ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 170 Number 4864 New York, N. Y., Thursday, December 15, 1949 Price 30 Cents a Copy

Economic Factors Make A Severe Depression Unlikely!

By HAROLD G. MOULTON*
President, Brookings Institution

Chief of prominent research institution, commenting on fears and forecasts of depression, outlines factors and forces which have been in operation to maintain high level of business in postwar era. Sees no depression "around the corner," but warns periodical business fluctuations and even severe depression may be inevitable. Lays continuation of high business activity to high level of auto and building construction, and concludes with wisely administered government support, coupled with unemployment reserves and other savings, future depressions may be mitigated.


Harold G. Moulton

The striking fact about business since the war has been the very high and well-sustained level of production and employment. The striking fact about business forecasting has been the continuous expectation of an early business recession. At the end of the war the pessimism was widespread and deep-seated. At the end of 1945 and again 1947, some observers conceded the possibility of a year or more of good business; but still the keynote was usually one of confidence that depression was overdue. At the beginning of 1949 the view became widespread that the long-overdue depression was at last at hand. Moreover, readjustments in various sectors of the economy had been in evidence since the early Autumn.

To understand the business phenomenon in this country it is necessary to review very briefly the nature of the factors and forces which were operating in this particular postwar era. Some of them resembled the forces present after former wars, but others were essentially different.

Replenishment of Consumer Goods—The first stimulus,

(Continued on page 36)

*An address by Dr. Moulton at the American Weekly Luncheon, New York City, Dec. 5, 1949.

EDITORIAL

As We See It

A Basic Issue Is Being Joined

President Truman spent last week technically on vacation at Key West, but apparently was for most of the time actually at work preparing for his annual messages to Congress early in January. In particular he is said to have been working intensively on his budget proposals. He is confronted with the prospect of at least a $43,500,000,000 outlay during the current fiscal year, and a deficit, so it is estimated, of some $5,500,000,000. No one can say with assurance yet, of course, precisely what the President will recommend for the fiscal year ending June 30, 1951, but the Director of the Budget is on record as being unable to see how next year's budget can be balanced except by an increase in taxes.

Though not necessarily carrying just this implication, this statement is widely taken as confirmation of the prevailing belief that the President has no major reduction in expenditures in mind. Whether he will suggest a balancing of the budget by increases in taxation remains to be seen, although it is generally known that he wishes additional taxes imposed—or at least has so expressed himself upon a number of occasions. Thus it is apparently quite safe to assume that the President's budget message when completed will not point in the direction of more conservative fiscal management.

At Work in Florida

While the President has been at work on this vital matter in Florida, and indeed long before he journeyed for a much needed rest in that winter resort land, Senator Byrd, the one man in the Senate who must be regarded as knowing at least as much about the ins and outs of govern-

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Los Angeles Stock Exchange Celebrates 50th Anniversary

Community-wide observance includes speeches, publications and radio programs, as well as banquet sponsored by Los Angeles Chamber of Commerce. Palmer Hoyt, Editor of Denver "Post," makes leading address, extolling Exchange as bench mark in economic development of great West and assailing fears for nation's future. Addresses also made by W. G. Paul, President of the Exchange, and Phelps Witter, Chairman of Board of Governors.

LOS ANGELES, CALIF.—The Los Angeles Stock Exchange celebrated its 50th birthday Dec. 7, 1949, with six weeks of community-wide observance which included


Palmer Hoyt


W. G. Paul


Phelps Witter

scores of public speeches, the publication of thousands of brochures, publicity in hundreds of newspapers, house organs and other media, several dozen radio programs, and a thorough-going effort to tell the story of the securities industry and its importance in the free enterprise system to a community of more than four million people.

Climaxing this community-wide celebration, Palmer Hoyt, editor and publisher of the Denver "Post," addressed more than 700 financial and business leaders of Southern California at the Exchange's 50th Anniversary Banquet, sponsored by the Los Angeles Chamber of

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See page 2 for this week's participants and selections in "Security I Like Best" forum.

See pages 23, 24, 25 and 26 for pictures taken at the 24th Anniversary Dinner of the New York Security Dealers Association, held Dec. 9 at Hotel Pierre, New York City.

