plans to retire all of the bank's preferred stock, namely $300,000 and to increase its 60,000 shares of common stock to 72,000 shares through the sale of 12,000 new shares at $25 a share, or to the extent of $300,000. In its issue of Nov. 5 the Louisville "Courier Journal," referring to the proposals to be placed before the stockholders, said:

"The plans also include raising the par value of present common stock from $22.50 a share to $25 by transferring $110,000 from the bank's $210,574 undivided profits and by using $40,000 which is in a preferred-stock retirement fund. On Oct. 31 the bank had $1,350,000 surplus and $650,000 reserves."

* * *

Samuel E. Ragland, Chairman of the Board of the **First National Bank of Memphis, Tenn.**, since 1943, died on Nov. 14. He was 75 years of age. According to the "Commercial Appeal" of Memphis, Mr. Ragland, for 29 years previously had been President of the First National Bank or of the old Central State National Bank with which it was consolidated in 1926. When he was elevated to the Board Chairmanship six years ago, he was succeeded in the bank's Presidency by Norfleet Turner, his son-in-law. In part the account in the paper from which we quote, by Robert Talley, also said:

"Mr. Ragland became President of the old Central State National in 1914, after a year as its active Vice-President. He was made President of the First National when it and the Central State National were consolidated under the First National's historic name—a name that goes back to the institution's founding in 1864.

"In 1940, Mr. Ragland was made a member of the Federal Advisory Council. He also was a member of the National Bank Division and the Executive Committee of the American Bankers Association."

* * *

The election of S. R. Young as a director of the **Trust Company of Georgia, at Atlanta**, is announced by John A. Sibley, Chairman of the bank. Mr. Young, it was noted in the Atlanta "Constitution" of Nov. 9 is head of three railroads, as follows: President and General Manager of the Atlanta & West Point RR. Co., and the Western Railway of Alabama, and General Manager of the Georgia Railroad. On the board of the bank he succeeds Charles A. Wickersham, who he also succeeded as General Manager to the railroads when Mr. Wickersham retired.

* * *

James H. Dickson, Jr., Assistant Vice-President of the **Bank of Georgia at Atlanta, Ga.**, has been appointed Manager of the bank's new branch office, which was opened in Atlanta on Nov. 15. Mr. Dickson has been associated with the bank for seven years, said the Atlanta "Constitution of Nov. 13, which reports that he will be assisted in the branch office by Harold J. Kelley, as Assistant Operating Manager, and Hugh W. Haynes, Assistant Manager in charge of the business development department.

* * *

J. R. Parten, Chairman of the board of the **Federal Reserve Bank of Dallas**, announced on Nov. 22 that George L. MacGregor, Chairman of the board, President and General Manager of the Dallas (Texas) Power & Light Co., has been reelected a class B director and J. Edd McLaughlin, Vice-President of the **Security State Bank & Trust Co. of Ralls, Texas**, has been reelected a class A director of the bank, each for a three-year term beginning Jan. 1, 1950. Mr. MacGregor has been active in the engineering and public utility fields for about 25 years. After serving for several years with the Westinghouse Electric Co. in East Pittsburgh, Pa., he entered the service of the Dallas Power & Light Co. as sales engineer in 1929, becoming a director and Vice-President in 1939, Vice-President and General Manager in 1940, and President in 1941. In 1944 he was elected Chairman of the board, as well as President and General Manager. Mr. McLaughlin has been active in the banking field throughout his business career. He has served as Vice-President and director of the Security State Bank & Trust Co. of Ralls since its establishment in 1912 and also served as joint proprietor and executive of "The McLaughlins," land holdings and investments. He owns and operates farming and other properties in the South Plains area.

* * *

Promotion of E. M. Carver to Assistant Vice-President and D. S. Lockie to Assistant Secretary of **California Bank of Los Angeles, Cal.**, has been announced by Frank L. King, President. Mr. Carver, manager of the bank's La Brea-Wilshire Office since October, 1947, will continue at that branch as Assistant Vice-President and Manager. He joined the bank's staff 20 years ago. Mr. Lockie, a member of the staff since 1929, was assigned to the real estate loan department on his return in 1948 from four year's Army service.

Louis W. Stayart V.-P. Of R. S. Hudson Co.

DALLAS, TEX. — Louis W. Stayart has become Vice-President of R. S. Hudson & Co., Inc., Gulf States Building. Mr. Stayart was formerly an officer of James & Stayart, Inc.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William W. Babcock has become affiliated with King Merritt & Company, Inc., Chamber of Commerce Building.

Joseph D. Minster Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Joseph D. Minster is engaging in a securities business from offices at 421 West Sixth Street.

Business Man's Bookshelf

Business Income and Price Levels: An Accounting Study—George O. May—Americacn Institute of Accountants, 270 Madison Avenue, New York 16, N. Y.—Paper 50c.

Collective Bargaining & Market Control in the New York Coat & Suit Industry—Dwight Edward Robinson — Columbia University Press, Morningside Heights, N. Y.—Cloth—$3.50.

Cycles: The Science of Prediction with 1950 Postscript—Deflation and Its Promise — E. R. Dewey and E. F. Dakin—Henry Holt & Co., Inc., 257 Fourth Avenue, New York 10, N. Y.—Cloth—$3.50.

Economics of a Fourth Round Wage Increase—Dr. Jules Backman — Testimony on Behalf of Steel Companies Before the Presidential Steel Board—Paper.

Foreign Exchange Regulations in Great Britain—Monetary and Economic Department, Bank for International Settlements, Basle, Switzerland — Paper 40.00 Swiss francs.

Governmental Mechanism for the Conduct of United States Foreign Relations — The Brookings Institution, Washington 6, D. C.—Paper—50c.

Human Action: A Treatise on Economics—Ludwig von Mises—Yale University Press, New Haven, Conn.——Cloth—$10.00.

Midwest Stock Exch. Opens Today

CHICAGO, ILL.—Homer P. Hargrave, partner of Merrill Lynch, Pierce, Fenner & Beane, and Clemens E. Gunn, partner of Gunn, Carey & Co., Cleveland, Ohio, were elected to serve as

Homer P. Hargrave Clemens E. Gunn

Chairman and Vice-Chairman, respectively, of the Board of Governors of the Midwest Stock Exchange at a Special Election of the Exchange.

The following were elected to serve as Members of the Board:

From Chicago: Andrew M. Baird, A. G. Becker & Co.; John W. Billings; Walter J. Buhler; John R. Burdick; Ralph W. Davis, Paul H. Davis & Co.; Chancellor Dougall; Norman Freehling, Freehling, Meyerhoff & Co.; Reuben Thorson, Paine, Webber, Jackson & Curtis; Frederick M. Tritschler, First Boston Corporation.

From Cleveland: Lloyd O. Birchard, Prescott & Co.; Richard A. Gottron, Gottron, Russell & Co.; Theodore Thoburn, Hayden, Miller & Co.

From Minneapolis-St. Paul: Merrill M. Cohen, J. M. Dain & Co.; Guybert M. Phillips, Caldwell, Phillips & Co.; Robert M. Rice, R. M. Rice & Co.

From St. Louis: John H. Crago, Smith, Moore & Co.; John A. Isaacs, Jr., Semple, Jacobs & Co., Inc.; Spencer H. Robinson, Hill Brothers.

The Midwest Stock Exchange will begin operations today, Dec. 1, 1949, when the above officers will take office.

The new Exchange, formed by a merging of the Chicago, St. Louis, Cleveland and Minneapolis-St. Paul Exchanges, will list more than 400 issues for trading.

Corporations will be admitted to membership in addition to individuals and partnerships. Also permitted will be "unrestricted trading" in specific inactive stocks, whereby brokers may make private transactions away from the Exchange in these issues. "Clearing by mail" will also be featured. This procedure, innovated by the Chicago Stock Exchange, allows out-of-town members to telegraph orders to the Exchange, receiving a confirming telegram, and by mail a summary of the transaction, thus enabling out-of-town members to receive full commission.

A. M. Kidder Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Valentine A. Ely is now with A. M. Kidder & Co., du Pont Building Miami.

E. M. Adams & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, OREG.—Peter G. Sukalac has been added to the staff of E. M. Adams & Co., American Bank Building.

With Security Associates

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, FLA.—Thomas C. Erb has become connected with Security Associates, 103 North Park Avenue.

NAM Proposes $33.6 Billion Budget in 1951

Lane D. Webber, Chairman of its Government Spending Committee, holds current Federal budget could be reduced $7 billion, without endangering national defense or impairing foreign commitments and essential government services.

Proposing a drastic cut in Federal expenditures, the National Association of Manufacturers made public on Nov. 27 a study by its Government Spending Committee, which recommends a maximum Federal budget of $33.6 billion for the fiscal year 1951, beginning next July 1. The NAM proposal is made in the face of repeated statements by the Administration of plans to ask Congress to impose even heavier tax burdens on the American people, according to Lane D. Webber, Chairman of the NAM Government Spending Committee and Vice-President of the Southern California Edison Co., Los Angeles.

Mr. Webber said that a budget for 1951 of $33.6 billion—more than $7 billion below total appropriations Congress has made for the current fiscal year—1950—"would amply provide for defense expenditures, veterans' care, foreign commitments, and would not impair essential government services, although it must be subject to possible adjustments for housing, arms, and subsidy expenditures."

Emphasizing that continuous increases in government spending have "imposed a burden too heavy for the American people to carry," and citing recent calls for "pump-priming" because of a slight business recession, Mr. Webber said the NAM is making three recommendations intended to keep Federal expenses within the proposed budget ceiling of $33.6 billion.

These recommendations are:

(1) That the greatest possible effort be made to develop a policy of restricting public works, re-evaluating and revising programs for large-scale river basin development, for highway and airport aids, for reclamation, and for reviewing the veterans' hospital construction program — said by President Truman to be too extensive.

(2) That a determined effort be made to reduce the number of Federal employees and eliminate the duplicating and unnecessary agencies and activities.

(3) That there be sharp curtailment of the practice of accumulating large hidden costs through contract authorization and the granting of deficiency and supplemental appropriations.

Joins Bache Staff

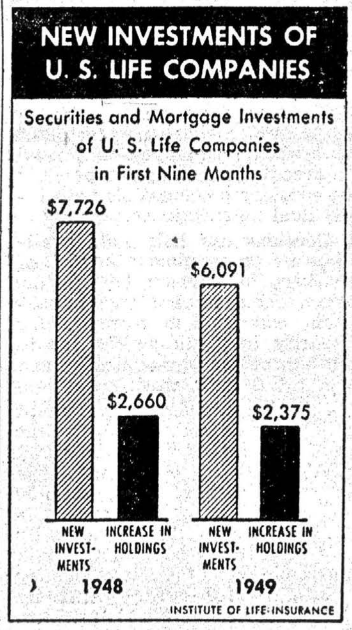
(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Louis H. Beller has been added to the staff of Bache & Co., 96 Northeast Second Avenue.

Life Insurance Companies Reduce Purchases of Mortgages and U. S. Securities

In first three quarters of year acquisition of these classes of investments declines 20% but total holdings because of fewer maturities show increase.

With the investment of just over six billion dollars in securities and mortgages in the first three quarters of this year, the U. S. life insurance companies increased their holdings of these types by $2,375,000,000 during the nine months, the Institute of Life Insurance reports.



"The new investments in securities and mortgages were one-fifth less than last year," the Institute commented, "but the increase in holdings was very nearly as large as last year. This was due to a material reduction in maturities, refunding and replacements this year. It was also a reflection of the greater investment by the life companies in channels which do not lend themselves so extensively to replacement. During the past two years over six billions have been invested in mortgages, largely long term home mortgages. The direct placement bond issues are likewise not usually subject to short term replacement."

In the first nine months the life companies put $2,906,000,000 into the purchase of the securities of business and industry and $2,505,000,000 went into new mortgages. The nine months investments of the life companies are reported by the Institute as follows:

(000,000's Omitted)

	Acquired				Holdings	
	Sept. 1949	Sept. 1948	9 Mos. 1949	9 Mos. 1948	Sept. 30 1949	Sept. 30 1948
U. S. Government Securities	$70	$256	$426	$1,449	$15,283	$17,642
Foreign Government Securities	64	2	127	173	1,479	1,456
State, County, Munic. Bonds (U. S.)	30	24	127	234	938	792
Railroad Bonds (U. S.)	6	13	92	188	2,954	2,906
Public Utility Bonds (U. S.)	33	156	985	1,286	9,305	7,932
Industrial and Misc. Bonds (U. S.)	124	103	1,598	1,691	8,201	6,248
Stocks (U. S.)	17	5	173	162	1,582	1,452
Foreign Corporate Securities	1	---	48	67	499	443
World Bank Bonds	---	3	10	9	55	53
Farm Mortgages: Veterans Admin.	1	---	3	8	29	28
Other	21	20	240	226	1,097	961
Non-Farm Mortgages: FHA	118	104	977	802	3,182	2,050
Veterans Administration	10	22	97	319	1,218	1,128
Other	131	113	1,188	1,112	6,818	6,074
Total Securities and Mortgages	$626	$821	$6,091	$7,726	$52,640	$49,165
Farm Real Estate	---	---	1	1	46	63
Other Real Estate	19	21	174	204	1,143	952
Policy Loans	36	33	361	302	2,188	2,023
Cash	---	---	---	---	852	994
Other Assets	---	---	---	---	1,213	1,161
Total Assets	---	---	---	---	$58,082	$54,358

Social and Economic Implications Of Private Pensions Plans

(Continued from page 21)

production and the union might do better to stick to representing the worker on the job.

Problem of Adequate Funding

It is perhaps worse to promise security and fail to provide it, than not to promise it at all. Many current private pension plans are certain to disappoint the expectations aroused. When companies fail without having made provision for adequate funding; and when workers leave their jobs or lose them through permanent layoffs and find they cannot take their pension with them; and, if this happens often enough, private pension plans will reap a whirlwind. Many plans are quite unsound. Unions anxious to make a quick showing and companies to cut costs have developed plans destined for eventual insolvency. The "New York Times" has warned editorially (April 9, 1949) "that the first major economic collapse will send them toppling with attendant disillusionment and hardship to those who counted on them for security."

One pleasant aspect of the traditional issues in collective bargaining, like wages, hours and seniority, was that both industry and labor knew where they stood and the reasons therefor. Not so with pensions. Like Stephen Leacock's hero, industry and labor have mounted their horses and ridden off like the wind—in all directions.

Traditionally, like Samuel Gompers, most labor leaders have been suspicious of or antagonistic to company-financed pension plans; while some of the larger companies have introduced and defended them. Today the same line is drawn, but the parties, like football teams at the end of the quarter, have reversed their goals. Certain strong unions have been driving for company-financed plans; and certain strong companies have been attacking them. But the game is not over. Once company-financed plans have become part of the status quo we may well find industry taking its customary stand vis-a-vis the status quo, and the unions playing their traditional role of critic. This historical reversal of positions is explained in large part by the fact that private pension plans, unlike Janus, have more than two faces.

Industry and labor are not unitary entities, and now (as in the past and in the future) not all industry and all labor view the problem alike—for this is a divisive issue. Division there has been, is and will be. Take the unions. Union members have no uniform outlook on pensions. The pension issue pits the young versus the old; the short-service versus the long-service; the temporary versus the permanent; the mobile versus the immobile. To some, pensions mean security; to others, a fraudulent denial of current gains otherwise forthcoming. The schism in union ranks was highlighted in the unprecedented action of the United Automobile Workers in 1947 in asking its Ford members which of two packages they desired—one including pensions or one including a larger wage increase. Nor do the leaders of the unions face a simple decision. Pension plans tie the members more strongly to the union both through gratitude and disciplinary influence; but they also tie them more to the individual company upon whose continued success their security in age in part rests.

No Union or Employee Unity on Pensions

Among unions this same lack of single-mindedness exists. Contrast the appearance of the issue to a strong union bargaining with a few large and relatively homogeneous companies whose employees are steadily attached to their jobs, as against a weaker union dealing with a multitude of small, diversified and frequently transitory employers, whose employees are distinguished by their mobility. Some unions are as much opposed to company-financed pensions as others are wedded to their advancement. Out of this divergence of policy may develop a new and interesting form of inter-union rivalry. One union will obtain a pension plan; and the second a wage increase to offset the pension plan, since wage increases also have their devotees; and so on.

Employers are not spared these convulsions. The attitudes of different firms toward pensions vary as do their economic situations. Private pension plans look more possible to the older, larger and more prosperous firms than to the newer, smaller and more marginal enterprises; and there are more of the latter than the former.

Aside from cost, pension plans can hardly appear an unmitigated blessing even to companies most able to support them. Pension systems can contribute to employee welfare and loyalty; but it is a rather strange doctrine for the industry to embrace that employee welfare is primarily the concern of the company, rather than of the individual and of a series of other private and public bodies. The Steel Industry Board has stated that business should "take care of temporary and permanent depreciation in the human 'machine' in much the same way as provision is made for depreciation and insurance of plant and machinery." This is peculiar dogma to be handed down in a free society in which an important aspect of liberty has been self-ownership and self-maintenance by the human "machine." If the analogy of the company and the machine is seriously taken, the company will need to do far more for its employees than should reasonably be expected of it; and the employee will need to accept more than can possibly be considered compatible with individual independence.

Pensions can help hold available to an employer a pool of workers into which he can dip when required; but this attachment can lead to demands for security in youth as well as in age—through the annual wage and equal division of work.

Private pensions may seem at first glance one alternative to the "welfare state." Yet it would hardly be suggested that the present Federal old age insurance program be abandoned completely. At most, private plans, by supplementing the Federal plan may hold down the flow of money through the Federal system by retarding its liberalizations. This, however, is by no means certain. Rather the reverse may hold true. Private plans may set higher and higher standards as pension plan chases pension plan in the collective bargaining process. The "whip-saw" tactic can be particularly effective here, for a greater claim for full equality of treatment can be made than in the case of wages, since basic needs of the aged vary less than job content. The argument for a "standard rule" can be forcefully made. Nor will the uncovered sit idly by. They will demand that benefits to them be made available through government approximating as closely as possible the levels achieved by the covered workers. Further, these private plans will not long remain uncontrolled. In fact, they are controlled already by the provisions of the Internal Revenue Code, and demands for further control are not far off. They are being made by so widely respected an authority as Sumner Slichter ("New York Times Magazine," October 16, 1949). Ultimately, rather than fending off the "welfare state," there will be both more "welfare" and more "state."

Time Dimension Causes Trouble

The time demension causes trouble also. For the union, pension claims seem a good device in a period when the cost of living is going down; but will they in the longer run when disappointments and rivalries and worker attachments to employers make themselves felt? For the company, a pension settlement may look like a low net cost method of settling the "fourth round"; out will it look so favorable when the plans are competitively liberalized, Federal regulations descend, "employee welfare" takes on new forms and dimensions, and unions attempt to place pension plans on an industry-wide or area-wide basis, as the United Automobile Workers Union is now doing in Toledo.

Breadth of view makes it all the more perplexing. When the leader of a strong union looks beyond the ranks of his own members, toward other workers—the unorganized, the casual workers, the self-employed; or when the substantial employer looks beyond his own company to the thousands of little enterprises living day to day, private pension plans take on new faces and the mind becomes more unsettled. How one views private pensions depends so much on where one stands; how long he looks, and the role he assumes for himself.

Actually, many companies and many unions are caught. They are prisoners of a spreading pattern. Reluctantly they acquiesce. Publicly they make one statement; and privately another. The 13,000 pension plans are not a vote of confidence in the trend, but reflection of the inability or unwillingness to resist.

If private pension plans were the only alternative to lack of any planned protection, the choice would be a different one; but an alternative does exist.

Much of the bewilderment can be banished by taking a long-run, public view of the problem.

Bargained Plans Not Adequate

It is not prudent to attempt what cannot be accomplished. The desire for security in age cannot adequately be satisfied by collectively bargained plans.

"The proper approach in our judgment," states "The New York Times" editorially (April 9, 1949), "is to make our governmental social security sufficiently comprehensive to reduce the need for the establishment of special programs through collective bargaining." This was the position, essentially, taken by the Advisory Council on Social Security appointed in 1947 by the Finance Committee of the Senate. This Committee included six persons from industry, two from labor, four from public agencies and five from academic life. This was the position taken also by the House of Representatives at the last session of Congress, when by a vote of 333 to 14 it sought to expand the coverage and liberalize the benefits of the old age insurance system. The Report of the Committee on Ways and Means, submitted to the House on August 22, 1949, stated in part:

"There are increasing pressures for special pensions for particular groups and particular hazards. Without an adequate and universally applicable social insurance system, the demands for security by segments of the population threaten to result in unbalanced, overlapping and competing programs. The financing of such plans may become chaotic, their economic effects dangerous."