The Security I Like Best

Constituting a continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security. Some selections may be suitable for individuals, some for trustees and others for institutions.

GORDON Y. BILLARD

Partner, J. R. Williston & Co., New York City

For the purpose of this brief presentation, money may be divided into three categories, namely, "hot" money, "public" money, and "smart" money. Money of the first category has recently been flowing mainly into a handful of top-grade equities which provide the essence of liquidity. Yields are of secondary consideration, the primary purpose being the protection of purchasing power in terms of goods which money will buy. The second category, namely "public" money, is primarily concerned with safety of principal with respect to numbers of dollars without regard to purchasing power. Hence, the bulk of such money is in savings bank deposits, U. S. Savings and high-grade bonds, and life insurance. The third category, "smart" money, has been flowing into more or less obscure natural resource stocks, many of which have shown large percentage price appreciation. Thus, the phenomenon exists where top-quality stocks are selling at or near postwar highs and low-priced, inflation-hedge stocks have witnessed substantial recovery, while the bulk of stocks remains in close proximity to the postwar lows despite the fact that countless issues of companies with excellent managements and long-established records as dividend payers are selling to provide relatively handsome returns from dividends being earned by a wide margin.

Gordon Y. Billard

It is a matter of simple arithmetic to calculate that in order to produce an annual income of $1,800, a sum of $90,000 is required if invested at 2%, but a sum of only $30,000 invested at 6% would produce the same annual income. Many perfectly sound top-quality equities produce returns of 6% or more in today's market.

When the history of the present period is written, it will be a story of misjudged safety. Ten years ago, $1,000 placed in a typical New York savings bank account, and left untouched, today amounts to approximately $1,175. A $750 Series E Savings Bond bought ten years ago can now be cashed for $1,000. But how ironical it is when the purchaser of this $750 Savings Bond finds that in spite of all the pious promises of safety and security, $1,000 today buys less than $750 bought ten years ago.

Forum Participants and Their Selections

United Gas
Gordon Y. Billard, J. R. Williston & Co., New York City.

Insurance Stocks
John C. Legg, Jr., John C. Legg & Co., Baltimore, Md.

Riverside Cement Co. (Series B Stock)
Louis C. Lerner, Lerner & Co., Boston, Mass.

Griesedieck Western Brewery Company
William L. Reiman, Edward D. Jones & Co., St. Louis, Mo.

Certain Utilities
John B. Shober, Shober & Woolfolk, New Orleans, La.

Sinclair Oil
Wm. Hamilton Swartz, Goodbody & Co., New York City.

Non-Blue Chips
Imrie de Vegh, Pell, de Vegh & Co., Inc., New York City.

Lest this seem like a biased presentation, consider the matter of the history of a life insurance policy over a more extended period. Here is a case of an individual who took out a policy for $3,500 in 1910 when he was 26 years old. The premium amounted to approximately $55 per year. The cash surrender value of this policy when it matured in 1930 was approximately $1,800, but the purchasing power of these 1930 dollars was only a fraction of the purchasing power of the dollars actually invested. If this individual died in 1930, the beneficiary might have invested the face value of the policy at 5% (the average corporate bond yield) to provide an annual income of $175. Today, $3,500 comparably invested at 3% would yield only $105. Furthermore, the purchasing power of this $105 would be equal to only about $60 in terms of 1930 purchasing power. In short, self-denial through saving over a period of twenty years has been defeated by currency depression.

What basis is there for believing that similar experience will not be witnessed during the next decade or two in view of the ferocious pressure groups now firmly in control of the economy? It is true that there are deflationary elements at large, but the unleashing of these, except for temporary periods, is politically unfeasible. More recent demonstration of this observation may be found in the reported comment of the President of the United States to the effect that there will not be any depression because he will not permit it. The market was prompt to recognize this situation last June.

There is no one best security that will guarantee protection. However, history proves that the old, established fire insurance companies' stocks survived the "fire test" as well as any in the disastrous European inflations. There are, of course, many other types of investments—such as natural resource equities — that should prove reasonably satisfactory during the years to come. Generally speaking, companies best situated to cope with continued inflationary conditions are those (1) that are fully integrated, owning or controlling domestic sources of raw materials, (2) that have a low ratio of labor costs to total costs, (3) that have relative freedom from interference by government, (4) that are direct beneficiaries of high consumer purchasing power, (5) that serve expanding markets.