The advantages of the Federal insurance system are that it is fully contributory and universal in coverage; it treats like situated individuals alike; it permits full mobility of workers; and it has adequate financial backing. These considerations have led Sumner Slichter to say: "The most satisfactory arrangement for providing security for retired persons is the Federal old-age insurance plan." This is the opinion also of Mr. C. E. Wilson, President General Motors Corp., who has said recently: "Adequate Federal pensions operated on a sound basis would seem to be the real answer to the problem." This is the opinion additionally of Mr. Harry Becker, Director of the United Automobile Workers' Social Security Department in Detroit, who has said: "The basic solution to the problem of retirement security for the aged and the incapacitated is through a Federal system of social insurance assuring an adequate level of benefits for all the people."

Private plans will undoubtedly always be with us; and it is important to note that some are better, from a public point of view, than others. The plans pioneered by the Ford Motor Co. and the United Automobile Workers and by the Bethlehem Steel Corp. and the United Steelworkers of America are preferable to that authored by the Steel Industry Board, since they include in them, as the Board plan did not, Federal social security benefits. Thus, they can be gradually better fitted into a sound system. Plans which provide for reasonable vesting which are adequately underwritten and which do not lead to discrimination against the older worker in the labor market are more desirable than those which do not vest, are not financially sound, and do encourage discrimination against the older worker. If choices are to be made, they should be in favor of the former rather than the latter attributes.

An Over-All Approach Essential

Good plans, whether public or private, are not enough. A more over-all approach is essential. Today there are eight persons of "working age" for every one over 65; twenty-five years hence the ratio will be five to one. If we are to encourage the retirement of all persons at age 65, or an even earlier age, as we are increasingly doing, and if we are to support them more adequately, there will be a most heavy burden on the backs of the working population. National production will be below what it might otherwise be if persons 65 and over remained in the labor market. It seems reasonably clear that the older workers do not wish to retire in any positive fashion; but rather, negatively, they desire to escape the insecurities which so often beset them in the labor market. Neither they nor the nation are advantaged by what so often amounts to a compulsory retirement at age 65.

Sixty-five is not a magic age. It is a convention of the labor market, unscientifically developed and accepted. Actually chronological age is a rather poor indication of physiological and psychological age, and it is the latter which relate the more to job performance. Instead of the class approach of throwing into a mass without distinction all those 65 years of age and over, we might better approach retirement on a case-by-case basis, examining the actual rather than presumed capacity of men to perform adequately the myriad tasks in our economic system.

In conclusion, I should like to suggest:

(1) That an adequate Federal social insurance program, as suggested by the Advisory Council on Social Security to the Senate Committee on Finance, be the basis for our national retirement policy. We should not rely primarily either on bargained plans, or state old-age assistance doles which can simultaneously demoralize the recipients and the electorate.

(2) That private plans, which will almost certainly exist to supplement the Federal system, include credit for Federal benefits, provide for reasonable vesting and proper financing, and be drawn so as not to hinder the older applicant in his search for a job; and that Federal labor law be revised so that, unless initiated by the employer, bargaining over pensions no longer be mandatory.

(3) That investigations be undertaken directed toward the conservation of the labor resources of older workers for their own sake and for the welfare of the nation.

The place of the aged in society is a long-run, national problem. It deserves solutions fitting its characteristics. The challenge is to perceive solutions which will preserve freedom and opportunity while yielding such reasonable security as employees and citizens have come to consider appropriate.

Quick-Seal Products Offering Successful

Offering of class A common stock of Quick-Seal Products, Inc. has become effective upon completion of the sale of 35,000 shares at $6 per share, according to advice received from the Pennsylvania Co. for Banking and Trusts, escrow agent. The offering had been subject to an escrow agreement which necessitated the sale of a minimum of 35,000 shares. J. H. Drass & Co., Inc., Sunbury, Pa., will continue to offer the remaining 14,900 shares at $6 per shares, less immediate commission of 80 cents per share on take down.

Quick-Seal Products, with headquarters in Shamokin, Pa., holds patents on and is engaged in the manufacture of a revolutionary type plug for use as a stemming and safety device in blasting operations and has potential use in coal mining and excavating operations as well as many other uses where dynamite blasting must be confined to close quarters. Mass-produced in fire proof asbestos materials. product is said to have many advantages over traditional clay stemming methods.

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

Philip MacGuire With Ingalls & Snyder

Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock Exchange, announce that Philip F. MacGuire, member of the New York Stock Exchange, is now associated with the firm in its investment department.

With Adams-Fastnow Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Hugh D. Purcell is now with Adams-Fastnow Co., 215 West Seventh Street, members of the Los Angeles Stock Exchange. He was formerly with Blyth & Co., Inc.

Rejoins Supple, Griswold

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — John J. Collins has rejoined the staff of Supple, Griswold & Co., 235 Montgomery Street. He was recently with Mason Brothers.

CIO Views on Pensions

(Continued from page 20)

ever, and we recognize that a public program must be supplemented by private plans in order to provide older workers with an adequate retirement income. As Social Security Commissioner Arthur Altmeyer said in 1947: "Even if the old age and survivors' insurance benefits are liberalized in accordance with the recommendations of the Social Security Administration, they will still be small and there would remain ample room for provision of additional benefit amounts through voluntary plans."

As I pointed out earlier when discussing why unions are seeking pension programs under collective bargaining agreements, the present social security set-up is like a teaspoonful in a bucket when present living costs and the needs of people are considered. If this point needs any re-emphasis, it can be found in the fact that public assistance and not old-age insurance has become the major part of our present national program. In 1940, when old-age insurance primary benefits were $22 a month, they were slightly higher than the average public assistance benefits of $20. However, since 1940, the cost of living has gone up about 70%. Old-age insurance primary benefits, on the other hand, have gone up only $3 or about 14%. Public assistance benefits have increased 110% in the same period of time. We are today meeting the problem of old-age security largely through charity. Even if Congress acts favorably on the present social security legislation, retirement benefits will still be far from adequate.

American business has consistently shirked its responsibilities in this matter. When organized labor was out urging in Congress the passage of adequate social security programs, business not only was not helping us — it was actively opposing us. American business has likewise been remiss in meeting the need which Commissioner Altmeyer pointed out for adequate supplementary benefits through voluntary plans.

The CIO has stepped into this breach and is vigorously promoting old-age security in two principal ways. First, we are urging the improvement of the national social security program. Secondly, and this is a compelling need at the present time, we are driving for pension programs under collective bargaining agreements. Our basic position is a simple one. It is that Federal social security programs should establish a minimum floor of retirement benefits for workers and for the rest of the American people. In addition to this minimum protection, a worker is also entitled to receive deferred compensation for his employment by a company over a period of years in the form of supplementary retirement benefits.

It is not too frequently that I have an opportunity to talk before a group of people about some of the broader aspects of such a fundamental question as this one. I am grateful for this opportunity to do so and I would like, in my closing remarks, to step aside, in a sense, from the main highway of old-age security to look at the scenery a bit and to glance ahead on the road which we seem to be traveling.

I believe that one of the most significant factors in modern living is our rapid change from an agricultural to an industrial civilization. Too often in our daily affairs we do not have the time or make the effort to appreciate the fact that many of our ideas and institutions originated in rather distant periods in history. We are faced with a fact of modern life that we must orient our affairs and our attitudes toward change. Indeed, we must even find certainty in the change which is occurring all around us and within ourselves.

Our American labor unions are so constituted in their structure and their orientation that they re-reflect more quickly than almost any other institution in our society, the changing social and economic needs of our people. Union officers, like myself, who must stand for election every year, must remain constantly alert to the social and economic environment as it is reflected and expressed by the workers in ways ranging from simple grievances to major economic demands. We are dedicated to constructive change, and we are dedicated to the democratic rules of the game by which such change is achieved in this country.

Labor's early recognition and attack on the problem of old-age security illustrate well our sensitivity and responsiveness to social and economic flux.

In handling this problem, however, we quickly saw that it is broader than merely economic security in old age, although this is an immediate requisite. The deeper question of the role and significance of the older people in our nation is involved. It is not sufficient merely to provide our millions of aged people with the bare necessities of life—food, clothing and shelter. We want these people to continue to play an important role in our society. We want these people to be healthy in mind as well as healthy in body. We want these people to feel that their role in society is a meaningful one for themselves and for their fellow men.

In order to see that these goals are realized for these 11,000,000 people we will have to re-evaluate our current institutions. For example, is our educational system today geared in any measure to the needs of a growing adult population or is it still largely limited to the education of children on the all too simple theory that "you can't teach an old dog new tricks"? Do our present health facilities provide an adequate program of disease prevention and medical care? We in the CIO are now advocating a national health program which will insure that 11,000,000 persons will not be aged and infirm, but aged and able. Do our political institutions and our commuity organizations absorb and utilize the skills, knowledge and wisdom that this large segment of our population will offer?

I do not know just now what specific action labor may take on these and other social problems, but I feel confident that our approach will be consistent with the ideals which I have mentioned—constructive change achieved through democratic procedures.

The immediate forecast in old-age security is for labor unions to devote much of their time to securing enactment of an adequate national Social Security program and supplementary retirement benefit programs through collective bargaining agreements.

The broader role for labor, as an institution of our society, promises to be like that of a cock crowing in the morning. It is our role to awaken and develop an intelligent interest in these vital problems. It is our role to advance this interest by constructive actions within our nation and our society.

Taft Calls for Careful Study of Pensions

(Continued from first page)

be no reserve at all because you have to levy taxes on current earnings to pay the interest on the bonds.

"The truth is that the only way pensions can be paid to millions who have retired and are not working is out of the current earnings of those who are working.

"Those earnings must be reached by some form of taxation. That taxation may be on payrolls. It may be paid by the employer or by the employee, but payroll taxes in either case are usually passed on to the consumer in the price of the finished product.

"Through a profit-sharing plan the taxes may be paid out of corporation profits; they may be raised by general taxation on income or sales; they may be raised by a transaction tax as proposed in the Townsend Plan. But taxation it must ultimately be, and the question we are to face frankly is whether our economy can stand that tremendous burden without deterring industry as well as the worker and reducing too much the worker's standard of living. It is the most expensive project of the social welfare proposal, for even the much-advertised program of free medical care for 140 million people is estimated to cost less than $7 billion a year.

"There is no uniform pension plan today. Federal old age insurance fails to cover millions and looks to general taxation for a large part of the cost.

"The Railroad Retirement System is financed completely by joint payment from employers and employees, averaging about 6% apiece. Most of the cost is finally reflected in railroad rates and consumer prices. There are several Federal employees' compensation funds; there is an Ohio State teachers' retirement fund; there are company funds which have existed a long time, like that of the American Telephone and Telegraph Company. Should we try to impose some uniform system?

"I suggest that we should study the idea of a basic uniform Federal plan frankly based on taxation through current Federal tax. This tax could be on payrolls, but I doubt if it should be related to the future rise in payment of particular employees.

"In addition to this basic plan, we might even authorize and provide special funds to be created for particular industries and set up in a manner decided upon by the employers and the employees in such industries. The payments might be made by employer or by employee, or both; out of profit or out of payroll; they might be graded and provide specific sums, but I do not think they should be varied because of any change in the basic Federal plan.

"Each class of payment ought to stand on its own base. Because these payments would usually be passed on to the consumer, perhaps in case of industry they should be limited to some total percentage of payroll.

"The whole subject is in such complete confusion today that it should receive the most careful study from the Senate Finance Committee when it meets in January."

Brushaber Director

Albert B. Brushaber, a Vice-President and a director of The First Boston Corporation, has been elected a director of the National Union Fire Insurance Company of Pittsburgh.

With Central Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN. — Louis B. Evans has become connected with Central Investment Co. of Texas, First National Bank Building.

Nation's Fiscal House Should Be Put in Order Immediately: Baker

(Continued from first page)

be general recognition of the fact, underlined by events of the past year, that our Federal Government's fiscal affairs are clearly out of balance.

"It is only with a feeling of deep concern that one can view the fact that in the past few months, when business volume, consumer incomes and employment have been higher than ever before, except for the period of the war and an interval of boom thereafter, the Federal Government has been running a substantial deficit. This deficit is significant not so much because of its size but because it provides unmistakable evidence that were the nation to experience a serious business setback our deficit would in the absence of ruinous taxation assume gigantic proportions. This prospect is alarming enough but there are other serious dangers in our fiscal position. During the period of high-level incomes, employment and business volume, our government has taken no steps to reduce its floating and redeemable debt or to restrict the volume of its contingent liabilities in the form of guarantees, supports, pegs, subsidies, etc. Moreover, there has developed a determination shared by a large segment of the people that the government's financial resources shall be used without limit to perpetuate the present level of wages, employment and national income. In this environment, there can be little doubt that in the event of a depression vast raids on our Treasury would be made by many groups, which believe that their claims for bonuses, relief, price supports and bounty, running into billions of dollars, could not and should not be denied. It is indeed remarkable how little attention has been given to the question 'Where is the money coming from?'

"Time is running out on the fiscal policies which were initiated when our national debt was a small fraction of what it is today and which may have been expedient during war but in present circumstances involve dangers so great as to demand that no further compromise with sound fiscal practice be tolerated. It is, of course, basic that the nation attain a budget balance on current account at the earliest possible moment and that the only safe and sane way to accomplish this is not by adding to the already onerous load of taxes on capital investment and enterprise but by reducing government expenditures. In addition, it is imperative that the 'call' which holders of over $100 billion of short-term and redeemable government obligations have on Treasury funds should be limited by ceasing to offer redeemable savings bonds and by refunding other obligations as they mature into marketable securities at rates of return sufficiently attractive to permit the spreading of maturities fairly evenly over a considerable number of years ahead. Furthermore, counsels of prudence should dictate that the scope and size of the commitments involved in the Treasury's contingent liabilities be reduced sharply, for it is not by any means clear that they can be met except through sales to the Federal Reserve Banks of far more government securities than those institutions can afford to buy without doing violence to the basic credit position of the whole nation.

"It is time for the nation's fiscal house to be put in order—a task to which all citizens who perceive the dangers in our present position should devote themselves."

Mr. Baker reported, as an outstanding development in the Manhattan Company's operations during the year, the increase in its capital funds by $10,458,000 through sale of 500,000 shares of capital stock. This action was taken because the growth of the bank's deposits during the past 10 years had been much greater proportionately than the increase in its capital funds, although more than $19,000,000 had been added to them from profits during this period.

The company's net operating earnings this year are estimated to be very close to those of 1948 when they were $5,295,000. These earnings do not include net profits or losses on sales of securities which this year will be negligible.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. heads a group which is offering $41,000,000 Louisville Gas and Electric Co. first mortgage bonds, series due Nov. 1, 1979, 2¾%, at 102.375% and accrued interest. The group was awarded the bonds Nov. 29 on its bid of 101.8875%.

Associated in the offering are: A. G. Becker & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Otis & Co. (Inc.); R. W. Pressprich & Co.; American Securities Corp.; Coffin & Burr, Inc.; Gregory & Son, Inc.; Stroud & Co., Inc.; Burr & Co., Inc.; The Illinois Co.; Putnam & Co.; Wm. E. Pollock & Co., Inc.; Stern Brothers & Co.

Proceeds from the sale of the bonds are to be applied to the redemption of $36,000,000 first and refunding mortgage bonds, to the prepayment of $976,000 first mortgage 5% bonds of a predecessor company and to the purchase of the physical properties and investments of a subsidiary.

The bonds will be redeemable other than for the sinking fund at prices ranging from 105.38% to 100% and for sinking fund at prices ranging from 102.48% to 100%.

Louisville Gas and Electric Co. is an operating public utility engaged principally in the electric and gas business in Louisville and surrounding territory having an estimated population of over 475,000.

Davies & Mejia Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Charles B. Grant has become connected with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

Owen With McAndrew Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Ralph L. Owen has become associated with McAndrew & Co., Inc., Russ Building. Mr. Owen was formerly with E. H. Rollins & Sons, Inc.

G. L. Carmichael Opens

BONNER SPRINGS, KAN.— Glenn L. Carmichael is engaging in a securities business from offices at 202 North Nettleton.

Prudential Investment Co.

DENVER, COL. — Harry B. Quinn has formed Prudential Investment Co. with offices at 313 14th Street.

Our First Line of Defense— A Sound, Solvent Economy

(Continued from page 6)

sions. If we are going to release from controls the German Government we initiated, we should do it generously and not grudgingly. We must encourage this government and not make possible the rising of another Hitler. Even though we now feel less fearful of a war with Russia, we cannot be less vigilant. America must remain strong militarily and economically.

Our First Line of Defense

This week it was stated in Europe that our first line of defense is the River Elbe. I disagree. Our first line of defense is not the Elbe or the Rhine; it is a sound, solvent American economy. And that economy is now threatened.

That brings me to a discussion of some domestic problems. Our foreign and domestic affairs are so closely related, you cannot discuss one without discussing the other.

The people who settled this country did not come here to establish a government. They came to America to escape the tyrannies of government. They were seeking liberty, not security. They were seeking an opportunity to enjoy freedom, the freedom of being let alone. They believed that every human being possessed certain inherent and inalienable rights by the grace of God and not by the grant of any government. To secure those rights, the people were willing to endure hardships and, if necesary, sacrifice their lives.

It is not surprising that when their numbers increased and it became necessary to establish some form of government, they grudgingly yielded powers even to local governments. They realized that if an individual lost his freedom, to him it was not material whether it was taken from him by an individual despot or by a temporary majority. History had shown that despots at times were beneficent, but mobs always were cruel. When in due time the necessity arose for a union of the States for the common defense, they carefully weighed every word of the drafted instrument. They adopted a Constitution granting limited powers to the Federal Government, and specifically reserved all other powers "to the States, respectively, or the people." Then in the Bill of Rights they specifically prohibited the Federal Government interfering with the People's Rights.

I would not bore this group, steeped in the history of our government, by reciting testimony as to the intention of the founding fathers. Madison, Hamilton and Jay, in their letters appearing in "The Federalist," Jefferson in his many letters, and Jackson in his message vetoing the Clay Bill, proved beyond question the intention and also the fears of the framers of the Constitution. For a century the warnings of these patriots against the centralization of government were heeded by the American people.

During that century we engaged in wars, foreign and domestic, and suffered serious economic depressions. In these emergencies extraordinary powers were granted the Federal Government, but with the ending of each emergency the powers were withdrawn, so that in 1907 Woodrow Wilson, in his "Constitutional Government in the United States," could accurately write, "Moreover, what is vastly more important in contrasting our system with others, we have not concentrated our constitutional arrangements in the Federal Government."

Spirit of Self-Reliance Disappearing

But today is another day. The spirit of self-reliance that animated the early settlers and for more than a century inspired our people to exercise their initiative and develop this country, while preserving their independence, is unfortunately departing from the people.

Too many people are asking the Federal government to perform the functions of State governments. Too many people want to lean upon the government, forgetting that the government must lean upon the people. Too many people are thinking of security instead of opportunity. They seem more afraid of life than of death.

We are engaged in a cold war with the Soviet Republic. It is a clash between two ideologies—our system of free enterprise and Russia's communism. The Soviets appeal to many idealists and to all the discontented in every country, including our own. In this battle for the minds of the people, communism must be fought on principle. We cannot defeat it by embracing socialism, which is but a step toward communism. No great number of Americans will make the jump from free enterprise to communism. They can more easily be led over a bridge of socialism into a police state.

You cannot convince people who are inclined to communism of the superiority of our system of free enterprise merely by talking about a high standard of living. In this world there are millions of people who are more interested in liberty than in luxuries. We must emphasize the freedom of the indivdual who by his initiative has made America prosperous. And we cannot very well boast of freedom under the American system if we are going to change that system and force the people to surrender more liberties to a centralized government.

In the greatest war in history this peaceful nation of free men was quickly converted into the most terrific engine of destruction. We came out of the conflict still strong; still free. I want America to remain strong and free. When we see the states of Western Europe and Great Britain, which have embraced socialism, unable to stand on their own feet and the very existence of their governments dependent upon the taxpayers of the United States, it would seem prudent for us to hold fast to our system of government that has proved efficient in war and in peace, and put our financial house in order.

Washington Threatens Powers of Local Governments

Instead of that, we are threatened with the concentration in Washington of the powers of local governments, including police powers, and with the imposition of creeping, but ever advancing socialistic programs. To pay for these costly programs we are going to borrow more money.

It is well to remember that if we but stumble there is no lend-lease or Marshall aid for us. We will be all on our own, like Coleridge's *Ancient Mariner,* "Alone, alone, all, all alone. Alone on a wide, wide sea! And never a saint took pity on my soul in agony."