There is no one "best" security. However, one issue which conforms to all of the foregoing requirements and possesses the necessary attributes of an attractive investment for longer-term holding is United Gas. It should prove highly suitable for either the private or institutional investor and might well be included in reasonable amount in any list of assets.

JOHN C. LEGG, JR.

Partner, John C. Legg & Co., Baltimore

Periods come when we all can select the industry which we believe has most promise for the foreseeable future and fine profits have accrued to people with such foresight, but then, too, evil times have overtaken those who overstayed their markets—to wit, what was easier to foresee than prosperity for the railroads, tool makers, aviation manufacturers, shipbuilders, etc., during the war period? Those who recommended common stocks of companies in those industries were "fair-haired boys" for quite a while, but their praises are not being sung so loudly now. Textiles became popular, too, and of the new issues there were not enough to go around, so immediate premiums were commanded—for a while, before they nosedived.

John C. Legg, Jr.

The industry I want is one that grows with the country — one whose business is so essential that the purchase of its product is a "must" with practically every person in the United States who owns any property of any sort—real or personal. An industry whose money is not invested in bricks, mortar and machinery—whose sales price is constant for long periods of time. With such conditions is it any wonder that its securities have proven profit-

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*Not available this week.

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, December 15, 1949

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $25.00 per year. (Foreign postage extra.)
Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Devaluation and European Recovery

By R. C. LEFFINGWELL*

Chairman of the Board of J. P. Morgan & Co. Incorporated
Assistant Secretary of the Treasury in the First World War

Prominent banker states devaluation is sympton not cure, of disease of dollar gap, whose advantages will wear away unless basic corrective adjustments are effected. Asserts capital expenditures of European countries must be drastically curtailed. Concludes we must and can help Europe, but only if she cooperates with necessary steps, including restoration of competitive enterprise monetary order, and mobility to capital and labor.

On Sunday, Sept. 18, 1949, the British Chancellor of the Exchequer, Sir Stafford Cripps, announced over the air, in effect, that the pound was henceforth to be worth $2.80 instead of $4.03, a devaluation of 30.5%, in terms of our dollar. Promptly, like tenpins before the ball of a skilled bowler, many of the world's currencies fell in unison. All (except Pakistan) of the countries of the sterling area in Asia, Africa and the islands of the seas, and in Europe the Scandinavian countries and Holland and Greece, also devalued their currencies by 30.5% or thereabouts. France, Belgium, Western Germany and Portugal in Europe, and our neighbor Canada devalued their currencies, though to a lesser extent; and the Italian lira though not devalued was permitted to depreciate and to fluctuate. And that is not all. This momentous event, affecting the dollar exchange value of the currencies of some one-third of the human race, indeed almost all of the world except the communist area and the dollar area, dramatizes the unbalanced state of the world's trade with the United States, and the key position of sterling in spite of its weakness, and the fact that the dollar is the world's monetary standard, the measure by which other currencies are valued.

R. C. Leffingwell

No Mystery

There is no great mystery about these devaluations. They reflect the famous, or infamous, dollar shortage or dollar gap. The United States produces more goods than it consumes, and many European countries, due chiefly to the two world wars and their consequences, are as yet unable to produce and sell for dollars enough goods and services above their own needs to pay for their necessary dollar imports. Thus European countries are spending more dollars than they earn, living beyond their means. Many of them have been forced to use up their gold and dollar reserves, to seek loans and gifts from us. If a nation lives beyond its means it is spending its substance and impoverishing itself; just as you, gentle reader, or I would do if we lived beyond our means. This expresses itself for a nation in currency depreciation: in exchange depreciation abroad and in the high cost of living at home.

But, let us Americans remember, this is more Europe's misfortune than her fault, and let us not feel superior because of what has happened. But for the kindness of Providence, and the enterprise of our ancestors, we should be in Europe's fix ourselves. It is not solely by our own virtue or effort that we have a continent to enjoy and exploit, which is geographically remote as yet from Europe's wars, in spite of our vigorous and effective participation in them. The bombs have not yet fallen here. Europe's problem is ours too if we want peace and law and order in the world and solvent partners in the human enterprise. It is our problem unless we think we can sit safe and unmolested on our money bags while the world falls apart. It is our problem, so we had better try to understand it and to solve it.