Many people are disturbed. But those who look with fear upon the trend of political thinking, may as well be realistic. They should realize that if a proposal for the spending of money is authorized by the Congress as promoting the general welfare, the probability is that under the decisions interpreting the general welfare clause of the Constitution, it will be sustained by the Court.

Therefore, those who wish to preserve people's rights and prevent the gradual absorption of local governments by a big government in Washington, with resulting restrictions upon our liberties, should look to the people.

It will serve no useful purpose to argue to them about the repeal of federal aid laws which are in operation and to which operation the States have adjusted their budgets. Nearly 40% of all money spent by the States comes from the federal treasury as grants in aid. The people are not apt to repeal these laws. But we can oppose their expansion until our budget permits it. And we can oppose the adoption of new and costly programs that other governments have tried and now wish to abandon. It will serve no useful purpose to spend one's time in criticizing the political parties or individuals responsible for the growth of the federal aid system. No party or individual is entitled to a monopoly of the blame or credit.

Among the advocates of big government there are some who honestly believe that local governments have failed to discharge their responsibilities. The failure of state governments to provide more efficient government, is generally due to the fact that the Federal Government has stepped in and monopolized most sources of taxation.

The Governors of the States are conscious of the responsibilities as well as the rights, of the States. If Congress will withdraw from fields of taxation traditionally regarded as within the jurisdiction of the states, the Governors will have the states provide essential services at less cost to the people and less restrictions upon them.

There is another group: Those people who feel that government must play a greater role and yet are opposed to a government doing everything. They do not know where the dividing line should be. To them I suggest that government should stop doing for people those things the people can do for themselves, or which can be done by local governments.

There is still another group—a dangerous group. They are the selfish men who love power—the power to spend the money of other people. They are in every department and agency and they want to stay there, but they are interested not only in a job; they love power. The bigger the government, the more money they have to spend and the more power they have.

Ever-Expanding Government Means More Taxes

We would not have an ever-expanding government if the people were conscious of the taxes they are paying to the Federal Government. When the government required employers to withhold income taxes from employees, the government put the worker to sleep.

Ask any wage earner the amount of the wage he earns and he will tell you the amount he receives in his envelope or pay check, and not the amount his employer actually pays for his services before taxes are deducted for the Federal Government. The excise taxes are so well hidden that their burden is not appreciated by the average taxpayer. Not realizing that they are paying the bill, they are easily misled into clamoring for more federal laws and more federal aids. They are misled into regarding the United States Treasury as a Christmas Tree with the President and the members of Congress playing the role of Santa Claus.

In the last fiscal year, in peace time, the Federal Government collected $38 billion in taxes. The government did not live within its income. We spent $40 billion and had to borrow $2 billion to pay our current bills.

We are continuing to spend more than our income. Without adopting any of the various new programs urged by those in power, it is conservatively estimated that during this fiscal year, which will end June 30, 1950, we will spend $5 to $7 billion more than our income. If Congress adopts those new programs no man can tell exactly how much we will have to borrow, or from whom we will borrow it. We do know the next generation must pay it. All of us should think more of the next generation and less of the next election.

What a heritage we will bequeath to the children of this day. Our greed for welfare and security will deny to them the opportunities we enjoy. Instead of fighting freely for the future of their children, they will be forced to pay for the folly of their fathers.

It would be unfair to refer to the increased expenditures of the last fiscal year or the current year without reminding you that the major part of the expenditures is due to the national defense and to foreign aid programs resulting from the disturbed condition in the affairs of the world.

We are forced to play a new role in world affairs. The bi-partisan foreign policies of the government should continue to receive whole-hearted support. Those policies require adequate appropriations for national defense. We are properly rendering financial assistance for the rehabilitation of Western Europe. It should be continued. But I want Congress to carefully investigate these requests for aid. I have never known a department or agency of the United States government that did not ask for more money than it needed and I do not expect more care on the part of foreign governments.

The cold war with the Communists is given as the excuse for the increased expenditures of the government, but it is not a satisfactory explanation of the vastly increased expenditures for other purposes. If you eliminate expenditures for national defense, foreign aid, and fixed charges like interest on the debt, you will find that we are spending in one year $15 billion for civilian domestic functions of the Federal Government.

In the four years of peace from June 30, 1945, through June 30, 1949, we collected $159,645,825,033, which is more than $2 billion in excess of the taxes collected in the 12 years of President Roosevelt's administration from June 30, 1933, through June 30, 1945. That 12 years included the great depression and World War II.

Instead of decreasing the number of civilian government employees, we have in time of peace increased the number until there are now more than two million civilian employees, costing the people more than $6½ billion a year, and the number is increasing daily. We have 65 departments and major agencies reporting to the President. We are making direct payment to 17,000,000 persons—one out of every nine of the total population. During the war the military establishments employed one civilian to every five men in uniform. Today they employ one for every two men in uniform.

The Federal Government has organized and is operating more than 50 corporations with assets in excess of $20 billion, 10 times as large as our largest industrial corporation, and engaged in many kinds of business.

Big government is growing bigger.

Big government is more dangerous than Big Business. Little governments can regulate big business and the United States government can punish those who violate the laws against monopoly, but it is difficult to regulate big government.

Irresponsibility of Spenders

The spenders, while deploring deficit spending, assert as an excuse that there was deficit spending during the Roosevelt administration. That would not necessarily make it right. But who can forget that in 1933 the banks of the nation were closed, farmers whose mortgages were foreclosed were deserting the farms, factories were idle and the unemployed walked the streets hungry.

Only a spender with no sense of responsibility could fail to see the difference. Today the banks have more money on deposit than ever before in peace time history. Farmers are reasonably prosperous. Few factories are idle. More men are employed than ever before and the people are better fed and better clothed. It is rightly said we have "unexampled prosperity." If our government cannot now live within its income, what will it do should we have a serious recession in business?

Today our public debt amounts to more than a quarter of a trillion dollars. Yes, I said **trillion!** Daily we are adding to that debt. The interest on the debt is $5½ billion, which is more than all expenditures of government were in 1933.

Should we have a depression and the people find it burdensome to pay taxes for the $5 billion interest, we may hear the demand that the government substitute for the outstanding bonds, the greenbacks of the government that bear no interest. We heard it in 1933. Should we yield to that demand, it would be the beginning of the end.

Making the Small Man Smaller

To justify spending more than our income, some persons speak of what the government is doing for the "little fellow." Let me show you what the Federal Government is doing to the little fellow. The United States Government is making the small man smaller every day.

If the "little fellow" sends a message by telephone or telegraph he pays a tax. If he travels by railroad or bus he pays a tax. If he buys an automobile, the sale price includes a tax. When he buys gasoline or oil he pays a tax. If he buys cigarettes, he pays a tax. If he goes to a football game or a baseball game he pays a tax. If his wife buys a pocketbook or cosmetics, she pays a tax, and if his children go to a movie, they pay a tax.

The average working man must work 47 days a year to earn the money necessary to pay his taxes to the Federal Government. That is almost one day out of every week. If the new programs now seriously proposed should be adopted he will have to pay in taxes the equivalent of his wages for an additional 20 days, making 67 days he will work each year for the government instead of for himself and his family. That is what the Federal Government is doing to the little fellow.

If the spenders really want to help the little fellow, they should allow him to keep more of the money he gets for his labor to spend as he pleases, instead of having it taken from him and sent to Washington, to let bureaucrats spend as they think it should please him.

Men intoxicated with power will never voluntarily surrender the power to spend the money of other people.

At the end of World War I, I participated in the drafting of a bill to repeal more than $15 billion of appropriations made prior to the armistice. Immediately I was subjected to great pressure to allow certain appropriations to continue in order that the money might be used for new peace time programs. After a hard struggle we passed the bill but not before some exemptions were made.

I voted for the emergency relief and work programs in 1933 and in the succeeding three years. It provided work for many people and did much good, but as it progressed I realized the bad effect it had upon the morale of the people. In 1937, when conditions had improved, I wanted it stopped. That was true of others in the Senate and particularly in the House. There was terrific pressure to continue it. Congress resisted the pressure and finally forced its termination, but it was a long and bitter fight.

Human nature does not change. The government will not repeal a single war tax now being collected unless forced to do so by public sentiment.

Months ago when forced to decide between borrowing money for current bills or reducing expenditures, the government decided to borrow. Now we are threatened with more taxes.

Our real trouble is debt and taxes. We cannot cure it by more debt and more taxes. We should devote to cutting expenditures some of the thought we are devoting to taxing and borrowing.

But cutting expenditures is not seriously considered in the executive departments and new taxes will not be seriously considered in Congress. So deficit spending will continue.

Dangerous as deficit spending is, it is not as dangerous as increasing taxes would be under existing conditions. And there are reasons why, instead of increasing, we must reduce taxes.

The Marshall aid appropriations must taper off next year. When that occurs, if we have not reduced taxes, the Bureau officials will have more money and will devise new programs to spend it. If we reduce taxes, even the most hardened spender should feel some restraint in adopting new programs which will necessitate borrowing more money.

The Governors of the various states can perform a great public service by demanding a reduction of war time taxes. They can bring home to a man a realization of the taxes he is paying, so that when a housewife says she does not know what has become of her money, he can explain that much of it has been taken to Washington.

The Governors can cause the people to realize that when a dollar is taken from them in taxes, only a small part of that dollar trickles back to the State in Federal aid. That is the "trickle back" system. It makes big government in Washington and makes beggars of the States.

I want to see our Governors, as well as our Senators and Congressmen, going to Washington with their hats on their heads, instead of going hat in hand, begging for a portion of the tax money their constituents have been forced to pay.

The Governors have the confidence of their people. They have great prestige and can exercise their leadership to recover for "the states, respectively, and the people" the powers reserved to them by the Constitution. They can lay down and take it or stand up and fight. I hope they stand up and fight.

The State of Trade and Industry

(Continued from page 5)

returns to the industry, "The Iron Age," national metalworking weekly, states in its current review of the steel industry.

A check made by "The Iron Age" reveals that Chicago mills are four to six days ahead of their 1946 post-strike performance despite the fact that the tieup lasted six weeks this year against four weeks in 1946. Operators credited this year's sharp comeback to better weather, adequate cold iron supplies, better quality coal and lessons learned after the '46 tieup.

Although the largest steel companies have not changed prices—and are not expected to for some months—several others have raised some quotations and more increases are likely. Last week one midwestern mill boosted semi-finished steel and narrow hot-rolled strip by $5 a ton. When higher prices are posted by the top producers the increase is likely to consist—at least in part—of major changes in "extra" charges. A complete revision in such charge on the way at U. S. Steel earlier this year was quashed at the last minute. Many steel officials feel such a revision is overdue, this trade authority adds.

If its parts suppliers can get enough steel the auto industry expects to smash all first-quarter production records next year. General Motors has already announced such a goal and is lining up conversion steel to back up its schedules. Just as it laid in an additional three-weeks' steel supply long before the steel strike, GM apparently does not intend to let shortages cut into its schedules. At least two of the independents have followed the GM lead on conversion steel.

The year's biggest raw material news broke this week with announcement that five American steel companies have joined a group working on development of Quebec-Labrador iron ore. The project, this trade magazine points out, means investment of perhaps $200,000,000 in railroad and other facilities. The new group plans to ship some 10,000,000 tons of ore a year from high grade ore reserves where more than 355,000,000 gross tons have already been proven. Eventually, more than a billion tons of ore may be uncovered in the district.

Steelmaking scrap prices softened in many districts this week, sending "The Iron Age" steel scrap composite off $1 per ton to $28.92 per gross ton.

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 87.8% of capacity for the week beginning Nov. 28, 1949, an increase of 9.5 points from the preceding week.

This week's operating rate is equivalent to 1,616,800 tons of steel ingots and castings compared to 1,441,600 tons one week ago. A month ago the rate was 8.8% and production amounted to 162,000 tons; a year ago it stood at 100.1% and 1,804,300 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT DROPS BELOW LEVEL OF PRECEDING WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended Nov. 26 was estimated at 5,537,122,000 kwh., according to the Edison Electric Institute. This represents a decrease of 107,313,000 kwh. under the preceding week. It was 187,955,000 kwh. higher than the figure reported for the week ended Nov. 27, 1948, and 553,683,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS UP 19.4% FROM WEEK AGO

Loadings of revenue freight for the week ended Nov. 19, 1949, totaled 758,972 cars, according to the Association of American Railroads. This was an increase of 123,149 cars, or 19.4% above the preceding week, due to the resumption of full coal production and increased loadings of steel and ore.

It represented a decrease of 99,117 cars, or 11.6%, below the corresponding week in 1948, and a decrease of 143,690 cars, or 15.9%, under the similar period in 1947.

AUTO OUTPUT TOUCHES LOWEST WEEKLY TOTAL IN 1949

According to "Ward's Automotive Reports" for the past week motor vehicle production in the United States and Canada dropped to an estimated 74,946 units, the lowest weekly total of the year, from a revised figure of 115,152 units in the previous period.

The curtailed output reflects the Thanksgiving holiday and closings by General Motors and other producers, Ward's points out.

The total output for the current week was made up of 60,417 cars and 11,139 trucks built in the United States and 2,257 cars and 1,133 trucks in Canada.

The week's total compares with 89,482 a year ago and 93,495 in the like week of 1941.

BUSINESS FAILURES FALL IN HOLIDAY WEEK

Commercial and industrial failures declined in the holiday-shortened week ended Nov. 24 to 148 from 183 in the preceding week, according to Dun & Bradstreet, Inc. Although casualties were at the lowest level since September, they exceeded the 101 and 79 which occurred in the comparable weeks of 1948 and 1947. One-half as many concerns failed as in the similar week of prewar 1939 when 300 were reported.

Failures involving liabilities of $5,000 or more fell to 112 from 138, but they continued above the 89 of this size which succumbed last year. Casualties with less than $5,000 in liabilities dipped to 36 from 45, but were three times as numerous as a year ago.

This week's decline occurred principally in manufacturing where casualties were down to 25 from 47 in the previous week. Wholesaling casualties rose one to 19. All industry and trade groups except manufacturing had more casualties than last year.

The Middle Atlantic, East North Central and Pacific States accounted for most of the decline during the week. Six of the nine major areas reported more failures than in 1948.

WHOLESALE FOOD PRICE INDEX RISES 1.1% IN WEEK

Continuing its up and down movement, the wholesale food price index, compiled by Dun & Bradstreet, Inc., advanced 1.1% to stand at $5.74 on Nov. 22, from $5.68 a week previous. The current figure represents a drop of 10.0% from the $6.38 recorded on the corresponding date a year ago.

WHOLESALE COMMODITY PRICE INDEX SCORES MODEST ADVANCE

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved slightly upward toward the end of the past week and finished at 246.11 on Nov. 22. This compared with 244.70 a week ago and with 271.10 on the corresponding date a year ago.

Grain markets developed a firmer trend last week, with corn leading in the upturn. The movement in cash markets was small as farmers showed a tendency to withhold offerings in view of the fact that current prices are still well below government loan rates.

Activity in wheat and corn was stimulated by the announcement of new ECA awards of funds abroad for the purchase of grains here.

Except for moderate bookings of bakery flours at mid-week, the domestic flour market continued quiet, with export interest also slow. Coffee prices in both the spot and futures market turned downward the past week, although some leading chains continued their upward adjustment in prices of roasted coffee. Cocoa scored a further rise, aided by continued tightness in actual supplies. Lard was slightly firmer despite a further dip in live hog values to new low ground since June, 1943.

Market receipts of hogs were the heaviest of the season and prices went below government support levels for the first time.

In the domestic cotton markets, prices continued to work moderately lower throughout last week. Offerings were quite heavy and were featured by profit-taking and liquidation in the December contract. Offerings were well absorbed, however, aided by hedge-purchasing and mill price-fixing against export sales of cotton as well as the continued activity in the cotton textile markets.

Another favorable factor was the Bureau of the Census report showing consumption of cotton during October at 726,000 bales, the largest in over a year. It compared with 710,000 bales in September and 697,000 in October, 1948.

Reduced to a daily rate basis, consumption in October averaged about 35,000 bales per day. This was the largest since June, 1948, and contrasted with 33,000 per day in September, and 33,500 in October a year ago.

Trading in domestic wools in the Boston market was somewhat more active last week, reflecting an improvement in demand from manufacturers, topmakers, and knitters. Fine territory wools were purchased in good volume; more interest was noted in half-blood wools.

Prices trended firmer in the Boston market as well as in all foreign primary markets.

Competition was keen in the Australian wool auctions with Russia the principal buyer. Imports of apparel wools entered at Boston, New York and Philadelphia during the week ended Nov. 11 represented 3,049,300 pounds, clean basis, as compared with 2,977,800 the previous week.

RETAIL AND WHOLESALE TRADE REFLECTS IMPROVED TONE FOR THE WEEK

As cooler weather came to many parts of the nation, total consumer demand rose moderately during the period ended on Wednesday of last week. Dollar volume of sales was slightly below the comparable 1948 level, according to Dun & Bradstreet, Inc. Retailing in many lines was marked by continuing Fall promotions.

The demand for apparel increased slightly during the week. A noticeable interest among women in sportswear and other specialties helped to offset the continued low response to offerings in the dress, millinery and fur lines. Woolen skirts and girls' broadcloth dresses were abundantly purchased following intensified promotions in these items. Men's Winter suits and overcoats were being sold in larger quantities as seasonal weather returned to many localities. The sale of shirts remained steady, while articles of haberdashery generally became more popular.

Retail volume in many lines of housefurnishings increased in keeping with seasonal expectations; over-all dollar volume was close to the figure for the similar week a year ago.

Some increases occurred in many localities in the demand for china, glassware and mirrors; much interest was also manifested in lighting fixtures and major appliances. Television sales remained high except where shortages developed.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 3 to 7% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

Midwest, Northwest, and Pacific Coast —2 to —6; New England +3 to —1; East —3 to —7; South —4 to —8; Southwest —8 to —12.

Countrywide wholesale buying continued steady in the week, while the previous high level of sales in some commodities was sustained. Dollar volume was down slightly as compared with the corresponding week in 1948. The number of buyers present at wholesale markets was substantially lower than in the preceding week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 19, 1949, decreased by 8% from the like period of last year. In the preceding week a decrease of 3% (revised) was registered below the like week of 1948. For the four weeks ended Nov. 19, 1949, sales registered a decrease of 6% from the corresponding period a year ago and for the year to date a decline of 6%.

A sharp increase in retail trade was noted here in New York the past week with department stores trimming the decrease from a year ago to about 2 or 3% for the week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Nov. 19, 1949, decreased by 7% from the same period last year. In the preceding week a decrease of 3% was registered below the similar week of 1948. For the four weeks ended Nov. 19, 1949, a decrease of 6% 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."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market action continues mixed, though majority regard future with optimism.

This is a wonderful market to be long of—if you've got the right stocks. If you haven't, it's like tonguing your sore tooth to see if the pain's still there. The tooth still hurts and the stocks most people are long of are still there, doing nothing, except giving you conniptions because they refuse to go up while everybody else's are making new highs.

* * *

Last week the much-watched Dow industrial averages went up to a new high and you could hear the I-told-you-so's in whatever board room you frequent. The fact that the rails didn't go up was complacently regarded with the quaint philosophy that "they're bound to be next —because they're due."

* * *

Clairvoyants of every stripe shout daily about how good the business outlook is; Christmas buying will be the biggest in the nation's history, and so conclude that there's only one way for securities to go, and that is up.

* * *

All this is very comforting. I too like my wrinkled brow to be smoothed and be told not to worry, because everything was going to turn out lovely. But having been through these fretful periods before, I can't help but wonder how much of this pollyanna stuff to believe.

* * *

In a creeping bull market, which everybody assures me this is, experience tells me that ex-dividends are made up right away or in a very few days. Since this market has turned up, I have seen very few ex-dividends made up at all. The two prime examples are Deere and General Motors. The assumption is that new buyers are not attracted by the largesse of certain companies, possibly in the belief that the new dividend rates will not be sustained. Perhaps that isn't the reason at all. But reasons, though interesting, are seldom convertible into cash, or profits. And it is the latter I'm interested in.

* * *

I can go on like this for a few more columns. It will only add up to the minority opinion that the market is not going up; at least not from where I sit.

* * *

This means that new buying at these levels is not recommended. It also means that I think prices are going lower.

* * *

At the beginning of this column I said a few stocks look okay, for the time being at any rate. You have two of them, American Smelters and Denver Rio Grande. So long as they hold up better than the market, hold on. If they don't, their automatic stops will take care of them. Smelters was bought at 46. Its stop is 47. Its current price is 51. The rail came in at 23 with a stop at 27. It made a new high last week of 29 but is now close to its stop.

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.]