In spite of the British wish and determination to avoid it, devaluation of sterling had finally become inevitable because almost everyone had come to believe sterling was overvalued; meaning that the British price level was too high for British goods to compete with American. The supply of sterling exceeded the demand for it, and this resulted in black and grey market prices for sterling and sterling securities much lower than $4.03. This opinion affected, adversely to Britain, the action of buyers and sellers of goods and sterling exchange in world markets. Thus the general distrust of the pound hastened sterling devaluation.

Sterling devaluation proved contagious; and no wonder. The pound is still the greatest trading currency in the world. Furthermore, many countries were in the same predicament as Britain and were merely waiting for Britain to take the lead and to give a touch of respectability to devaluation. So only the timing and extent of sterling devaluation were unexpected; and they were unexpected indeed.

Though so eagerly demanded by so many here and abroad, devaluation is a grave and deplorable event, only justified—though amply justified—by grim necessity. Devaluation strikes at the very basis of contracts. It upsets the terms of the world's trade. It ar-

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*Article as appearing in "Foreign Affairs," December, 1949 issue, and reprinted with permission of the publishers.

"The Price of the Business"

By H. B. SHARER*

United States Rubber Company

Pointing out you cannot sell merely on basis of definitions or formulas, Mr. Sharer stresses factors in selling as: (1) your product; (2) your company; and (3) yourself. Distinguishes between top-notch and mediocre salesmen. Cites importance of "knowledge of your product" and urges putting emphasis of the benefits of product to buyer. Warns against overlooking the obvious in selling, and urges dramatizing your product to the customer.

As I understand it, your business is selling securities. Well, my business is training men to sell tires, and when you stop to consider the wide differences between our two lines of endeavor, you can readily understand why I am quite amazed at being up here talking to you. I never dreamed that I would some day speak to a group of security salesmen because I don't know anything about securities.

H. B. Sharer

Therefore, realizing that I know nothing about securities, I did some research on the subject to see if there is any relationship between the problems of selling securities and the problems of selling tires, and I came up with some interesting facts. However, let me point out right here that I usually avoid doing any research on a subject on which I speak because when I make a speech the one thing I dislike is to be handicapped by facts. But in this case, I did do a little checking into things, and I uncovered a few facts of interest to men in the business of selling.

For example, according to Webster, you and I are professional men, because Webster says that a profession is an occupation to which one devotes one's self, and since you and I devote ourselves to the business of selling, we then can be called professional salesmen. However, when you check into the situation from the other side of the fence—the buyer's side—we find that they fall into two groups, the professional buyers, and the nonprofessional buyers.

The professional buyer is a fellow who devotes himself to the business of buying. And in the tire business, he is the purchasing agent for large corporations, while in the security business he is probably the fellow who devotes his entire time to the business of buying and selling securities.

Now, the nonprofessional buyer, on the other hand, in our business, is the independent tire dealer. He not only buys tires but in addition he has to manage his business, supervise his salesmen and even wait on customers at times when everybody else is busy, whereas in your business, I would say that the nonprofessional buyer is any one of thousands of businessmen in all lines of industry. In fact, in some cases he may be one of our own U. S. tire dealers.

Both Buyers and Sellers Receive Compensation

In other words, gentlemen, whether we are selling securities or selling tires, in some cases, we are selling to the same people. And another thing. I don't know how it is in your business, but in our business there is a very interesting relationship between the basis of compensating the professional salesman and the professional buyer. The professional salesman is paid to make money for his company through good selling, while the professional buyer is paid to save money for his company, through good buying.

Now, as you know, many people think that the best way to save money is through lower cost, and to the nonprofessional buyer lower cost usually means a better price. But to the professional buyer, lower cost means a better value, or in other words, the professional buyer bases his buying decisions on the relationship of your product to these three factors—price, cost and value. And when you analyze these factors you come up with a very interesting formula—a better value means a lower cost, even though the price may be high, and a poor value means a high cost even though the price may be low—and if there is anybody here who understands all this, I would like to see you after the meeting because I haven't the slightest idea of what in the world I am talking about.

In other words you can't sell merchandise with definitions and formulas. From my experience in this business of selling, you have only three things to sell—your product, your company, and yourself. Now, regardless of how good your product is, or of the reputation of your company, the success of your company depends in a large measure not only on the value of the product or its reputation in the business, but it depends to a great degree on you, their salesman, and that is what I want to talk about—you!

Now, as I understand it, you gentlemen have just completed a ten-session training course in salesmanship under the able guidance of Mr. Kelso Sutton, and I know that you benefited greatly from the course because Mr. Sutton is recognized as a leader in this business of sales training. He is an expert at it and he has a reputation for being tops in his field. In fact, he even wrote a book on the subject, and that makes anybody an expert.

Now during this ten-session course, Mr. Sutton gave you all the principles of good salesmanship to follow in order to become a top-notch salesman, and he told you how to apply those principles effectively so there isn't much else that I can tell you on that subject.

Top-Notch and Mediocre Salesmen

But, you know, the thing that I am wondering about is whether everybody in this room wants to be a top-notch salesman. Maybe some of you just want to be mediocre salesmen.

Actually it's a matter of choice. Some people believe that it is a matter only of age and experience, but it isn't, because if you check the records you will find as many old and experienced men in the ranks of the mediocre salesmen, as in the ranks of the top-notch salesmen. In fact you will find a great many more.

So you see, it is a question of choice; it's a question of deciding first which type of salesman you want to be and then second, following the rules that apply to that particular type. To be a top-notch salesman you have to know the rules and know how to apply them. And by the same reasoning, if you prefer to be a mediocre salesman, there are also certain rules to follow, or to put it more clearly—not to follow.

Now, Mr. Sutton gave you all the rules on how to be a top-notch salesman. So I want to give you a few on how to stay in the ranks of mediocre salesmen and just selling enough merchandise to stay on the payroll.

In the first place, if you wish to just be a mediocre salesman, you made a big mistake in taking a sales training course from Mr. Sutton, because if you do everything that he told you to do, and do it the way he recommended, here's what will happen. You'll build up your business, increase your income, buy a big car, move into a new home, and before you know it you'll have yourself so messed up with the problems of income tax, if you don't watch yourself, you'll wind up with no hair and with wrinkles all over your face.

So, the first thing you want to do if you are planning on just being a mediocre salesman is to forget everything that Mr. Kelso Sutton told you.

Now, let's consider the problem of planning your work. I'll tell you this, it's hard to just be a mediocre salesman if you plan your work efficiently, because every top-notch salesman plans his work. That's one of the main reasons why they are top-notch salesmen. What do they do every night before they go to bed? They sit down and figure out where they will go and who they will see the next day, and what happens?—they make more calls, they are in the right places at the right time, they see more people, and they sell a lot more merchandise—but good Lord a'mighty, what a monotonous way to make a living! (Laughter.)

Now the way of the mediocre salesman, on the other hand, is much nicer. You get up in the morning when you feel like it, you have a nice long shower, sing all the popular songs, enjoy a leisurely breakfast, and then—as soon as breakfast is over, do you put on your hat and rush out to work? You do not! That's the way to get yourself ulcers. (Laughter.)

That's not the way of the mediocre salesman. Here's how he does it—after he finishes his breakfast, he goes into the living room, sits down, and reads his paper and enjoys life. Why, do you know, the most pleasant hours of the day, are those first couple of hours in the morning—any mediocre salesman can tell you that! They know.

Then, finally along about 9:30 or 10 o'clock he puts on his hat and coat, goes out to the garage and gets the car out—and just before he gets into the car, that's when he decides which way he's going to go, and here is how he does it. (At this point Mr. Sharer spit on the palm of one hand, slapped it with his other hand, looked up as if to see which direction it went, and pointing up with his right hand, he said loudly—"that way"—and your planning is all handled.)

Yes, gentlemen, that's all the planning you have to do to be a mediocre salesman.

Handling Hours You Work

Now another important rule you must know how to handle is the matter of the hours that you work. If you are to be just a mediocre salesman you have to be very careful not to work too many hours because all top-notch salesmen, as you know, work all hours of the day or night. That's also one of the reasons why they are top-notch salesmen. Their motto is to get the job done regardless of how long it takes to do it.