Alfred J. McGowan With Seligman, Lubetkin Co.

Alfred J. McGowan is now associated with Seligman, Lubetkin

Alfred J. McGowan

& Co., Incorporated, 41 Broad Street, New York City, in its trading department. Mr. McGowan was formerly with J. G. White & Co., Inc., and the New York Hanseatic Corp.

William Urban With Bacon, Stevenson Co.

Bacon, Stevenson & Co., 39 Broadway, New York City, members of the New York Stock Exchange and the New York Curb Exchange, announce that William H. Urban is now associated with the firm. Mr. Urban was formerly a partner in Syle & Co.

Railroad Rates, ICC Policy and Featherbed Rules—The Need for an Investigation

(Continued from page 4)

ers average among the highest paid groups in the country, the Post Office workers are among the lowest paid. Railroad workers as civil servants could not be organized as a pressure group. They would then suffer because the farm bloc controlling more votes, would outweigh the railroad workers' vote. There would be no investors left to exploit, so that the burden would fall on the Treasury. On the nationalized British railroads, the workers recently asked for an increase but the government flatly rejected the demands.

But subsidies to competitors are not the only cause of traffic diversion. **Costs are raised by local governments.** In the elimination of crossings at grades and the protection of grade crossings, the railroads are required to pay most of the costs even though the U. S. Bureau of Public Roads recommended that the railroads' share be limited to 10%. These services are for the benefit of its subsidized competitors, the buses and trucks who use the public highways for their private business. **The cost of making grade crossings** and of protecting crossings raises the railroad rates. **The total amount is equivalent to the dividends on the railroads.**

Competition not only lowered rates but increased costs. With the increase of competitive traffic, the railroads have been compelled to increase their expenses to protect crossings. The new competitors or else the public through taxation should pay at least in part for this protection.

Railroad costs are also raised by unprofitable branch lines. Some of these earn less than the local taxes. Yet, the railroads cannot abandon them owing to the pressure of local communities who insist on railroad service despite the loss. Other shippers and passengers are thus subsidizing a locality.

State laws enacted under political pressure of the railroad brotherhoods increase costs, as for example, the excess crew laws effective in New York, Ohio, Indiana, and other States which require more employees than necessary.

Costs and rates are increased by taxes. Taxes rose from $157 million in 1916 to $1,029 million in 1948, compared to net railway operating income of $1,002 million. **State and local taxes alone amounted to $305 million compared to dividends of $289 million.** According to Supreme Court decisions, the rate of return on net property investment is figured after taxes. Taxes are an item of cost which must be taken into account by Commissions. **Again, the railroads are taxed for the benefit of their competitors.** The railroads pay local property taxes which are used by the municipal or Port Authorities to build bus terminals and airports, like Idlewild and LaGuardia.

The dual basis of pay has greatly increased wage costs. Under the dual basis of pay, the worker is paid either by the hour or the mile, whichever gives him more wages. On most runs he does his day's mileage or stint in less than eight hours. **On some runs he receives two or three days' pay for one day's work.** On fast runs, as between New York and Washington, the road crews, engineer, fireman, conductor and brakeman, work one day and lay off two. On "red apple runs" of the streamlined transcontinental trains, some men work one day out of four. This is possible because of the mileage basis of pay. The quota for one day's work was set about 70 years ago. It is 100 miles per day for engineers and firemen and for freight conductors and brakemen, and 150 miles per day for passenger conductors and brakemen.

Even though the road crew had no influence on the train's speed, **yet as speeds increased, wages and labor costs rose. The conductor and trainmen are carried along,** like any passenger. Strangely enough, the Pullman conductors and porters, employees in the dining car and mail clerks, work on an hourly rate. They get the same pay per hour regardless of mileage or speed at which they are being carried. The same applies to the waterways, airways and, generally, on buses.

It is argued that the mileage basis of pay is an incentive to bring the train in on time. This argument seems unsound. On the same theory, the engineer should bring the train in ahead of time to get through with his day's work. The fact is that the schedule and time table determine the speed. Prompt arrival of trains could be achieved by bonuses or rewards for better than average performance and penalties for very poor performance. In shops and factories there are numerous wage systems to improve the quantity and quality of work.

The mileage basis of pay is a straight piece rate. In some wage systems, workers are paid by the hour with a differential if they exceed some minimum output. If the mileage basis is retained, then the present day's stint of 100 miles should be modernized to equal a fair average day's run with modern locomotives.

At present, the faster the locomotive the greater is the daily wage for all the road crew. Costs per mile, therefore, rise with the speed. **Labor gets all the benefit. The investors who put up the funds to buy the large locomotives get none.** Some new system of wage payment must be devised in which labor, consumer and the investor all share in the economy. Thus, wages could be raised, rates to the consumer lowered, and the investor's dividends at least maintained.

Featherbed rules, which raise costs and, therefore, also rates on railroads are due largely to the dual basis of pay and the practice of making certain jobs the property of one particular craft. Thus its members are paid whenever the job is done even if some other craft member did the work and was already paid for doing it. Under featherbed rules a road crew might be paid a full day's pay for 15 minutes' work or no work at all.

The disturbing character of these featherbed rules is the extent to which they are driven. One conductor who had to deliver a package of stationery to one of the station agents along the line demanded a full extra day's pay for himself and all the other members of the crew because they were carrying "freight."

The annual earnings of conductors average about $6,000 a year, a good income even on a full-time 40-hour basis, for work requiring so little preparatory education or special training for the job. But in many cases the men work a third or even one-quarter of the time for this annual sum which would be the equivalent, on a full-time basis, of a fantastic income, double that of an ICC Commissioner.

The rise in costs is also due to government policy. The government prohibited the railroads from acquiring airlines. Under the Panama Canal Act, railroads cannot operate steamships either through the Canal or on the Great Lakes even though the two Canadian railroads can and do. **The government also opposed the extension of railroad-owned bus lines.** In fact, Senator Wheeler once threatened to introduce a bill to compel the railroads to cease operating buses and trucks already owned. **Such railroad-owned bus and truck service competing with the independent bus and truck lines could have furnished helpful auxiliaries to the railroads in maintaining low rates.**

III.

What are the remedies? The ICC law must be changed. The discretionary power of the ICC as to the effect of a rate on the volume of traffic should be eliminated. This is a managerial function. **The law should restore the requirement that the railroads are entitled to a fair return.** Congress repealed this provision of the 1920 act requiring a fair return at the request of the railroads in 1933.

The utilities were granted adequate returns on the investment and flourished. But the railroads received inadequate returns and languished. **The ICC should follow the precedent of the State Commissions and the Courts which have granted returns twice that allowed by the ICC.**

The railroads should average 6%, as the utilities have been allowed over a long period of years. The Commission should lean to the side of liberality because of the difficulty of forecasting. Rates can always be reduced if they are too high. But if they are too low, bankruptcy of the roads did and could again result.

"Allow generous returns." So said Mr. Brandeis to the ICC in 1914. "The road should have an opportunity to earn . . . **The railroads need a surplus** not only to provide for the lean years but in order that there may be such stability to the investor **as will induce him to buy their securities at a low rate." If the average return is to be fair, then the peak return in prosperity should be high to offset the return in depression years when it inevitably is low.** Under such a common sense policy of rate setting by the ICC, the railroads could avoid the dilemma of being compelled to raise rates in depressions when the price of commodities and services decline. This policy becomes even more necessary in view of the rise of competitive transport agencies subsidized by the government and unhampered by featherbed rules.

As Fairman B. Dick pointed out, **costs per unit can be reduced despite higher wage rates per hour provided earnings are adequate to induce investment** in better plant and equipment. But under irrational government policy, wages skyrocketed while the return to the investor plummeted. Current government policy has been tested and found wanting. A new approach is necessary. Congress should legislate a fair return and reduce regulation in such a highly competitive industry.

The reduction in rates recommended by the ICC minority is a superficial approach to the problem. It deals with symptoms instead of causes. **Any attempt to deal with selling prices must involve consideration of costs,** but the ICC has persistently refused to deal with the wage problem. Its theory is that wages do not constitute interstate commerce. Yet the Supreme Court has taken the opposite view and Congress has legislated on child labor, minimum wages and hours. In these and in other respects the ICC is lagging in its thinking.

There is an increasing tendency toward an integrated approach to the problem of transportation. The Hoover Commission report and

Secretary Sawyer propose to integrate the several transportation agencies. Why should not the ICC attempt to include in its purview not only rates or selling prices but also wages, costs and competition? The law would have to be revised so that **increases or decreases of wages and rates should be handled by the same authority,** as in all private business, or if by two bodies then at least at the same time. Otherwise no remedy can come from the ICC.

As for Congressional committees, they should not dare to investigate the problem of labor waste on the railroads. Indeed, a recent investigation into monopoly practices by labor unions by a Congressional committee was killed and the hearings stopped. No Congressional committee would have the courage to stand up under labor union pressure. Obviously, no study of labor waste on railroads can be made in Congress.

The problem requires an independent investigation by an impartial fact-finding body. The Brookings Institution could do this job. In 1933 it made its classic study on "The American Transportation Problem" under the auspices of the Baruch, Coolidge, Smith Committee. In 1949 it published a new study on "National Transportation Policy." Neither of these, however, dealt with the problem of costs, wages and featherbed rules. **Such a new study by Brookings would undoubtedly result in constructive proposals in the national interest.**

Vast sums are involved. Of railroad gross operating revenue of $9.6 billion in 1948, total wages are about 50%. **If labor waste were eliminated and road crews paid by the hour instead of by the mile, costs could be substantially reduced and freight and passenger rates could be correspondingly lower.** Furthermore, if the managers were not blocked by union rules, it would be possible to effect important economies, by consolidation, by coordination and by new equipment, like one-man cars, gasoline or Diesel, offering combination of freight and passenger service at frequent intervals. These could further reduce costs and passenger rates.

The dual basis of pay must be eliminated or modernized. Men should be paid for work done. There should be no pay for work not done. Featherbed rules are illegal under the Taft-Hartley Act which does not apply to railroads. The Railway Act of 1926 must be amended to afford similar protection. On the basis of pay for a 40-hour week for road employees operating trains, such as prevails for Pullman conductors, on airways, waterways and most bus and truck lines, railroad costs would be substantially reduced and a host of overpayments due to featherbedding would disappear.

Such featherbedding arises from misinterpretation of labor agreements by referees of the National Railroad Adjustment Board from whose decision there is no appeal to the courts. The right of appeal is basic. The Adjustment Boards should not be **ad hoc** bodies whose referees are subject to veto by the railroad brotherhoods. They should be permanent bodies beyond the power of the unions to threaten or veto. **The Railway Labor Act must be revised.**

Of course, **if stockholders were organized, like labor unions,** they would offset the influence of the farmers who are asking for cheap rates below cost, and the pressure of railroad brotherhoods who are demanding money for not working. **Investors could thus exercise an offsetting pressure on the ICC and Congress. If the stockholders were organized** as an efficient body they could press for such a study. But the individual stockholder is helpless before organized groups with tremendous political power. Perhaps some fund like the Falk Foundation could finance such a study.

Such an investigation should include an analysis of (1) **the policy of the ICC since 1920** with reference to its statutory duties and powers; (2) **the changes in our national economy** and the effect on the railroads; (3) **the practices of the unions with reference to wages and labor costs, of the increase in the number of cases of featherbedding** and in the amount of payments awarded as referees' decisions continuously open new loopholes, how new cases entered the docket faster than old cases were decided until a five-year backlog culminated in the Missouri Pacific strike; (4) **competition and the effect on the shipper and the investor;** and (5) **the policies of Federal, State and local authorities** with reference to subsidies to highway, airway and waterway transport, discrimination and unequal competition, unequal taxation, full crew laws and abandonment of unprofitable lines.

In such an analysis the Brookings Institution could follow the income account from gross operating revenue down to dividends, if any, and balance for additions and betterments. It could then **recommend the necessary changes in (1) the ICC Act; (2) methods of wage payment and labor practices; (3) taxation, Federal, State and local, and (4) ICC regulation—changes necessary to restore the railroads to economic soundness.** If railroads are to be maintained as a private enterprise, it would seem preferable to relax Federal taxation and to limit State and local taxation on interstate carriers rather than to grant railroad subsidies, surely an entering wedge to government ownership.

Such an analysis would show that from 1916 to 1948 wages rose from $1,469 million to $4,768 million while dividends declined from $306 million to $289 million. **In 1916 dividends constituted about 21% of wages and in 1948 about 6%. An increase in dividends by 50% would cost only 3% of total wages** and an increase of 100% in dividends would cost only 6% of total wages. **Such increased dividends, however, would make it possible to raise new moneys through common stock issues again** for the first time since 1929, to modernize equipment, to increase efficiency, **to lower costs,** to meet competition and **to maintain jobs on the railroads. A 6% saving in labor costs would easily be possible with the cooperation of the railroad unions in abandoing featherbed rules, restrictive labor practices and by having the States eliminate full crew laws enacted under union pressure.**

Someone must furnish new money continuously to enable the railroads to serve the people. The present policies brought practically no new money for over 20 years. Indeed, the present policy resulted in the confiscation of over $2,000 million of stocks and junior bonds by the ICC in the recent railroad bankruptcies. **Britain under Socialism nationalized the railroads but paid the investors a reasonable price for their securities. But the United States, under private enterprise, wiped out securities owners in bankruptcy. Obviously, American Government railroad policy for 20 years proved ruinous. A fundamental change is required—and promptly.**

Unless the problem is examined on a broad, statesmanlike basis, the deterioration of the railroads will not only harm private investors, insurance companies and savings banks, but will leave a weakened transportation system. This could become a grave danger in any future war. On the other hand, under a fundamental, constructive policy, **the railroads, so essential in peace and so indispensable in defense, could then become an important force for the stability and prosperity of the country.**

As We See It

(Continued from first page)

There are several ways of accomplishing this purpose, mostly through either insurance company annuity arrangements or trust company funds for the purpose. Assuming that it is possible to estimate accurately the future claims under these various schemes—a rather broad assumption at least in some instances—and, of course, assuming the possession of funds for the purpose, it is quite possible for individual enterprises to provide in advance for the payments presently to be required of them, and, of course, it is prudent for them to do so.

A Growing Movement

But this pension movement is growing rapidly. It may presently in the aggregate involve funds of almost astronomical proportions, and in these circumstances there arise certain problems and certain questions which deserve the most careful attention of all concerned — and the general public is certainly most definitely concerned. It is the claim of some students that for technical reasons all such "insurance" as this should be arranged for, through and carried by the Federal Government. The arguments, pro and con, about this phase of the matter need not detain us here. It is, however, the more pertinent for this reason that we remind ourselves of the real meaning of the "funding" that is practiced in connection with the present government scheme, and to inquire in what way, if any, a more real funding might be obtained.

Such an inquiry will throw some light upon the broader economic problems which will arise if and when the growth of privately arranged and privately financed pensions reaches a volume now apparently rather likely within the next few years. The fact is, of course, that the commitments under the "Old Age and Survivors' Insurance" scheme are in no real way funded at all. What happens in this case is simply that when the collections (they are really nothing more or less than taxes) are made, they go into a "fund" which at once "invests" them, or all of them not required immediately, in Treasury obligations, a process which returns the funds to the general account where all other taxes normally go and where they would have gone but for this strange "funding" device dreamed up by the New Deal managers. From this account the moneys go, like all other moneys, to whatever purpose money is required. There is no money anywhere stored away for pension purposes. When pensions become due the Federal Government must raise the money for them precisely as it would have to do had no funding scheme of this sort ever been thought of—that is, either by taxes or by borrowing.

Really Pay-as-You-Go

Nor is there any other way in which the Federal Government could more really or realistically "fund" these obligations—unless indeed it were to enter into business on its own account or lend funds to businessmen. The only real funding in this sense of the term would arise if the money paid as premiums (social security taxes) were productively invested in such a way that years hence, when the beneficiaries claim what they have had laid aside for them, something tangible in the form of productive assets had been created and set aside for the purpose. But such assets are the property of business in a free society, not government. The national program is really on a pay-as-you-go basis quite regardless of what words may be employed to describe it.

Now what would happen if such private pension schemes as are now becoming familiar became almost universal would not be quite the same as this, but there would be a number of significant resemblances. The funds placed in the hands of insurance companies or trust managers would not be invested in the simple IOU's of the insurance company or the trust company as is the case in the Federal scheme, but for the most part, one should hope, in productive uses—as distinct from government or municipal securities. In such an event, it is reasonable to suppose that the means for meeting future obligations — that is better and more income-producing capital goods—will have been brought into being, and that it would be owned and managed not by government but by private enterprise. At the same time, the question is an open one whether most of these funds would not have been invested in such undertakings in any event, the only difference, taking the economy as a whole, as a result of the "funding" process, being that of the position of the individual enterprise upon whom the obligation falls in the first place. Of course, in any event, the insured or the pensioner has been given a claim upon the proceeds of future industry—and particularly upon the earnings of the younger members of society still producing at the time when he retires.

How Will the Funds Be Invested?

But this is by no means the full story. Funds set aside, whether by an insurance company or a trust company, or, for that matter, a self-insured business enterprise, for such purposes as these are not ordinarily free to be invested in progressive, venturesome enterprises or undertakings. Experience has led us to place rather rigid restrictions upon the investments of life insurance companies and upon the managers of all types of trust funds. The growth of life insurance in recent years is one of the influences which has tended to expand demand for certain types of investment tremendously. If presently a much larger part of the savings of the nation is to be channeled through such institutions as these, then either interest rates will almost vanish or some radical change must take place in the type of investment permitted for such funds. Another consequence could well be that a greatly enlarged portion of current capital requirements would go into fixed obligations instead of equity form—a situation already attracting much adverse attention.

There are several facets of this pension question which have not been duly explored.

Pevear Officer of Irving Trust Co.

Irving Trust Company has announced the election of William W. Pevear as Assistant Vice-President of the company.

Mr. Pevear joins the company's staff to assist correspondent banks and corporations in the management of their investment portfolios. In his new capacity Mr. Pevear will not only serve customers and prospects at company headquarters but will also travel throughout the United States.

Mr. Pevear has had wide experience in the investment field. For six years he was in the U. S. Government Bond Department of the Guaranty Trust Company, of which he was Assistant Treasurer. After leaving the Guaranty he continued in investment work as a Vice-President of Blair and Company until early this year.

Joins Beardslee-Talbot

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — Harvey S. Mack has become associated with Beardslee-Talbot Co., Rand Tower.

Now With J. W. Goldsbury

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — Albert J. Patient has become associated with J. W. Goldsbury Co., Twin City Federal Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 4	87.7	78.2	8.8	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 4	1,616,800	1,441,600	162,000	1,804,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 19	5,211,050	5,185,150	5,072,100	5,707,950
Crude runs to stills—daily average (bbls.)	Nov. 19	¶5,292,000	5,127,000	5,375,000	5,733,000
Gasoline output (bbls.)	Nov. 19	18,157,000	17,686,000	18,446,000	17,802,000
Kerosene output (bbls.)	Nov. 19	2,227,000	2,092,000	2,030,000	2,472,000
Gas, oil, and distillate fuel oil output (bbls.)	Nov. 19	7,117,000	6,849,000	6,856,000	7,503,000
Residual fuel oil output (bbls.)	Nov. 19	8,214,000	7,814,000	7,609,000	9,224,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 19	103,380,000	103,577,000	102,990,000	91,244,000
Kerosene (bbls.) at	Nov. 19	27,526,000	27,622,000	28,340,000	26,793,000
Gas, oil, and distillate fuel oil (bbls.) at	Nov. 19	92,652,000	92,117,000	89,030,000	79,690,000
Residual fuel oil (bbls.) at	Nov. 19	68,620,000	68,527,000	69,673,000	62,833,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 19	§758,972	§635,823	§589,088	858,089
Revenue freight received from connections (number of cars)	Nov. 19	§595,026	§516,168	§515,272	696,935
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 24	$90,244,000	$217,758,000	$135,843,000	$80,802,000
Private construction	Nov. 24	44,949,000	117,449,000	72,662,000	32,606,000
Public construction	Nov. 24	45,295,000	100,309,000	63,181,000	48,196,000
State and municipal	Nov. 24	35,177,000	87,657,000	55,487,000	43,086,000
Federal	Nov. 24	10,118,000	12,652,000	7,694,000	5,110,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 19	14,000,000	7,100,000	2,540,000	*12,469,000
Pennsylvania anthracite (tons)	Nov. 19	1,133,000	1,263,000	1,230,000	1,207,000
Beehive coke (tons)	Nov. 19	3,400	*3,200	2,600	157,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Nov. 19	342	*318	296	371
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 26	5,537,122	5,644,435	5,432,753	5,349,167
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 24	148	183	221	101
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 22	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Nov. 22	$45.88	$45.88	$45.88	$46.91
Scrap steel (per gross ton)	Nov. 22	$29.92	$29.58	$25.58	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 23	18.200c	18.200c	17.325c	23.200c
Export refinery at	Nov. 23	18.425c	18.425c	17.550c	23.425c
Straits tin (New York) at	Nov. 23	85.000c	95.000c	96.000c	103.000c
Lead (New York) at	Nov. 23	12.000c	12.500c	13.000c	21.500c
Lead (St. Louis) at	Nov. 23	11.800c	12.300c	12.800c	21.300c
Zinc (East St. Louis) at	Nov. 23	9.750c	9.800c	9.250c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 29	104.00	104.42	103.96	100.79
Average corporate	Nov. 29	115.24	115.24	115.04	111.07
Aaa	Nov. 29	121.04	121.25	120.84	116.80
Aa	Nov. 29	119.61	119.41	119.00	115.04
A	Nov. 29	114.46	114.46	114.27	109.97
Baa	Nov. 29	106.56	106.74	106.74	103.47
Railroad Group	Nov. 29	109.24	109.24	109.42	106.39
Public Utilities Group	Nov. 29	117.00	117.00	116.61	111.62
Industrials Group	Nov. 29	119.61	119.82	119.20	115.82
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 29	2.21	2.18	2.21	2.44
Average corporate	Nov. 29	2.89	2.89	2.90	3.11
Aaa	Nov. 29	2.60	2.59	2.61	2.81
Aa	Nov. 29	2.67	2.68	2.70	2.90
A	Nov. 29	2.93	2.93	2.94	3.17
Baa	Nov. 29	3.36	3.35	3.35	3.54
Railroad Group	Nov. 29	3.21	3.21	3.20	3.37
Public Utilities Group	Nov. 29	2.80	2.80	2.82	3.08
Industrials Group	Nov. 29	2.67	2.66	2.69	2.86
MOODY'S COMMODITY INDEX	Nov. 29	347.6	343.9	339.6	402.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 19	179,741	182,831	195,662	174,440
Production (tons)	Nov. 19	205,526	207,837	206,400	195,552
Percentage of activity	Nov. 19	94	94	94	97
Unfilled orders (tons) at	Nov. 19	416,000	444,302	411,834	373,804
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Nov. 25	125.8	125.6	126.0	144.6
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	Nov. 12	18,427	26,648	19,568	30,792
Number of shares	Nov. 12	538,982	784,627	584,233	880,666
Dollar value	Nov. 12	$22,562,168	$31,314,619	$21,872,404	$32,273,714
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 12	19,717	29,061	22,421	22,831
Customers' short sales	Nov. 12	123	166	164	287
Customers' other sales	Nov. 12	19,594	28,895	22,257	22,544
Number of shares—Customers' total sales	Nov. 12	520,452	787,732	628,292	681,618
Customers' short sales	Nov. 12	4,184	6,206	6,069	11,085
Customers' other sales	Nov. 12	516,268	781,526	622,223	670,533
Dollar value	Nov. 12	$18,831,219	$27,614,340	$20,844,394	$22,667,359
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 12	172,750	273,210	217,780	136,550
Short sales	Nov. 12	------	------	------	------
Other sales	Nov. 12	172,750	273,210	217,780	136,550
Round-lot purchases by dealers—					
Number of shares	Nov. 12	173,620	273,020	190,790	357,620
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Nov. 22	151.5	*151.4	152.5	164.2
Farm products	Nov. 22	156.8	156.5	158.5	180.8
Foods	Nov. 22	159.5	*159.6	161.7	174.7
All commodities other than farm and foods	Nov. 22	145.0	144.8	144.8	153.6
Textile products	Nov. 22	137.4	136.8	137.6	147.1
Fuel and lighting materials	Nov. 22	130.5	130.3	130.6	137.6
Metals and metal products	Nov. 22	169.2	169.4	169.0	173.7
Building materials	Nov. 22	189.4	*189.5	188.8	203.1
All other	Nov. 22	116.2	115.9	116.1	133.6
Special indexes—					
Grains	Nov. 22	158.3	154.1	153.9	174.2
Livestock	Nov. 22	185.9	187.8	198.7	230.1
Meats	Nov. 22	211.1	*213.2	223.5	238.1
Hides and skins	Nov. 22	201.9	205.8	204.0	206.7

*Revised figure. ¶Includes 449,000 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
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of October 31:			
Imports	$140,223,000	$133,116,000	$139,942,000
Exports	39,453,000	37,362,000	42,050,000
Domestic shipments	8,796,000	8,393,000	8,400,000
Domestic warehouse credits	13,734,000	13,069,000	11,912,000
Dollar exchange	901,000	1,256,000	933,000
Based on goods stored and shipped between foreign countries	11,606,000	13,973,000	17,317,000
Total	$214,713,000	$207,169,000	$220,554,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Oct 31 (000's omitted)	$278,000	$265,000	$285,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Estimated short-term credit in millions as of Sept. 30:			
Total consumer credit	$16,804	$16,458	$15,231
Instalment credit	9,868	9,615	8,190
Sale credit	5,447	5,223	4,193
Automobile	2,883	2,761	1,858
Other	2,564	2,462	2,335
Loan credit	4,441	4,392	3,997
Noninstalment credit	6,916	6,843	7,041
Charge accounts	3,123	3,064	3,227
Single payment loans	2,815	2,802	2,855
Service credit	978	977	959
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1935-1939=100)—Month of October	282.5	*282.3	306.8
COTTON ACREAGE AND PRODUCTION—U. S. DEPT. OF AGRICULTURE—As of Nov. 1:			
Acreage	25,907,000	25,907,000	23,003,000
Production 500-lb. gross bales	15,524,000	15,446,000	14,868,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of October	725,602	709,958	696,505
In consuming establishments as of Oct. 31	1,130,457	744,602	1,254,228
In public storage as of Oct. 31	8,351,467	6,136,997	7,272,959
Linters—Consumed month of October	143,096	140,720	115,119
In consuming establishments as of Oct. 31	240,951	221,400	209,240
In public storage as of Oct. 31	40,111	49,127	57,118
Cotton spindles active as of Oct. 31	20,215,000	19,975,000	21,157,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters to Nov. 14)	11,693,204	------	11,678,631
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of September:			
Earnings—			
All manufacturing	$55.64	*$54.66	$54.18
Durable goods	58.65	*57.74	57.95
Nondurable goods	52.64	*51.31	50.35
Hours—			
All manufacturing	39.6	*39.1	39.8
Durable goods	39.6	*39.2	40.0
Nondurable goods	39.7	*38.9	39.6
Hourly earnings—			
All manufacturing	$1.405	*$1.398	$1.362
Durable goods	1.481	*1.473	1.450
Nondurable goods	1.326	*1.319	1.271
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of September:			
Death benefits	$115,711,000	$130,188,000	$122,692,000
Matured endowments	36,027,000	35,505,000	31,182,000
Disability payments	7,641,000	7,912,000	7,122,000
Annuity payments	19,856,000	18,739,000	17,581,000
Surrender values	49,674,000	49,893,000	37,751,000
Policy dividends	47,329,000	43,828,000	41,976,000
Total	$276,238,000	$286,065,000	$258,304,000
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of September:			
Shipments (short tons)	60,488	58,121	77,815
For sale (short tons)	30,646	30,327	43,985
For producers' own use (short tons)	29,842	27,794	33,830
Orders booked, less cancellation, for sale (short tons)	26,828	20,861	31,163
Unfilled orders, end of month, for sale (short tons)	57,512	61,330	164,002
NEW YORK STOCK EXCHANGE — As of Oct. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$782,944	$739,838	$579,535
Credit extended to customers	71,613	73,265	44,639
Cash on hand and in banks in U. S.	288,829	300,575	325,657
Total of customers' free credit balances	585,517	580,028	539,563
Market value of listed shares	72,630,605	70,699,875	72,185,619
Market value of listed bonds	132,221,476	132,210,287	130,944,936
Stock price index, 12-31-24 = 100	75.9%	73.1%	78.8%
Member borrowings on U. S. Govt. issues	$152,088	$142,806	$150,841
Member borrowings on other collateral	419,724	429,873	252,386
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE August, 1909-July, 1914=100—As of September 15:			
Unadjusted—			
All farm products	249	245	290
Crops	211	212	231
Food grain	210	204	223
Feed grain and hay	167	166	223
Tobacco	400	407	406
Cotton	270	236	250
Fruit	143	160	185
Truck crops	205	174	150
Oil-bearing crops	213	225	282
Livestock and products	284	276	343
Meat animals	326	317	408
Dairy products	249	243	302
Poultry and eggs	237	226	253
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of September (000's omitted):			
Savings and Loan associations	$338,067	$341,314	$304,053
Insurance companies	90,432	88,578	80,668
Banks and Trust companies	216,058	218,682	212,374
Mutual Savings banks	69,763	67,255	73,424
Individuals	171,863	171,434	185,407
Miscellaneous lending institutions	166,049	167,580	135,482
Total	$1,052,232	$1,054,843	$991,408

*Revised figures.

The Market Outlook for Retail Store Shares

(Continued from page 2)

for retail spending, if consumers wish. In 1948 the proportion of personal consumption expenditures represented by services was 29.7%, against 29.2% in 1947, a 1935-9 average of 37.8% and 40.2% in 1941. The lower percentage being spent for services compensates fully for the 5% or so (of personal consumption expenditures) being spent additionally for food and in fact allows some leeway besides.

Another evidence of conservatism in spending, in relation to income and liquid assets, is afforded by savings figures. Individuals and unincorporated business at the end of 1948 held some $200 billion of liquid assets—cash, bank deposits and governments. Nevertheless personal savings this year will run about 7% of disposable personal income. The 1935-9 average savings were 3.9%.

Outstanding consumer credit is large, but not high in relation to income. Credit at the end of September represented 8.75% of disposable personal income. Average in 1935-9, taking outstandings at year ends versus yearly incomes, was 10.5%.

Mortgage debt does not seem burdensome. Non-farm mortgages, excluding corporate, were $46.4 billion at the end of 1948, up 79% from the $25.9 average of 1935-9. This rise in mortgages is much less than that of 190% in incomes and moreover it embodies easier terms than formerly.

Viewed by these criteria, the rate of spending seems somewhat on the sober side. Consumers are by no means going "all out" in their buying, within the limits of current incomes and available assets. There have, of course, been some important restraints in the way of free spending, such as uncertainties as to the course of general business and employment and fears of lower prices. The high birth rate has involved sobering responsibilities, as have the numerous purchases of new homes and cars. Apart from psychological restraints on spending there was earlier this year a quite tangible restraint in the letdown of industrial activity, marked in various sections during the second quarter. Yet may it not prove that one of the principal restraints has been the time required for people to become fully accustomed to the sharply higher price structure brought about by the war?

Outlook for Prices

Although prices, including those for farm products and some durable goods, may well ease further, to a large extent the existing price structure has been frozen into the economy by wage rigidities and the public debt, together with the governmental attitude which is eager to combat any deflationary tendencies. It will gradually become apparent that this is the case. It seems evident that in general prices of soft goods, with the possible exception of some foodstuffs, have suffered about as much price readustment as they are going to have, barring any considerable deterioration in the general economy. When cars and some of the durables have had further readjustments there will be little basis, other than the theory of a severe business decline, on which to predicate a significant further weakening of the general price structure. We appear to have had most of the primary post-war adjustment, and on this basis the secondary adjustment is relatively distant.

It is true that a loss of national income will be involved to the extent that the automobile output is reduced but there presumably remains a large market to be tapped at lower prices. Moreover, any decline of income in this connection could well be made up by expansion of public works and other governmental spending. If people become more accustomed to the new price structure and more reconciled to the prospect of its continuance, if they become used to financial burdens of their new homes, if they pay off some of their time purchases, and if they see that the economy is being maintained on a rather even keel, their spending should be reasonably liberal. The large purchases of life insurance and the increasing prominence of pension plans should also contribute in this direction. To the extent that cost of living is lessening by declines of food prices, there will be additional funds for other purchases.

Competition will afford better consumer values and the real standard of living may also be aided by improved industrial productivity. The stores, many of which have undoubtedly lost sales through skimpy stocks and limited assortments, may then begin to focus more on merchandising operations, with the controllers perhaps having less say about store policy. Inventory control has recently been a fetish of managements; it does not help sales. The high marriage and birth rates in recent years will carry increasing significance for consumption expenditures. The population increment of the 40's will amount to about 19 million persons; it constitutes the largest for any decade in the nation's history. It compares with a gain of only 9 million population in the decade of the 30's. Under such conditions, it is conceivable that producers' durable equipment, expenditures for which have been tapering sharply, may later show an upturn, contributing further to the maintenance of general business at a high level.

Expense Ratios Rising

The foregoing hypothesis affords a propitious background for retail operations. Two other considerations also contribute in that direction. One is the fact that the readjustment of price structure from the peak has imposed a severe burden on retail operations. This refers not only to the actual prices but to the restoration of normal qualities. The other is the fact that expense ratios of the stores have tended to rise sharply, with a checking of the rise in sales and a forward thrust in the level of expenses.

The pressure on gross profit margins incident to a shaking down of the price structure represents the price that must inevitably be paid for a return from war-inflated levels to more normal conditions. The shift is painful while it lasts but once completed it will seem worth the price in that normal operations, relieved of excessive markdowns, can then ensue. On the expense side, stabilizing of the general price levels following price readjustments, with consumer incomes and spending well maintained, is helpful in restraining further rises of expense ratio. In addition, the elapse of time permits the accommodation of expense to the stabilized level of sales. Ratios may therefore show up more favorably than they have lately.

The question we raised earlier, as to whether retail trade offers a good participation in the consumer economy that apparently lies ahead, must be answered in the affirmative. Consumer spending promises to be active. Certain hard goods have been running abnormally high in relation to total spending and their percentage may drop somewhat. Loss of income and of total retail sales in this connection does not appear significant because other sections of the economy should tend to make up this decline. Nondurables should be active, improving their percentage. Spending in general promises to be liberal, backed by the income-maintaining proclivities of the government, by the existence of huge liquid assets, by a possible diminution in the abnormally high rate of savings and by fuller assimilation of and accommodation to a stabilized postwar price structure.

Action of Retail Stocks

Although most retail issues other than grocery chains have not distinguished themselves in the market during 1949, retail issues have participated somewhat in the market strength of recent months. With the active season of 1949 on the point of passing, it would seem wholly possible for retail stocks to diminish in market interest, on seasonal grounds, over coming months. It is true that the insurance refund will afford some stimulation but it in itself is not going to bring about large retail earnings in the seasonally first dull half of 1950. If automobile markets have finally "caught up" and this brings readjustments in cars and other consumer durables, the effect on retail trade will be somewhat adverse.

But it would seem shortsighted to emphasize this near-term aspect. From a broader standpoint, such a development would indicate the substantial completion of postwar price readjustments, on the economic thesis we have advanced. It would tend to remove one of the last major abnormalities in the situation, thus substantially completing the chain of postwar readjustments.

We saw above how the market, in its relative preference for such issues as Murphy, Sears and Federated, gives clear indications of its willingness to pay rather good prices for the not abnormal, that is acknowledged quality and demonstrated competitive ability. The fact that some of the department store issues are so far below the 1946 high shows that the market recognized the freakish character of the early postwar earnings in the department store field. With abnormalities out of the situation, the market may be willing to pay a better price for earnings which have been rather thoroughly shaken down and which may be relieved from the difficulties imposed by a declining price structure and by an expense squeeze. In short, the secondary issues in the retail field may, following further trade readjustments in coming months, begin to look as if they did not live in a world other than that occupied by the prime issues.

Pending the expected favorable clarification of the retail outlook for the latter half of 1950, it is possible that the prime issues which have done well marketwise may suffer some reaction along seasonal lines. They do not appear to embody great risks, however, and they do seem to offer enhancement possibilities, as well as capabilities of higher dividends in some cases. The secondary issues may be somewhat riskier over the near term but they offer greater scope for capital gain. The low-priced department stores may in some cases offer sizable percentage possibilities though perhaps later timing of purchases may be somewhat more advantageous. It may prove profitable to switch from stable to more speculative issues.

In the retail atmosphere visualized, top managerial ability will continue to command a premium. The strong position of the mail orders, in respect to the efficiency of operations and the values which they offer consumers, is likely to continue. The department stores seem somewhat less favorably situated in a broad competitive sense. The varieties will continue to be characterized by stability, one may say reliability, though some of them continue to show growth. With another year of declining food prices in prospect, the chain groceries should do well again in 1950. Their prospects would tend to be marred, as they were in 1933-37, if there were a reversal of the easier trend in food prices.

The Menace of Investment Curbs

(Continued from page 18)

guaranteeing to repurchase a security, undertaking to list a security on the Stock Exchange, telephoning private residences, employing unlicensed salesmen, theft, obtaining money by false pretenses, false advertising, rigging the market and forgery. The fines ranged as far as $2,000 under the Securities Act and $10,000 under the Criminal Code. The terms of imprisonment ranged as high as seven years for offenses under the Criminal Code.

Two of the more publicized investigations by the Commission were in the spectacular price rises in Beaulieu Yellowknife Mines Limited and Eldona, both of which are listed on the Toronto Stock Exchange. In both of these the price on the Exchange rose in nine or 10 trading days from the low pennies to over $2.50, with millions of shares changing hands. The decline in the price was just as rapid. As a result of these investigations the short-selling rules on the Exchange were revised and an amendment to the Criminal Code was enacted last year providing for a five-year term of imprisonment for anyone found guilty of "wash" sales in connection with securities.

Before Mr. McTague retired as Chairman a little more than a year ago, and to whom much credit is due for our present legislation, he achieved what was his prime desire when he took on the job, that of a self-regulated and self-disciplined industry. By appropriate legislation, the industry was divided into three groups: Broker, broker-dealer and the investment dealer. The broker is now defined as a commissioned agent and must be a member of the Toronto Stock Exchange. The investment dealer is a member of the Investment Dealers' Association and is usually engaged in the distribution of bonds and the more mature and less speculative securities. The broker-dealer is the promotional house, almost exclusively engaged in mining and must be a member of the comparatively new association known as the Broker-Dealers' Association of Ontario.

Now, no one can secure registration from the Commission unless he is a member of one of these three associations. The Stock Exchange and the IDA, of course, have been regulating and controlling and disciplining their members for many years, but the new association, the BDA, is just now coming out of the "growing-pain" stage and, in my opinion very successfully. With its creation, of course, came more regulations and regimentation, but I think it is agreed among even the most enthusiastic mining promoters, this was necessary. Subcommittees of this association now pass on all promotional literature issued by its members. Their discipline committee has wide powers, including that of fining suspension and cancellation of membership. Recently a price spreads committee has been set up which, in effect, dictates the original public offering price in any new undertaking. All of these regulations must react to the public benefit.

The speculative security purchaser must get a better run for his money but, we as Canadians realize that mining is still a most hazardous undertaking and securities of mining companies in the exploration and development stage are always very risky. Of the scores of thousands of mining companies and syndicates which have made public offerings since the turn of the century, there are something less than 100 which have got into production and paid dividends. The profits are great if you pick a winner and the responsibilities are great for the promoter and stock seller who is using what Jack Hammell calls o.p.m. (other peoples' money) in financing a speculative undertaking. I feel that that responsibility is discharged if our legislation is strictly complied with. If full plain and true disclosure is made before the money is accepted from the public.

In conclusion, I would like to touch briefly on one very contentious point. As you are aware, our natural resources are practically unlimited. We are told that the PreCambrian Shield has only been scratched. In the past few years undreamed oil reserves have been uncovered in Alberta. Where are we to get the money to develop these riches? Our meager 12 or 13 millions of people cannot find it. As in the past we must go to our rich neighbor to the south. Apart from the Alberta oil field which was developed by the millions of Imperial Oil and other large companies, every mining camp in Canada was originally opened by the wild-catter or the small courageous promoter financed by small contributions from the public.

Most of the present mining promotion is done right here on Bay Street and our efforts to raise American venture capital is being strangled in a web of American restrictive and discriminative legislation. Not only must we file with the Federal Security Exchange Commission and comply with their Federal Act, but also with the Acts of the 48 States of the Union. The delay and expense is prohibitive. After meeting all of our own requirements we find ourselves confined to the boundaries of Ontario in our efforts to raise money unless we qualify with the Commissions of the nine other Canadian Provinces and the 48 States. Until the other provinces and the States realize that the development of our resources is of continental and even global concern and uniformity and reciprocity in securities legislation is brought about there is danger that millions of tons of strategic metals and millions of barrels of oil will never be unearthed.