But my advice is, don't do it, it won't pay off, because when the management sits down at the close of the year to look at your record and finds you are over 140% of quota, what do they do? They call you into the main office, take you out to dinner, pat you on the back, tell you what a good job you did—and then they raise your quota and you have to start all over again. (Laughter.)

You know, I am having trouble with a young salesman in our company right now, up in the Buffalo district, on this question of working hours. About four months ago, when he completed his indoctrination training and was ready for a territory, our training man in that area was home sick with the flu, so I had to go to Buffalo and take that new salesman around on his first trip through the territory myself. It so happened that I was all jammed up with work here in New York at that time, so I didn't have too much time to spare and therefore on the first day I got him up at about six in the morning, had a quick breakfast, and by 7:15 we were out on the road heading for our first call. We worked up until almost 9:30 that night. The next day it was the same thing, and on the third day we worked clear up until 11:00 o'clock at night, when I caught a sleeper back to New York.

Well, I haven't seen the fellow since that time, but I checked up on him a few weeks ago and found that, being new with the company, he thought that was the way he was supposed to work his territory all the time and the darn fool has been working like that ever since. (Laughter.) Of course, he's already over 120% of his quota, but being a training man, I don't like that because if all of our salesmen all over the country were over 120% of quota they wouldn't need training, and I would soon be out of a job. (Laughter.)

But, believe me, I have a way of handling fellows like that and if this young salesman doesn't change his ways, some of these days I'll recommend that they promote him to District Manager and get him out of my hair. (Laughter.)

"Knowledge of Your Product"

Another important rule you must be careful of is—"knowledge of product." I don't know how it is with securities, but in the tire business the mediocre salesmen never seem to know anything about their product. All they do is put a price sheet in their pockets, go out and make a few calls every day, and that's it, whereas the top-notch salesmen, they know their products from A to Z. That is another reason why they are top-notch salesmen.

However, many salesmen have found that just knowing how their products are made is'nt enough because they go to the trouble of thoroughly studying the construction features of their products, they find out everything there is to know about them and yet, for some reason, they are unable to move up into the ranks of the top-notch salesmen. It's very discouraging, it's confusing, and, eventually, some salesmen come

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*Stenographic report of lecture by Mr. Sharer, 12th in a series on Investment Salesmanship sponsored by Investment Association of New York, New York City, Dec. 8, 1949.

DEALER BRIEFS

Boston, Mass.

For many years we have recommended the stocks of operating Public Utilities for investment. At present yields we consider them unusually attractive for investment and find them being very well received by our clientele.—*E. Ethel Bishop, Bishop-Wells Co.*

Our business is good and we have the firm belief that it will so continue for the reason that our customers, for the most part, have the proper investment philosophy. When yields of 5% to 10% can be obtained from stocks of the leading corporations of the United States, names that are acknowledged to stand at the head of their industries, then ownership in such prominent issues produces a stability and confidence on the part of the investor that leads him to view inevitable price reactions as opportunities for additional favorable purchases. We are of the belief that 1950 will be a very satisfactory year for both the markets and the buyers of good investment issues.—*Gurdon Mead, Chas. A. Day & Co., Inc.*

Philadelphia, Pa.

Our experience indicates that it is worthwhile to re-examine constantly the list of available general market securities in an endeavor to provide an occasional change of menu for accounts that tend to become saturated with individual issues and hence stagnant. We currently sense a better reception on the part of investors in accepting the 6% to 8% returns still available from sound equities. As the pattern of prices continues to firm, we believe the reservoir of such issues is becoming narrower and may again become historical.—*E. Mortimer Newlin, H. M. Byllesby & Co.*

We, operating principally as traders, can give you our current observations and opinion as they are formed with our dealer connections.

Dealers are very cautious in their buying of Over-The-Counter seasoned issues, in fact new issues because of their abundance and the ease with which they are sold, plus the profit factor, occupy the forefront.