Gregg, Storer Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Horace W. Wood has been added to the staff of Gregg, Storer & Co., 35 Congress Street, members of the Boston Stock Exchange.

Joins Clayton Securities

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Babert V. Brooks, Jr. is now with Clayton Securities Corp., 82 Devonshire Street.

Two With Ed. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Paul R. Deegan, Sr. and James J. Shea are now with Edward E. Mathews Co., 53 State Street.

What Makes a Bull Market?

(Continued from first page)

be tempted to obtain a partnership in some pet company.

(2) The concept that pension plans are a part of industry's cost structure seems destined to stay and grow, and this means a steadily increasing amount of fiduciary capital which will be seeking investment. A few years hence, the pension fund addition to the stream of investment capital requiring a haven could easily be several billion dollars annually, a figure which compares with less than $10 billion of domestic capital flotations in 1948. Irrespective of the specific manner in which pension funds are invested, the prospect is that the blue chips will get bluer and that high-grade bonds will stay high.

(3) Whether it be growing recognition of our permanently higher price level, or the demonstrated cheapness of equities in relation to the purchasing power of the dollar in other media, the trend of price-times-earnings-ratios probably is turning upward. The thinking investor—and the market today is dominated more by the astute than the ill-informed—is slowly appreciating the fundamentally bullish implications of our sharply increased population and better standard of living. This is a dynamic, not a static, economy, and industry's markets are widening, not narrowing.

Confidence and Economics Must "Jell"

Question of when these and other factors will "jell" and bring about another 1926-29 is something else again; the catalysts of confidence and general economic stability are obvious requisites. On the business front, the coal and steel strikes complicate a guesstimate of the outlook in that they prevented the full impact of the consumer goods recovery which started last July from being demonstrated. Unquestionably, now that the steel and presumably coal strikes have been settled, the composite business indices will increase sharply into the winter months; the FRB index might easily reach the 180 level as compared with a strike low of about 155. A high rate of steel production is in prospect well into spring inasmuch as steel will be in short supply for months to come. The economy also will have the stimulus of the $2.9 billion soldiers' bonus to be distributed early next year, a carryover of the amazing vitality shown by the building industry, etc.

But this leaves unanswered the question of whether the downtrend previously indicated for the first half of 1950 has been delayed—indefinitely postponed — or merely softened. It is quite possible, for example, that the strikes have corrected the excess of supply over demand in the all important automobile industry, where an output drop was indicated for early next year. Dealer stocks of new cars are at a low level today and the Big Three are planning new record high production for the early part of next year. It may well be, therefore, that the strike situation has eased the coming deflationary aspects of currency devaluation, sharply lower industrial capital expenditures, etc. And a downward business trend won't be seen until the second quarter of 1950.

Less Selectivity Needed

On the market front, the chief requisite for a major bull market is a more general and less selective economy, an end to the indecision, confusion midst plenty, extraordinary selectivity which have characterized the past few years. Naturally, there always will be deviations from the average in a dynamic economy; the *status quo* isn't consistent with capitalism, and styles in speculation will continue to change. It's inevitable that 1950 disclose an "Admiral" doing a spectacular merchandising job in a promotion-minded industry and a "Philco" which loses competitive ground and falls out of grace. Or a "B. F. Goodrich" which commands growing respect at the same time a "U. S. Rubber" is losing its previous market halo.

But a major move which makes the Dow theory a workable tool again doesn't seem likely until intra-industry changes become the exception rather than the rule. We need another period where generalizations will suffice — not an era where selectivity is king. The die will be cast in the first quarter of 1950.

Economic Therapy Under Employment Act

(Continued from page 19)

What I have said thus far is perhaps an unduly metaphorical treatment of problems that come to you in stark concreteness across your business desks or in your private affairs every day. It will perhaps serve, however, as a useful background for thinking on some of the basic problems which each of us as businessmen and as citizens will be confronted by in the closing months of this year and in 1950 and in which we shall have to be in some measure, large or small, active participants. This is the thought which animated me in a recent address which, in spite of its brevity, has attracted a quite unexpected degree of public attention.

In that talk, I was simply an economist-at-large, laying my thinking before a sizable group of thoughtful citizens and businessmen. I expressed concern that each of the three major groups in the private sector of the economy seemed to be relying on one form or another of restrictionism to promote its interest, whereas only the expansion of production can produce the conditions of abounding economic health—can promote the wealth of the whole people and hence of all its citizens. I concluded with a single sentence about a major aspect of government's part in national economic health. I said: "I am not happy when I see government slipping back into deficits as a way of life in a period when production and employment are high, instead of putting its fiscal house in order and husbanding reserves to support the economy if less prosperous times overtake us."

Gross Oversimplification of Economic Problems

Now of course I am glad to find that a concern about our national affairs which I think is serious has evoked so widespread a response from other thoughtful citizens. But in some cases I detect a tendency to read a specific kind of answer into what I regarded as hardly more than the statement of a problem. That is, many people seem to jump to the conclusion that I suppose our national budget could be immediately balanced, a Treasury surplus created, and even debt retirement effected if a handful of men in Washington or even the President alone would take action as easy as it is plainly sensible.

Now, this is a gross oversimplification of a situation which is so deep and so intricate as to challenge the understanding, the cooperativeness, and the determination of the elite of our Nation, in government and out, in the Executive Branch and in the Congress, in the incumbent party and in the loyal opposition. No power of human ingenuity and courage could effect a quick balance of our national budget under the conditions by which we are confronted and assure that over the next few years there would be a succession of balanced budgets and gradually increasing surpluses which would make possible an orderly reduction of the national debt to manageable proportions. I have observed the real situation at too close range to be unaware of the difficulties. I have seen the grinding struggle of the President, of the Director of the Budget, and the several agency heads to hold down programs that were demanded not alone by bureaucrats, but by well-intentioned citizens, strongly organized interest groups, and their hard-fighting representatives in the Congress.

The issues involved are not those of black and white. There is much that we must forego, and on the other hand there is support by sincere and competent people on behalf of particular protective and developmental expenditures even when they entail red-ink entries in the national ledger. But all this is something quite different from saying that the size of the national debt does not matter and that *our* particular group will force *our* particular expenditure without consideration of the national interest in its deepest foundations and its broadest sweep. I repeat that "slipping into deficits as a way of life over a period when production and employment are high" is something to be viewed with alarm. I would rather expose myself to the accusation of having a supercaution resulting from advancing years and my New England ancestry or my scientific training and association than to go along with the easy doctrine that this does not involve a danger or that nothing at all can be done about it.

President Making Efforts to Hold Down Spending

Lest you think I am doing too much to justify the reputation of economics as "the dismal science," I wish to end on a more cheerful note. And, as a guest of the Chamber of Commerce, I am happy that I can combine this with a word of commendation for your great organization. I have suggested above that the President and his aides have been making sincere efforts against terrific opposition to hold down expenditures. One who has given yeoman service in this effort under most trying conditions is the Secretary of Defense. He had not been long established in his secretarial chair before he had really hard-headed studies under way to find the places where expenditures could be curtailed without harm to the defense service. I cannot recall a statement of more simply forthrightness and public courage than his: "I do not propose to have a peacetime WPA in the Defense Establishment." He has announced his cuts and stood by them against the protests of groups whose business might be adversely affected and of Congressmen whose voting strength might be impaired. He is, of course, a fallible human being, but he is also a cheering example of a man in public life who has stood up to the responsibilities of his office.

And this is where the Chamber comes in. In the past I have sometimes twitted my good friends in the Chamber of Commerce of the United States because, while their demands for curtailment of public expenditures were going forward, state and local chambers were rushing to Washington to put the heat on their Senators and Congressmen and on administrative officals every time a local activity was threatened with curtailment. In the present instance, I take off my hat therefore to your national president, Herman Steinkraus. Quick upon the heels of Secretary Johnson's curtailment orders, he wrote a letter of personal endorsement of the action and encouraged the sending of similar letters by Chamber members. Better yet, he wrote to the 2,500 local chambers all over the country, saying in essence: "You have asked for economy. Well, here it is. Now don't come to Washington trying to upset it, but in your local communities bend every effort to see that persons disemployed in the process are promptly reemployed in productive work." With that sort of team-play between government and business and only with that can we hope to effect those economies which are both possible and necessary.

Subsidy Housing and Federal Deficits Leading to National Ruin

(Continued from page 7)

erty owners. Yes, new construction is humming along at a fast clip, but your business and all other businesses in America will be knocked into a cocked hat, if the loose policies of the Administration are allowed to continue.

Deficit Financing Cannot Go On

Your Federal Government cannot go on with its high-living expenditures, deficit financing, borrowing to spend, mortgaging the nation's productivity, without inviting national disaster. It is just as simple as two and two make four. The government cannot long borrow to spend and remain solvent, any more than an individual can live beyond his means. You cannot go on telling the grocer, the doctor, the merchant, or the manufacturer, "Charge it." Some day you must pay. Nor can the government continue solvent by swelling the national debt. It too, must be paid. It must be paid out of the hard-earned dollars of the people. Now get ready for a shock!

Your national debt has increased $5 billion to a total of $256 billion since last April. And it is skyrocketing toward the wartime peak, when the nation's total resources and effort were concentrated on winning the war. The wartime peak was $279 billion. Nearly $20 billion of that sum was on paper, because proceeds of the victory bond drive in mid-1945 were not used, simply handed back to the lenders. So, our debt today is only $3 billion below the actual wartime high.

Now, get ready for another shock!

The first session of the 81st Congress appropriated and authorized $50,991,000,000. Don't be fooled by phoney figures put out by defenders of this reckless disregard of the taxpayers. They leave out items, such as the so-called permanent appropriations. But they all have to be paid for.

Even the Administration's estimates of the deficit this fiscal year are rising. The President said, last January, it would be about $1 billion. The Budget Bureau now forecasts a deficit of $5½ billion. Other competent estimators, including Senator Byrd of Virginia, put the deficit at $7 billion, and double that amount in fiscal 1951.

There are 2,100,000 civilians on the Federal payroll. They are increasing at the rate of 10,000 a month, and the end is not in sight. The authorizations made by the 81st Congress will add 75,000 government employees. Is it any wonder that the government spends $250 more than it takes in, every time your watch ticks?

The Census Bureau reports 6,038,000 Federal, state and local employees, as of last January. That is one out of every 10 in the nation's working force.

In 1929, all federal tax collections amounted to only 4% of the national income; in 1939 the ratio was 9%, and in 1947, 21%, a figure only slightly below the record wartime ratio of 23% established in 1943.

Today when state and local taxes are added to Federal taxes, we find that 27% of the national income passes through the hands of various taxing jurisdictions. Did you know 27 cents out of every dollar the American people earn, goes for government? Do you know that that is more than the nation's food bill?

The President now wants to increase your back-breaking taxes. But, with national income falling, with productivity staggered by the steel and coal strikes, and in the face of a buyers' market supplanting a sellers' market, an increase in the nation's tax burden would be a crippling blow to our whole economy. It might be the killing blow.

Why, all of us know, the only sound, sensible course is to cut the outrageously high cost of government. Cut out the waste and inefficiency. Get the government down to size. Get on a pay-as-you-go basis. Stop the biggest give-away show on earth!

The Hoover Commission on Government Reorganization found at least $3 billion could be saved by eliminating duplication and overlapping, and by efficiency in management of personnel. A little efficiency here and there never hurt anybody. But, even assuming this action toward sound fiscal policy were taken by the Administration, and that is assuming too much, a $3 billion cut in expenditures won't balance the budget.

Cannot Support Nations of World

It is high time to tell half the nations of the world that the United States of America can no longer afford to arm and support them. Oh, yes, there will be big spenders of the taxpayers' money who will cry loudly that such a notice to the world would mean that the United States has gone isolationist, and its people, like ostriches, have their heads in the sand. That is what the majority leader of the Senate, Senator Scott Lucas of Illinois, is now telling the people. Of course, that is sheer nonsense. The American people have learned by two bloody world wars that America is no longer secured by two oceans, and that this country is part and parcel of the world.

Why, the Communists are making us painfully aware of that fact.

ECA Administrator, Paul Hoffman, on his return from Europe, recently, said he would advocate a reduction in ECA appropriations, because Western Europe has made great strides in recovery, and Communism, from within, no longer is a danger.

Senator Tom Connally, Chairman of the Senate Foreign Relations Committee, also is quoted in the press as favoring a reduction in ECA appropriations. Does Senator Lucas put Senator Connally and Paul Hoffman in the corner of stupid isolationists?

The ECA appropriation can and should be cut, at least $1.5 billion.

As a member of the Senate Appropriations Committee, I shall vote and follow through for such a cut on the Senate Floor.

Must we go bankrupt to prove America is world-minded? Thirty-five billion dollars, in cash and goods, have been poured into foreign countries in 23 different money-spending schemes, since the end of the war, $35 billion. America has fulfilled her moral obligation generously, and without stint, in rescuing freedom-loving countries of Europe from the destitution and devastation that confronted them at the war's end. But the economic problems that now confront these countries can be solved only by them, through sound government policies, through greater productivity, through sensible trade relations among themselves, and through realistic exchange of their own currencies.

Draining Taxpayers to Bolster Socialism

To continue pouring billions of the American taxpayers' money into support of the Socialism in Great Britain is a betrayal of public trust. Why should our taxpayers be drained to bolster Socialism abroad when we don't want it at home? Is it any wonder that the Administration at Washington, which harbors so many socialistic ideas and champions the welfare state, is eager to support Socialism in Great Britain?

And there are other rat-holes, down which the American taxpayers' money is being poured. The program launched by the 81st Congress, to provide ground forces in Western Europe is a futile waste of the taxpayers' money. An appropriation of $1.4 billion was made as a starter.

For every division of ground troops that we provide for Western Europe Russian could produce 20, and the cost to us per division over a 4-year period would be $400 million, not counting air support.

At the end of World War II, Russia had 502 divisions pounding Hitler's army into submission, while the United States and all her allies had 91 divisions on the Western front. That was our maximum strength. News that Russia has achieved an atomic explosion should impel our military planners to tailor our defenses according to the ability of our people, and especially our industries, to support.

America must have mastery of the air to deliver our atomic bombs; and America must have mastery of the air, if we are to be able to prevent Russia from delivering an atomic bomb, or any other bomb on our soil.

We should have air bases in North Africa, the Middle East, Okinawa, Japan, the Philippines, and elsewhere, from which our bombers can strike Russia if she chooses war. Pulverize Russia's munitions plants, her steel plants, her bridges, and transportation, and Russia will be punished into submission.

At the same time, our defenses, especially in the air, and with the best devices that science can produce, such as a radar screen reaching up to Alaska, must be strengthened and made impregnable.

In our national defense all arms of the service, the Air Force, the Army and the Navy, have vital roles. There must be more teamwork and less bickering, on who is to do what. But, what is more important than all else. America must have a strong national defense, through a united front, that believes in the American way and which will keep off of our backs the dead hand of statism.

Do you know that under the label of social welfare, the President has submitted to the 81st Congress proposals that would cost over a 50-year period one trillion, 250 billion dollars. Sounds fantastic, but it is true. In silver dollars that much money would make seven stacks reaching to the moon.

Has the moral fiber of the American people become so weakened by 16 years of order, directives, controls, and handouts, that they just don't care? Is their spirit broken? Do they think more of illusory promises, government paternalism, promises of security from cradle to the grave, than they do for their rights and liberties and freedom of choice that have been handed down to them at such great cost in blood?

Have they succumbed to the pagan ideology, whose fountain is in the Kremlin at Moscow?

Eternal Vigilance Required

Fellow Americans, you are going to lose your precious freedoms, unless you heed the wisdom of the ages that "Eternal vigilance is still the price of liberty."

We still enjoy intellectual freedom, social, political and religious freedoms. These did not come to us by chance or fate. You inherited them from the men who fought for them long ago; and from those others who, like the veterans among you, defended them against all attacks.

The pioneers, who settled this country of ours, did not seek a life of ease and security, spoonfed by government bosses. They sought freedom of opportunity and found it. We have protected a man's right to work, his right to organize and bargain collectively, and to strike. But the right to strike does not include a right to jeopardize the health and welfare of all the people by paralyzing our whole national economy.

The man who furnishes the capital and the know-how for business enterprise, also has his rights and they are human rights. Remember that without Henry Ford's millions ploughed back into the business, there would be no 60,000 jobs today at River Rouge. If the unjustifiable demands of labor, or the unchecked greed of the tax assessor, or the theorizing of the government bosses stops men from saving money and investing in property, or stifles freedom of choice to prosper, or supplants private initiative with collective regimentation, then, fellow-citizens, the United States will repeat the history of every nation that has gotten onto that slippery highway.

America today is traveling the same road to ruin that wrecked the Roman Empire. The Roman citizen, like you and I, enjoyed freedom within laws of his own making. Courts, hospitals, banks, markets, roads, systems of transportation. All these were features of Roman culture. A powerful army threw a protecting barrier around the far-flung Roman Empire. The Roman Navy held the Mediterranean, and pushed proudly beyond the Strait of Gibraltar to the White Cliffs of Dover. Behind these human ramparts, the great city-state lived gloriously on her seven hills, and received tribute from all corners of the world. And then, not swiftly, but gradually, the Roman Empire crumbled. Why, Rome fell because the nation collapsed spiritually, because a hardy race succumbed to the insidious ideology that government can do all for the people; because rulers bought power at home and favors abroad; and because integrity and thrift and industry were smothered by corruption, waste, indolence.

The Roman Empire fell because its people traded their hard-earned freedom for the ease and security that a corrupt government promised them. Then, the invaders took over and the Roman Empire was no more. Do you see the parallel between the fall of Rome and what is happenning in America? Mention thrift, economy, frugality, and you are laughed at by the welfare staters. You are 160 years behind the times in the minds of these spoilers. And when you point out that these ruinous policies will destroy America, they say we are using scare words.

Wake Up, America!

Wake up, America, while there is still time. Let everyone of us rededicate ourselves to the cause of freedom. Be the Paul Reveres and the Minute Men. Sound out the warning as you ride in your own communities and your own neighborhoods. Carry the facts to the people that: We stand for a Republic, in which the elected representatives and public officials are servants of the people and not their masters.

We stand for Jeffersonian state rights and local home rule. We maintain government can help its people to prosperity by lightening the burdens of debt and taxes, laying down rules of fair play, and by protecting those whose own strength and resources are not sufficient to protect themselves.

We stand for the maximum of freedom of choice for the individual, consistent with the rights of all to the same freedom. We stand for competitive enterprise, under just laws, fairly administered. We stand for efficiency and pay-as-you-go economy in government. We stand for an equitable distribution of our tax burden, to stimulate creative enterprise, to give incentive for investment in new and expanding plants for the increase of productivity, and to provide jobs at fair wages.

We support the National Labor Relations Act. We favor amending it, as experience deems necessary in the interest of labor, management, and the public. We insist that this law and all other laws must be enforced according to the procedures therein prescribed. We stand for the protection of the American way of life against Socialism, Communism, Fascism, and all other alien ideologies. They have never worked anywhere, and we don't want them here.

We have supported and will continue to support essential international relief, as a humanitarian obligation. We favor continuing aid to freedom-loving countries in reestablishing their productive economies prudently, and to the extent our country can afford, and in accord with principles of government that apply to American citizens.

We support the United Nations as an organization wherein the organized conscience of mankind shall find effective expression in behalf of peace with justice.

We insist that the United States, which contributed so heavily to the victory in World War II in lives and treasure, must not be by-passed by transfer of authority in decisions to any other agency; and we insist that the Congress must not be by-passed in the peace-making through Executive agreements.

We stand for a well-trained and fully equipped national defense establishment, in which the Air Force, the Army, and the Navy are thoroughly integrated as a team. We insist they must be supported by the most modern scientific research, a strong industrial system, and adequate reserves of trained men with the best weapons and equipment.

We accept the challenge of the government spoilers, and we are going to win! America is the best country on earth! Let's fight to keep it that way!

Truman's Point Four "On Trial"

(Continued from page 5)

fundamental troubles. This has been going on for 30 years, that is, since World War I, we have been giving foreign countries dollar chips to make so-called payments for our goods—that is, our wealth. These IOU's for our dollars have taken the form of war loans, foreign bond flotations sold to our private investors, gold now buried in Kentucky, Lend-lease, postwar loans again, and now Marshall Aid. Official figures show that since the end of World War I, 84% of our favorable export balances were settled by these devices. Since the end of World War II, European aid has already cost the American taxpayer $25 billion, and $3½ billion more this year. But by far the worst part of this kind of thing is not even the damage to our taxpayer, but that it affirmatively glosses over the fundamental troubles and furthers the delay in solving them.

* * *

Q. What are some of these malpractices that are being left uncorrected and are being glossed over?

A. Inflation—as in the case of England, to mention just one country, which is persistently living way beyond its means. Then there are vicious and increasing trade restrictions, currency controls, and cartels of every kind and description which Mr. Hoffman, ECA Administrator, says make those of Hitler's Germany a pink-tea affair. And we too are contributing our share to the obstruction of trade by persistently retaining our tariff walls, thus making it impossible for foreigners to pay us for our goods. So Point IV is just another program which will continue to keep the countries of the world from making much needed basic corrections.

* * *

Q. Don't foreign countries supply a needed investment outlet for our capital?

A. On the contrary, President Truman himself has pointed out the necessity for American industry to spend $50 billion for expanding our own productive facilities. I agree with both Messrs. Roosevelt and Truman that many billions are needed to clean up our rural and urban slums—and to raise the South to the rest of the country's level.

* * *

Q. How about the argument that additional investment would combat Communism?

A. You cannot buy off Communism that way. I'd like to quote from the London "Economist," from an article entitled "Point Four in Asia":

"Above all, the contributor to Point Four schemes would be mistaken in thinking that, even where the spending of his money is successfully administered, it would serve as an immediate antidote to communism. . . . Paradoxically, any change for the better in the Asiatic peasant's miserable circumstances seems to wake him out of his fantastic lethargy only to render him receptive to communist whisperings that he ought to be getting more."

And the Russians evidently agree, by voting for it in the U. N. An indication, to say the least, that the Politbury does not take seriously our faith in the proposed program's alleged anti-Communist effectiveness.

Lehman Group Offers Southern Co. Shares

Lehman Brothers heads a group of 99 purchasers that is offering publicly today (Dec. 1) 1,500,000 shares of The Southern Co. common stock at $11.95 per share. The group was awarded the shares at competitive sale Nov. 29 on a bid of $11.58¼.

Proceeds will be used by the company to purchase additional shares of common stock of one or more of its subsidiary operating companies to assist them in financing their present construction programs. It is the company's present intention to invest the proceeds prior to the end of 1950, together with treasury funds to the extent required, as follows: $5,500,000 for the purchase of additional shares of common stock of Alabama Power Co.; $8,500,000 for the purchase of additional shares of Georgia Power Co. common stock; and $1,500,000 for the purchase of additional shares of Mississippi Power Co. common stock.

After giving effect to the sale of 1,500,000 common shares, The Southern Co. will have 13,520,000 common shares outstanding.

The company owns 100% of the outstanding common stocks of four operating public utility companies, namely: Alabama Power Co., Georgia Power Co., Gulf Power Co. and Mississippi Power Co., which furnish electric service respectively in the States of Alabama, Georgia, Florida and Mississippi; and all of the outstanding securities of Savannah River Electric Co. which owns land and flowage rights in Georgia and South Carolina. The securities of said companies, together with $3,000,000 in cash, were acquired by the company from The Commonwealth & Southern Corp. (Del.) as of Sept. 1, 1947, in consideration of the issuance and delivery by the company to Commonwealth of 10,000,000 shares of the company's common stock. During 1948, Commonwealth purchased an additional 2,020,000 shares of the company's common stock for $20,200,000 in cash. Of the 12,020,000 shares of such common stock owned by Commonwealth on Sept. 30, 1949, 11,785,665 shares have since been in process of distribution to the holders of common stock of Commonwealth.

Bertram A. Doering With V. C. Weber & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Bertram A. Doering has become associated with V. C. Weber & Co., 411 North 7th Street. Mr. Doering was previously with Stifel, Nicolaus & Co., Inc., Ernst & Ernst and Scherck, Richter Co.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Edward E. Ulrich has become affiliated with First California Co., 300 Montgomery Street.

Paul C. Rudolph Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF.—Rudolph H. Nurmi is with Paul C. Rudolph & Co., 40-D South First Street.

With James Ebert Co.

BAKERSFIELD, CAL. — William F. Campbell is now associated with James Ebert Co., 630 Chester Avenue.

With J. A. Hogle & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—Joseph B. Michael has become affiliated with J. A. Hogle & Co., 1030 Sixth Avenue.

Hexter Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Neal McVickar, Jr. is with Hexter & Co., 6363 Wilshire Boulevard.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Allied Distributors, Inc., Gardena, Calif.
Nov. 21 (letter of notification) 1,000 shares of 6% preferred capital stock and 51 shares of common stock. Price, preferred $100 and common $175 each. No underwriter. For general corporate purposes.

• American-Marietta Co., Chicago
Nov. 21 (letter of notification) 10,000 shares ($2 par) common stock. Price, market (about 10⅜). **Underwriter**—H. M. Byllesby & Co., Chicago. To reimburse corporate treasury for expenses in connection with purchase of additional property.

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.

• Austin Jumbo Mines, Inc., Reno, Nev.
Nov. 23 (letter of notification) 300,000 shares ($1 par) common stock. Price, $1 each. No underwriter. To buy additional mining and milling machinery and pay indebtedness on present machinery.

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.

Broadway Angels, Inc., New York City (12/5)
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.

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.

Central Illinois Light Co. (12/14)
Nov. 18 filed $12,500,000 first mortgage bonds, due 1979. **Underwriter** — Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Equitable Securities Corp.; The First Boston Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Blyth & Co., Inc.; Lehman Brothers. **Proceeds**—To redeem outstanding 3½% first and consolidated mortgage bonds and repay short-term bank notes. Bids expected Dec. 14.

Central Power & Light Co. (12/6)
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. **Bids**—Bids for purchase of bonds will be received by company at 20 Wacker Drive, Room 2154, Chicago, up to 11:30 a.m. (CST) Dec. 6.

Citizens Telephone Co., Decatur, Ind.
Oct. 21 (letter of notification) $250,000 of 4½% preferred stock. Price $100 each. To be offered initially to common stockholders. No underwriter. For plant and property additions to convert to automatic dial operation. Office: 240 W. Monroe Street, Decatur, Ind.

• Clarostat Manufacturing Co., Dover, N. H.
Nov. 23 (letter of notification) 7,380 shares ($1 par) common stock, to be sold for Frank Mucher, 1102 E. 31st Street, Brooklyn, N. Y., at market (about $2.50 each). **Underwriter**—C. B. Richard & Co., New York.

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.

Consolidated Caribou Silver Mines, Inc.
Nov. 17 (by amendment) 800,000 shares (no par) common stock. **Price**—$1.25 per share. **Underwriter**—William L. Burton & Co., New York. **Proceeds**—To develop mining properties. Expected early in December.

• Consumers Cooperative Association, Kansas City, Mo.
Nov. 29 filed $2,000,000 3½% five-year certificates of indebtedness and $3,000,000 of 4½% 10-year certificates of indebtedness, to be sold to members. **Underwriter**—None. **Proceeds**—For corporate purposes, including financing inventories and paying operating expenses. Business: Farmers Purchasing Cooperative.

• Curtis Publishing Co., Philadelphia
Nov. 29 (letter of notification) 500 shares of common stock, to be sold for account of Cary William Bok, a stockholder, at market. Hecker & Co., Philadelphia, will act as brokers.

Dansker Realty & Securities Corp. (12/5)
Nov. 21 (letter of notification) 300,000 shares of common stock (par 35c). Price, $1 per share. **Underwriter**—George J. Martin & Co., New York. Working Capital, 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.

Florida Power Corp., St. Petersburg, Fla.
Nov. 2 filed 242,000 shares ($7.50 par) common stock. **Offering**—To be offered stockholders of record Nov. 30 at the rate of one new share for each five held. Rights expire Dec. 21. **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.

Grace (W. R.) & Co., New York (12/1-2)
Nov. 22 (letter of notification) 2,400 shares of common stock (no par). Price, $105 per share. **Underwriter**—Blyth & Co., Inc. Proceeds to selling stockholder.

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.

• Handmacher-Vogel, Inc., New York
Nov. 28 filed 150,000 shares ($1 par) common stock, of which 50,000 are to be offered by company and 100,000 by three stockholders. **Underwriter**—None named. Price by amendment. **Proceeds**—Company plans to use $315,000 to redeem 3,000 shares 5% cumulative preferred stock ($100 par), and the remaining $100,000 to improve lease-hold property and furnish new offices. **Business**—Manufacture of women's suits.

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.

• Hines-Park Foods, Inc., Ithaca, N. Y.
Nov. 25 (letter of notification) 5,000 shares of preferred stock (par $50) and 20,000 shares of common stock (par 25¢). Both issues to be issued at par, with one common issued as a bonus with each preferred share purchased. No underwriting. Working capital.

Hudson Pulp & Paper Corp., New York (12/8)
Nov. 18 filed 120,000 shares of Series B cumulative preferred stock ($25 par). **Underwriter** — Lee Higginson Corp., New York. **Proceeds**—For general corporate purposes and to expand facilities.

• Industria Electrica de Mexico, S. A., Mexico City
Nov. 29 filed 250,000 shares of 6% cumulative convertible preferred stock, 100 pesos par value ($11.5607). **Offering**—This stock is to be offered to holders of company's common and special stock at rate of five shares for each 12 shares held, either of common or special, or a combination of both. **Underwriter**—Banco Nacional de Mexico, S. A. **Price**—100 pesos. **Proceeds**—To reduce outstanding short-term indebtedness.

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. **Proceeds**—To pay off $1,500,000 of 2⅛% promissory notes, for construction, and to reimburse the treasury for construction expenditures. **Bids**—Bids for purchase of the bonds will be received by company at 105 W. Adams Street, Chicago, up to 11 a.m. (CST) Dec. 5.

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.

• Kentucky Water Service Co., Inc., Louisville
Nov. 21 (letter of notification) 1,000 shares ($25 par) 6% cumulative preferred stock. Price, $27.50. **Underwriters**—Bankers Bond Co. and Smart & Wagner, Louisville, Ky. To extend water system at Middlesboro, Ky.

• Lawyers Title Insurance Corp., Richmond, Va.
Nov. 21 (letter of notification) 10,000 shares ($10 par) common stock. Price, par. No underwriter. For general funds.

• Limpia Royalties, Inc., Midland, Texas
Nov. 25 filed 516,228 shares ($1 par) capital stock. **Offering**—To be offered share-for-share in exchange for outstanding shares in Limpia Royalties, a trust estate. A value of $3.80 per share is placed on the new stock, and any shares not needed for the exchange will be sold to Trush shareholders on a ratable basis at this amount. **Underwriter**—None. To effect an exchange. **Business**—Mineral and royalty rights in Texas, New Mexico, Oklahoma and Arkansas.

• Lindsay Structure, Inc., Skokie, Ill.
Nov. 22 (letter of notification) 60,000 shares (no par) common stock. Price, $1 each. No underwriter. To retire indebtedness incurred for purchase of capital equipment and working capital purposes.

• Livesay Industries, Inc., Miami Beach, Fla.
Nov. 23 (letter of notification) 500 shares of capital stock. Price, $100 each. **Underwriter**—Paul A. Davis & Co., Miami. To buy manufacturing facilities, and for operating capital.

• Mahoney Gold Mines, Inc., Phoenix, Ariz.
Nov. 22 (letter of notification) 100,000 shares of capital stock. Price, $1 each. No underwriter. For mining development.

Middle South Utilities, Inc., New York
Oct. 28 filed 686,295 shares (no par) common stock. **Offering**—Offered by Electric Bond & Share Co. to its own stockholders of record Nov. 9 at rate of one share for each eight held, and at $12 a share. Rights expire 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.

• Mines Management, Inc., Wallace, Idaho
Nov. 23 (letter of notification) 1,200,000 shares of common stock. Price 25 cents each. No underwriter. For

NEW ISSUE CALENDAR

December 1, 1949

Grace (W. R.) & Co.—Common
Public Service Co. of Indiana Inc. 11 a.m. (CST)—Preferred

December 5, 1949

Broadway Angels, Inc.—Common
Dansker Realty & Securities Corp.—Common
Iowa Power & Light Co., 11 a.m. (CST)—Bonds

December 6, 1949

Central Power & Light Co., 11:30 a.m. (CST)—Bonds
Great Northern Ry., noon (EST)—Equip. Tr. Ctfs.
Rohm & Haas Co.—Common

December 7, 1949

New York Central RR.—Equip. Trust Ctfs.

December 8, 1949

Hudson Pulp & Paper Corp.—Preferred

December 14, 1949

Central Illinois Light Co.—Bonds
United Telephone Co. of Pa.—Preferred

January 24, 1950

United Gas Corp.—Debentures

further exploration and development of Iroquois and Advance mining claims in Stevens County, Wash.

● **Montana-Wyoming Gas Pipe Line Co., Minneapolis**
Nov. 30 filed 150,000 shares ($5 par) common stock. **Offering**—To be offered to common stockholders of Montana-Dakota Utilities Co. at rate of one share for each seven held. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane. Price by amendment. **Proceeds**—To build a gas transmission line from Worland, Wyo., to Baker, Mont.

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.

Ohio Edison Co.
Nov. 16 filed up to 1,144,000 shares (par $8) common stock. **Offering** — Up to 1,141,995 shares will be offered to stockholders of record Dec. 1 at the rate of one new share for each two held. Rights expire Dec. 19. **Underwriters**—The First Boston Corp., Lazard Freres & Co., Union Securities Corp., Wertheim & Co. **Proceeds** — To buy common stock of the Ohio Public Service Co. from Cities Service Co.

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.
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 this month.

● **Portal Drilling Corp., Tucson, Ariz.**
Nov. 22 (letter of notification) 100,000 shares of common stock. Price, $1 each. No underwriter. To buy production, royalties, leases and drilling.

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.

● **Producers Dairy, Inc., Niles, Mich.**
Nov. 23 (letter of notification) 149,000 shares of common stock (par $1). Price, par. No underwriter. To buy the assets of Producers Co-operative Dairy, Inc., Niles.

Public Service Co. of Indiana, Inc. (12/1)
Nov. 7 filed 142,354 shares ($100 par) cumul. conv. 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. **Offering**—To to be offered initially for subscription by stockholders of record Nov. 25 on a 1-for-20 basis. Rights expore Dec. 13. **Bids**—Bids for the underwriting of the stock will be received by the company at Room 2000, 11 So. La Salle Street, Chicago, up to 11 a.m. (CST) Dec. 1.

Reed Prentice Corp., Worcester, Mass.
Nov. 18 (letter of notification) 10,000 shares ($2.50 par) common stock. Price, $7.50 each. To be sold by Charles S. Payson, New York. **Underwriter**—J. P. Marto & Co., Boston.

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.

Rohm & Haas Co., Philadelphia (12/6)
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.

● **Royal Drift Mining Co., Las Vegas, Nev.**
Nov. 21 (letter of notification) 200,000 shares of common non-assessable capital stock. Price, 25 cents each. No underwriter. To develop tunnels, mine and sell gold.

Sayre & Fisher Brick Co., Sayreville, N. J.
Nov. 18 (letter of notification) 106,584 shares of common stock (par $1). Price, $2 per share. Offered for subscription by stockholders of record Nov. 23 on a one-for-three basis. Rights expire Dec. 28. Breswick & Co., New York has agreed to purchase for investment and not for resale any unsubscribed shares. Rehabilitate enlarge, modernize and equip dryers, etc.

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.

● **Soss Manufacturing Co., Detroit, Mich.**
Nov. 23 (letter of notification) 4,000 shares ($1 par) common stock, to be offered by Charles J. Soss, President and 4,888 shares of stock, to be offered by Samuel Soss, Vice-President. Price, $11.25 each. **Underwriter**—George A. McDowell & Co., Detroit.

South Carolina Electric & Gas Co., Columbia, South Carolina
Nov. 22 filed $22,200,000 first and refunding mortgage bonds. Due 1979. **Underwriter**—Names by amendment. **Proceeds**—To redeem a like amount of outstanding bonds. Due 1979. **Underwriter**—Names by amendment (probably Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Union Securities Corp.).

Southwestern Investment Co., Amarillo, Texas
Nov. 16 filed 62,500 shares of 5% ($20 par) cumulative convertible sinking fund preferred stock. **Offering**—To be offered, together with cash, in exchange for three outstanding series of preferred stocks. **Underwriters**—First Trust Co. of Lincoln, Neb.; G. H. Walker & Co., St. Louis; Schneider, Bernet & Hickman, Dallas, and Dewar, Robertson & Pancoast, San Antonio. **Proceeds**—To buy outstanding preferred stocks and for working capital.

● **Soya Corp. of America, New York**
Nov. 23 (letter of notification) $12,010 6% 90-day notes and 24,020 shares of common stock. Each par value $1 note will be issued at par value with two common shares. No underwriting.

● **State Street Investment Corp., Boston, Mass.**
Nov. 28 filed 150,418 shares (no par) common stock, with subscription warrants. **Underwriter**—None. **Business**—An open-end diversified investment company.

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.

Teco, Inc., Chicago
Nov. 21 filed 100,000 shares ($10 par) common stock. **Offering**—These shares are to be offered to holders of common stock in Zenith Radio Corp. at rate of one share for each five held. Underwriter—None. **Proceeds**—For working capital and the promotion of Zenith's "Phonevision" device, whereby television users could pay a special fee for costly television programs by calling the telephone company and asking to be plugged in.

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.

United Telephone Co. of Pennsylvania (12/14)
Nov. 22 filed 10,133 shares of series A 4½% cumulative preferred stock ($100 par). To be offered at par. **Underwriter** — Kidder, Peabody & Co. **Proceeds** — Plant expansion.

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.

● **Wahl-Henius Institute, Chicago**
Nov. 22 $50,000 first mortgage 3% notes, due in 20 years. No underwriter. For purchase and renovating real estate at 1135 Fullerton Avenue, Chicago.

Walgreen Co.
Nov. 23 filed an unspecified number of shares of common stock to be offered to holders of common stock of Thrifty Drug Stores Co., Inc. in exchange for their holdings. **Underwriter**—None. [It was announced Nov. 29 that plans for purchase of Thrifty Drug stock had been abandoned.]

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.

Prospective Offerings

California Electric Power Co.
The company expects to raise approximately $2,500,000 in new capital in 1950 to finance its construction and expansion program. The 1950 construction program is expected to cost $5,000,000, with about half the money to be provided through depreciation reserves and other internal sources. The time and nature of the 1950 financing has not yet been decided.

● **Chesapeake & Ohio Ry.**
Nov. 28 reported company plans the sale about Dec. 15 of $6,750,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Chicago Rock Island & Pacific Ry.**
Dec. 22 stockholders will be asked to approve execution of a new consolidated mortgage. Approval will enable the management to proceed with its plan to ask for competitive bidding on a flotation of roughly $55,000,000 of new consolidated mortgage bonds the proceeds of which, with some $4,500,000 in cash, will be used to call on April 1, $33,740,000 of 4½% convertible income bonds, due Jan. 1, 2019, and to refund also an issue of new series B five-year first mortgage 3¼% bonds now pledged as collateral for a short-term bank note. The proceeds of the bank loan are to be used to redeem, on Jan. 1, $25,760,000 of first mortgage series A 4s, due Jan. 1, 1994. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly).

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.

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.

● **Great Northern Ry. (12/6)**
Company has invited bids, to be received at its office, Room 905, 2 Wall Street, New York, before noon (EST) Dec. 6. for the purchase of $10,350,000 equipment trust certificates to mature in 30 equal semi-annual instalments beginning on June 1, 1950, and ending on Dec. 1, 1964. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

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.

(Continued on page 38)

(Continued from page 37)

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.

● **Magnavox Co.**
Dec. 12 stockholders will vote on creating 100,000 shares of cumulative convertible class A stock ($15 par). Directors propose to sell such stock to underwriters for offering to the public. Maynard H. Murch & Co. of Cleveland, Ohio, is prospective underwriter. Company, in addition to sale of class A stock, proposes to sell privately to institutional investors at or about the same time $2,000,000 of debentures.

● **Metropolitan Edison Co.**
Nov. 30 reported company plans to sell additional bonds and preferred stock, probably in February, to help finance its 1950 construction program. The company expects to offer $7,000,000 in bonds and $3,000,000 in preferred stock. The bond and preferred stock offerings are to be sold at competitive bidding.

● **Michigan Associated Telephone Co.**
Nov. 26 reported company plans registration of 50,000 shares preferred stock (par $50) at an early date. Traditional underwriters: Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

● **New York Central RR. (12/7)**
Bids will be received up to noon Dec. 7 at company's office, 466 Lexington Avenue, New York, for the purchase of $9,600,000 equipment trust certificates. Dated Jan. 1, 1950, and due $640,000 annually Jan. 1, 1951-1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., and Lehman Brothers (jointly); Salomon Bros. & Hutzler. Bids expected about Dec. 7.