In the seasonal securities the dealers will only become interested in merchandise that by comparison with other similar or allied industries will show them readily salable article. Display merchandise, or in other words, a long "Long List," is "verboten" today. After the "blue chips" shall have been exhausted, statisticians and sales managers will become cognizant of the leverage stocks later. Possibly too late.—*Herbert H. Blizzard, Herbert H. Blizzard & Co.*

The State of Trade and Industry

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

Industrial production for the nation as a whole advanced slightly last week. This rise occurred notwithstanding a sharp weekly contraction in bituminous coal output following the implementation of the three-day work week by John L. Lewis, United Mineworkers' head, and a less drastic curtailment in the production of lumber.

Heartening was the continued progress in the steel industry following the termination of the steel walkout. Steel ingot output the past week soared to almost 92% of capacity, or a rise of 4 points above the preceding week. For the current week a further rise of 2.4 points or 2.6% is scheduled to take place in steel ingot production.

The mills will enter first quarter, 1950, with substantial bookings of all products, but pipe and flat-rolled will dominate volume, says "Steel Magazine" this week. Producers are uncertain of demand volume in the second quarter. A note of uneasiness is evident in appraisals of the outlook after March. Much depends on developments in the automotive industry which has been the main consuming support of the steel market for months past.

Production of steel in November, the American Iron and Steel Institute announced yesterday, recovered rapidly from the effects of the strike, but it remained much below the monthly average for the first three quarters of the year. Output of ingots and steel for castings in November was 4,145,294 net tons, compared with the revised figure of 926,032 tons in October, and 7,797,558 tons in November, 1948.

In the first 11 months of 1949 output totaled 70,080,776 tons, or nearly 10,779,000 tons less than in the similar 1948 period. Most of this drop was due to the strike of steelworkers in October and the early part of November. In the first nine months production averaged over 7,200,000 tons a month.

The effects of the coal and steel strikes on the finances of the miner and steel worker were reflected, according to the U. S. Department of Commerce, in a drop in personal income during October to an annual rate of $208,400 million, off $2 billion from September.

The department added, however, that the annual rate of income for the first 10 months of this year was $211,900 million, compared with $210,900 million for the like period of 1948.

Factory wages in the nondurable goods industries went up a little in October to continue their steady rise since last April. They were at their highest point for 1949 in October, and were close to the high reached in late 1948.

* * *

The coal dispute continued the past week to remain far from a settlement as John L. Lewis on Friday, last, disclosed to hard coal operators his contract demands. Opposition by the operators was stiff and negotiations then in progress were put off until Monday of this week.

The union, according to the United Mineworkers' President, is seeking a general wage increase of from 95 cents to $1 a day and a doubling of the 20-cent-a-ton royalty the operators pay into the miners' welfare fund.

Following meetings on Monday and Tuesday of this week between the operators and the hard coal miners, opposition to the union's demands by the mineowners continued. Another meeting was scheduled to take place on Wednesday in an effort to reach a settlement.

* * *

Christmas purchases at department stores for the country at large are about comparable with unit sales for 1948. However, dollar volume in the major cities of the nation is below the level of a year ago, because prices on the average are down from 5% to 7%. Then, too, the buying public is seeking less expensive articles. De-

(Continued on page 35)

Business in 1950 and 1951

By A. W. ZELOMEK*
President, International Statistical Bureau, Inc.

Business analyst maintains 1950 outlook is for close balance between contracting and expanding trends—a good year, but not exactly carefree. Expects automobiles to follow other industries in their recent moderate readjustments. Believes the real turning-point in business, investment and international affairs may come the end of next year.

Beyond 1950

Let me start out by asking you to forget 1950 for a minute. That may seem odd, but I believe we will understand next year's possibilities better if we first try to clear up some longer range questions. What about automobiles? Will that industry have a very bad off-year sometime within the next two or three years? Or can we expect production to hold reasonably close to this year's level for another three or four years?


A. W. Zelomek

I don't want to impose on you my own answers to these questions. Too much guesswork is involved. We can't be certain about some of these things. But we may be able to draw some conclusions from what has happened to other industries and other commodities, and from conditions in the automobile industry itself.

In quite a wide range of industries—textiles, apparel, non-ferrous metals, many appliances—we have already seen some sharp price declines, and some sharp changes in production.