● **Niagara Mohawk Power Corp.**
Nov. 25 filed an application with New York P. S. Commission for permission to invite bids for sale of $40,000,000 of mortgage bonds. Corporation is expected to be formally organized on Jan. 5, 1950. Proceeds are to be used to retire short-term bank loans of the consolidating companies which are to be assumed by Niagara Mohawk Power Corp. upon its formation and to provide funds for construction purposes. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.

Northern Indiana Public Service Co.
Dec. 15 stockholders will vote on authorizing a new class of 500,000 shares of cumulative preferred stock and on increasing the authorized common stock from 3,000,000 to 3,500,000 shares. Company plans to refinance the 211,380 shares of 5% preferred by offering new preferred (dividend not to exceed 4½%) in exchange on a share for share basis. Unexchanged new preferred will be underwritten by Central Republic Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane.

● **Northern Natural Gas Co.**
Nov. 28 reported company contemplates sale of between $30,000,000 and $35,000,000 new debentures early in the new year. Halsey, Stuart & Co. Inc. will probably be an underwriter.

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.

● **Texas Electric Service Co.**
Nov. 28 reported company plans sale of $8,000,000 of bonds early in 1950, the proceeds to be used to finance the company's construction program. Additional financing also is anticipated in the first half of 1950 by other subsidiaries of Texas Utilities Co. Probable bidders: 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.

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.

● **United Gas Corp. (1/24/50)**
Nov. 30 reported company plans to sell at competitive bidding $25,000,000 of first mortgage collateral trust bonds, due 1970. The company expects to file with the SEC Dec. 21. Bids, it is expected, will be opened at 11:30 a.m. (EST) on Jan. 24 at 2 Rector Street, New York.

Our Reporter's Report

The current softening in the Treasury market is making for increased caution on the part of off-the-street investment interests, observers report. The gradual settling has proved a bit puzzling and naturally the tendency is to sit back and see how much further the movement may carry.

Some of those who are keeping close watch on the situation do not like it especially and they are disposed to liquidate limited amounts on bulges which develop.

The setback is having its influence on the corporate market naturally, and particularly in the case of new issues which are making their appearance.

Institutional investors were showing an interest in the corporate bonds which came to market this week while there was an indication that the yield to the ultimate buying might range somewhere between 2.65% and 2.70%.

But when the yields dipped to 2.625% and 2.635% for the new paper, such potential buying interest tapered off markedly and both the Louisville Gas & Electric 2¾s and the Gulf States Utilities' 2¾s were reported a little on the slow side.

Major investors were reported as taking the position that they could buy governments on a 2.30% to 2.35% yield basis and that they might, in the not too distant future, be able to secure a return of around 2.40% on such obligations.

United Gas Corp.

United Gas Corp., has indicated it will be in the market for $25,000,000 new money shortly after the turn of the year, in the form of first mortgage, 20-year collateral trust bonds.

The rate of interest on the issue and the price will be determined by competitive bidding with the company contemplating the opening of bids on Jan. 24.

It is expected that formal registration with the Securities and Exchange Commission will take place around Dec. 21 and that the company officials will meet with prospective underwriters on Jan. 19.

Rock Island Bonds

The new refunders projected by the Chicago Rock Island & Pacific Railroad evidently are arousing real interest among investment banking interests.

At any rate it is now indicated that this potential $55,000,000 undertaking will be worked out as to details and ready for marketing some time toward the middle of January.

Current discussion in investment circles suggests that at least three large banking groups will be in the running for this issue when time comes for the opening of bids.

Complications

Circumstances surrounding the Southern Co.'s offering of 1,500,000 shares of additional common stock were a bit complicated by the relationship between the price fixed for reoffering of the new shares and quotations prevailing for the old stock on the Big Board.

However, it was noted, if the quotation on the Stock Exchange holds at 12, or better, the differential in favor of buying on the Board will automatically be erased.

Should it ease back to 11⅞ on the other hand, purchases could be made on the Board, including the commission, at the equivalent of around $11.83, giving effect to the dividend which will accrue on the shares, compared with the price of $11.95 a share set by the group which bought the new block. The latter stock is not entitled to a dividend at this time.

New Issues

Bidding was keen for the two new utility bond issues which came to market this week. On the larger issue, $41,000,000 of Louisville Gas & Electric Co., three bids were received, all for a 2¾% interest rate.

The bonds went to the group which bid 101.8875, while the lowest of the three tenders was 101.64. Reoffering is being made at 102⅜ to yield 2.635%.

Gulf State Utility Co.'s $10,000,000 of new mortgage bonds, dropping into the classification known as "Street size," drew no less than eight bids, and was awarded to the winning group on a basis of 102.1499 for 2¾% rate.

The lowest of the remaining bids set a price of 101.72 to the company. Reoffering is being made at 102.58 to yield 2.625%.

South Atlantic Gas Common on Market

A group of underwriters headed by Johnson, Lane, Space and Co. Inc. on Nov. 25 offered 26,000 shares of $5 par value common stock of South Atlantic Gas Co. The stock was priced to the public at $9 per share. Others firms participating in the offering include: Clement A. Evans & Co., Inc.; Grimm & Co.; The Robinson-Humphrey Co.; J. H. Hilsman & Co. Inc.; Courts & Co.; Woolfolk & Shober; and Milhous, Martin & Co.

Proceeds from the sale of these shares will be used to repay $140,000 of short-term bank loans presently outstanding and to restore to working capital moneys expended for utility plant, investments and improvements not financed by long-term obligations during this and prior years.

South Atlantic Gas Co. was organized in 1944 and is successor to a company formed in 1886. The company is a gas utility operating in Savannah, Georgia, and Orlando, Winter Park and St. Augustine, Fla., where it is engaged primarily in the business of manufacture and distribution of carbureted water gas to the public at retail. Territory served (exclusive of Sanford and DeLand) has a population of 149,537, according to the 1940 census. Recent estimates place this population at 221,500.

With Hincks Bros.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, CONN.—Richard C. Butler has been added to the staff of Hincks Bros. & Co., Inc., 872 Main Street.

Joins Income Funds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, CONN.—George S. Pratt has joined Income Funds, 152 Temple Street.

With Florida Securities

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—Bernard J. Casey has joined the staff of Florida Securities Co., Florida National Bank Building.

New Construction in 1950 Estimated at 1949 Level

U. S. Departments of Commerce and Labor predict it will equal this year's record of $19 billion giving jobs at peak month to 2,400,000 workers.

According to a joint estimate of the Office of Domestic Commerce, U. S. Department of Commerce, and the U. S. Department of Labor's Bureau of Labor Statistics, total value of new construction to be put in place in 1950 is expected to equal the 1949 record of more than $19 billion.

Private construction outlays probably will drop about $925 million from the total for this year, but indications are that public expenditures for new construction will increase by a like amount.

The number of workers employed by construction contractors during the peak month will be about the same in 1950 as in 1949, around 2,400,000. Somewhat more than a fourth of the construction workers will be employed on residential building at its peak next year, compared with a third this year. Public construction will claim a third of the workers at the height of the 1950 program, compared with a fourth in 1949.

The total value of private construction to be put in place in 1950, according to the estimate, probably will be about $13.1 billion, nearly 7% less than the anticipated total for 1949. It now appears that the 1949 total for private construction will be above $14 billion, exceeding earlier expectations primarily as a result of the record volume of housing construction during the last half of this year.

A slackening of the recent unprecedented pace in new home building is foreseen for 1950. Nearly a million new nonfarm dwelling units will have been started in 1949 by the close of the year, shattering all previous records. Indications are, however, that with the higher priced market nearly saturated and costs not likely to decline materially, 1950 will be only one of the better years in home building, with about 900,000 units started. This is less than in the previous peak year, 1925 (937,000), and less than in 1948 (931,300) and 1949. Private housing in 1950 will account for around 830,000 units, compared with nearly 960,000 this year—the all-time high—and 913,500 in 1948. From 60,000 to 80,000 new units are expected to be started next year under the provisions of the Housing Act of 1949.

The outlook is for a decrease in 1950 in most types of private nonresidential building, except for commercial buildings, which may increase slightly as a result of pressure for shopping facilities to serve new residential areas. A substantial increase in hospital and institutional building is assured under the National Hospital Program.

Construction of new industrial plants and facilities is expected to drop about 26% next year, continuing the downtrend that has been so marked during 1949, as immediate postwar expansion plans were completed. The volume of new churches, social and recreational facilities, and other types of private nonresidential buildings is expected to be somewhat lower next year.

Farm construction probably will continue to ease off, following the trend of farm income. Revised data to be available next year are expected to place the total volume of farm construction substantially higher than currently published estimates for the years 1946 through 1950, but they will not alter the downtrend for next year.

The principal privately-owned public utilities probably will carry on a lower volume of new construction in 1950 than this year, except for gas companies, which may increase their construction outlays.

The total value of all types of public construction put in place in 1950 is expected to exceed $6.1 billion, an increase of nearly 18% over the probable $5.2 billion total for 1949. Expenditures in every category of public construction probably will be larger next year, except for military and naval facilities.

Activities under the Housing Act of 1949 may result in an increase of about 80% in expenditures for public residential building next year. The outlook is for a larger volume of new schools, hospitals, and public administration buildings, producing about a 14% increase in public nonresidential building.

Highway construction will advance about 15% in dollar volume to reach $1.9 billion in 1950. Municipalities will expand construction of sewer and water facilities and public utilities to serve growing communities, and the Federal Government will spend larger amounts for river, harbor, flood control, and reclamation works.

Construction costs are expected to be relatively stable in 1950 at about the level in the latter half of 1949. The total physical volume of construction put in place will be about the same as this year.

Adequate supplies of construction materials are expected to be available for the volume of construction anticipated in 1950, except for some possible steel shortages during the early months of the year. The supply of labor also should be adequate to meet all requirements.

With Shearson, Hammill

John T. Hale has become associated with Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. He was formerly with Amott, Baker & Co., Inc.

Armrey Company Formed

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C.—Armrey Co. has been formed with offices in the Reynolds Building to engage in a securities business. Officers are W. A. Armfield, President; L. F. Armfield, Vice-President; W. A. Armfield, Treasurer; and Ruth M. White, Secretary.

Slayton & Co. Inc. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Fred P. Lutz has been added to the staff of Slayton & Co., Inc., Union Trust Building.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Richard M. Freeman is with Bache & Co., National City East Sixth Building.

Jackson & Smith Add

GASTONIA, N. C.—Cecil C. Rankin is now with Jackson & Smith, Commercial Building.

Joins Livingston Williams

CLEVELAND, OHIO—David P. Loyd is with Livingston, Williams & Co., Inc., Hanna Building.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—Willard L. Ogden is now with A. M. Kidder & Co., 400 Beach Drive.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Shhh! Don't tell anybody, but it's those selfish, ignorant, no-good bankers who are responsible for the fact that the Federal Reserve Board doesn't have adequate power to deal with an inflationary epoch.

The Administration, the Congress? Oh, pshaw, all that means is that it handicaps the Federal Rererve with responsibility for maintaining "an orderly market for Government bonds." Besides, you can't blame the Administration and Congress. You can't bite the hand that you hope will feed you, so why not blame the common enemy?

If you don't believe this, read Mr. Eccles' presentation before the Monetary Subcommittee of the Joint Economic Committee, full text of which appeared in the "Chronicle" of Nov. 24 on page 15.

After pleading for the Reserve Board's old line for higher reserve requirements, Mr. Eccles said: "Of course, organized banking and its spokesmen, chiefly the large city banks, do not want any change. They never do. Throughout the long history of banking reform in this country—and it is still far from complete—the same bankers or their prototypes have been for the status quo.

"Beginning with the National Banking Act they have fought every progressive step, including the Federal Reserve Act and the creation of the Federal Deposit Insurance Corporation. If you abide by their counsels or wait for their leadership you will never do anything in time to safeguard and protect private banking and meet the changing needs of the economy in such a way." . . . and so on.

If Big Banking were just wise, explained Mr. Eccles, it could avoid farther "intrusion of the government into the field of private credit."

What Mr. Eccles means is that if Big Banking would just leave everything to Marriner, then Harry Truman wouldn't be interested in unlimited veterans' housing mortgage money with nothing down at 4%; in a billion for cooperative housing; in $19 billion for public housing; in a few billions for guaranteed commodity loans; in housing financed at 5% down with 30 years to pay, and so on. Harry Truman just isn't a monetary factor to reckon with. Just take Big Banking off Marriner's neck, and Marriner will solve all. You can count upon it, because Harry and Marriner are just like that.

It is notable that throughout the Monetary hearings thus far, the Federal Reserve Board's official or implied line has been two-fold: It has accepted the war, deficit financing, and the Administration's preoccupation with specific inflationary programs with a shrug of the shoulders. Conversely, it has burst forth as usual with proposals for additional powers, the use of which would be designed to impose upon—not just the private financing system of the country but that system's customers—not merely the burden of countering an inflation but of countering government inflation as well. Chairman Thomas B. McCabe was polite, oblique, and almost incomprehensible. Mr. Eccles was blunt, ill-tempered, and most direct in blaming the well-accepted public whipping boy with few votes or powerful friends at court, the private banking system.

Except for Mr. Eccles' vehement self-righteousness for expanded Federal Reserve powers, the Douglas monetary hearings so far have been both dull and a disappointment. The same arguments were propounded as were set forth in the special "anti - inflation" Congressional session of 1947, again in 1948, and finally up until May of this year.

If the Federal Reserve Board has sufficient courage to strike out frontally against the part which the Administration (with the consent of Congress) has played in obsoleting the Reserve System, it is not apparent. Even Chairman Douglas of the subcommittee, who started out pitching his questions as if he were almost a 100% FR Board partisan, shows signs of wavering.

Likewise, it has not yet been even hinted that the Federal Reserve Board, after viewing the steel pension settlement prototype of the new pension fund financial dinosaur, has even suspected that in another decade or so, this new creature will trample down the Federal Reserve System more completely than the war plus New and Fair Deals. It is possible to imagine Mr. Eccles, with pension funds abooming, coming before Congress with a request for 100% reserve requirements, before his term expires in 1958.

* * *

Mr. Eccles created the impression of coming closer to the idea of complete central bank domination of all private banking (excluding, of course, some important facets of government financing), than any other Federal Reserve spokesman. While his language is somewhat escapist, it gave the impression that the Federal Deposit Insurance Corp. should not amount to much. In particular, Mr. Eccles wanted to take over the bank examination functions of the Comptroller of the Currency, who supervises national banks. Like Chairman McCabe, he wanted non-members subjected to the same reserve requirements as member banks.

Finally the Reserve Board as a whole would bring the Reconstruction Finance Corp. into the home dock of the FR Board.

There, again, it is those bad bankers who were responsible for frustrating holy objectives. Mr. Eccles explained it himself. There are two proposals which "stir up agitation." One was the proposal to subject non-member banks to Reserve system reserve requirements.

"The other proposal," he said, "is that the Federal Government apply the principles and objectives of the Hoover Commission to the Federal agencies concerned with banking, monetary and credit policy. Bankers believe in the objectives of the Hoover Commission, at least as applied to all other activities of the government —why not the banking activities?" Later he referred to this opposition as "divide and conquer."

It may be an education to Mr. Eccles, but if he is around Room 318 Senate Office Bldg., in a day or so, he will learn that the Treasury objects very violently to its national bank supervision being absorbed by the Federal Reserve Board. The RFC seems to object to the "clarification of its functions," Reserve Board described, which would give it a chance to pick over the business lending carcass only after the bird was served at the Reserve Board's table first. And the FDIC has no intention of becoming whatever fiddle to Eccles that Mr. Eccles proposes it shall be. These are, incidentally, government agencies.

* * *

Out of the failure of the nonferrous minerals subsidy bill to clear the House this year, is coming a determined study by the Bureau of Mines and the Treasury of ways of providing tax incentives as an alternative means of encouraging the production of copper, lead, zinc, and other nonferrous metals from marginal mines, or the exploration and development of new deposits.

The bill, sponsored by Senator Joseph C. O'Mahoney, and bottled up in the House thus far, would authorize the government, for a trial period of three years, to pay up to half the costs of prospecting and development work, OR to purchase minerals and metals at premium prices. If the commodities were not transferred to defense stockpile, they could be sold on the market at prices that would return the government the average prices paid, marketwise, and the government would absorb the loss.

This bill implied thorough government control over domestic mining. Instead of this proposition the officials concerned are studying tax incentives, including the possibility of revising the existing depletion allowances, the Canadian system of no taxation for three years after capital investment, and any other scheme.

Any proposal which might recognize the value of tax incentives for mining would imply the value of tax incentives on a much broader scale.

* * *

This week officials are settling down to see if the promise of September to the British of doing something about "stabilizing" world markets for rubber, tin, and oil, can be fulfilled. Such promises were made as a part of the Joint Communique issued in September at the conclusion of the American-British-Canadian monetary talks.

In the case of rubber and oil, any "stabilization" means subordination of the domestic industry for the British import. If rubber is to be given a guaranteed market at a higher price for a period of years, the Administration has got some problems on its hands. It must decide whether to clamp down on the entire rubber-using industry, especially the production of synthetics, and at what cost. The domestic oil producers are really primed to give the Administration a battle next year if it is throttled.

* * *

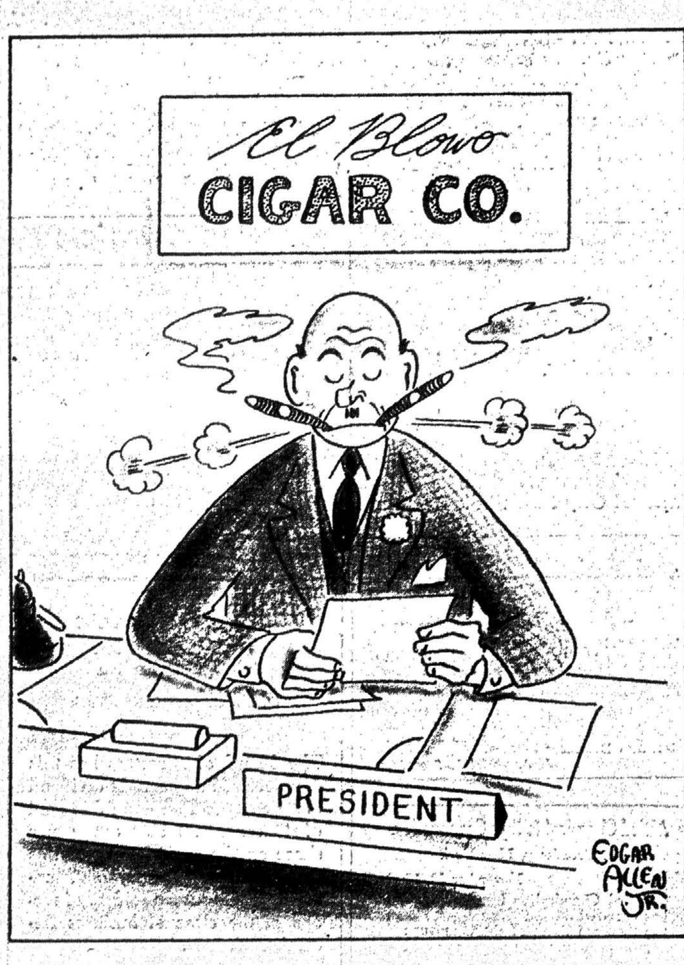
There is thought to be a dangerous possibility that this coming winter will provide another period of tense trial between the western powers and Russia over Berlin.

The airlift, the Military government, provided the Western Zone of Berlin with employment last winter. Both are gone, and unemployment is increasing. It may increase more beyond its present level, of a quarter-million out of a population of 2,000,000.

With an army in Eastern Germany under Red control, a captive "German" army, the Reds may seek a plebiscite after "evacuating" their own troops from Eastern Germany. With unemployment and distress, such a plebiscite might turn against the West.

(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



Goodbody Appoints Loeffler, Eiger

The appointment of Albert Loeffler and William Eiger as joint managers of the Canadian securities department of Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, is announced today (Dec. 1). Mr. Loeffler has been associated with Goodbody & Co. for six years. Prior to that he was with Banque Belge New York Agency as foreign exchange trader and head of its security trading department.

Mr. Eiger was formerly associated with the Royal Securities Corp. and Hart Smith & Co., Canadian dealers in securities.

Distributors Group Elect Kimball, Johnston

Distributors Group, Inc., 63 Wall Street, New York City, announce that Charles E. Kimball and Frederick W. Johnston, who have been associated with the firm as Resident General Managers, have been elected Vice-Presidents. They will continue to serve their territories from headquarters in St. Louis and Chicago, respectively.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Louis H. Tea has become affiliated with Bache & Co., 235 Lincoln Road. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and Daniel F. Rice & Co.