Each of these industries insisted that its costs were too high to allow for any price decline. But each of them finally over-produced. Stocks of their products became too high, and had to be liquidated. And when that happened, cost was no longer the chief consideration. Distributors wanted to reduce their excess supplies, and they put a price on them that would accomplish this purpose. And after the public became aquainted with the new price ranges, manufacturers found out that they could not keep on selling in the old ones. So in one way or another, costs were reduced. We find not only that prices now average lower in these industries, but that there is a bigger supply of merchandise available in the lower price ranges.

Automobiles Cannot Escape

New cars have so far escaped the sharp readjustment experienced by these other industries.

Can they escape it indefinitely? I do not believe so.

We have already seen used cars pass from a sellers' to a buyers' market. We find most makes and models of new cars available on short order, if not immediately. We find new car stocks rising, and dealers giving bigger trade-in allowances in order to make a sale. We find many signs that the first postwar buying rush is over, and that the new car market will be very competitive from now on.

Yet I don't believe that 1950 will be a very bad year for the new car producer. For one thing, more cars will have automatic transmissions; the full selling force of this device is still to be felt. With the spring sales pick-up not many months away, I believe that 1950 will be another good year for this industry. I doubt that sales and production will show much of a decline below this year's record level.

1951 Dubious

But if I am right about this, then I have grave doubts about 1951. That might then be the year when this industry would have its sharp period of readjust-

(Continued on page 46)

*From a talk by Mr. Zelomek before a private group Dec. 10, 1949.

How to Obtain Equitable, Efficient Social Security

By BENJAMIN F. FAIRLESS*

President, United States Steel Corporation

Agreeing desire for security is one of normal characteristics of enlightened human beings, leading industrialist points out attempts to provide social security will be helpful only if plans are equitable, financially sound and efficiently administered. Holds, if social security responsibilities are placed on industries, they must be assured of continuous strength and prosperity to meet obligations and relieved of burdensome taxation, interference with production and unwarranted probing and harassment. Outlines recent pension and insurance provisions in steel industry, and warns social benefits will be dearly bought, if price is general economic stringency.

A million million years hence, we are told, the atmospheric temperatures of the earth will have been reduced by approximately 54 degrees. It will be cold here. Man's ingenuity and efforts will avail nothing in changing or staying the natural processes by which the aforesaid conditions will have been established. The prospect, clearly enough, has important bearings upon the security of the human race in those remote eras of the future. It is not a comforting or reassuring prospect. Only because it is so far removed from us in point of time are we ready to dismiss the thought as a bit of the ultimate in long-range forecasting, without much significance to us or the affairs in which we are currently interested. There is in the idea, however, an implication which has a present meaning to all of us in relation to a subject with which we are wrestling. As a matter of fact, we see in the projected distant situation more than a strong suggestion that some major aspects of the problem of firmly establishing security, social security if you please, will be confronting mankind for a long, long time.

Benjamin F. Fairless

The idea of attaining a condition of security is already venerable with age. It has not been narrowly confined, either in area or in time. Untold millions of people throughout the world have bent their efforts, in great variety, toward reaching such a goal. Ever since the human mind, in the course of evolution, developed the qualities of prudence, foresight, and wisdom, it has moved men and women to lay by in store something for the uncertain tomorrow. To be sure, not all individuals have been equally inspired in that direction, for the improvident have always been present to dilute the efforts of the provident. Nevertheless, the desire for security in one form or another is looked upon as one of the normal characteristics of all enlightened human beings.

Previous Attempts

In different ages and under different conditions, many and diverse plans, aimed at establishing measures of social security, have been devised, tried, and retried. A brand new idea on the subject is rather rare, as is also a radical departure from the various conflicting philosophies surrounding it. There are, however, modern adaptations and revised versions presented for consideration. In the days when security was largely a matter of an assured food supply, the ancient Egyptians organized and practiced the system of holding the excess grain produced during the periodic "fat years" so that it might be used for sustenance during the ensuing cycle of "lean years." Even though a managed food supply is hardly the central theme of our thinking in regard to the security of those who dwell in the United States of America, it is interesting to note the recurrence of the early Egyptian idea in the recently proposed "ever-normal granary" as a related factor in our social well-being. In similar manner, many of the schemes and proposals of former eras have reappeared for consideration, at irregular intervals, during the changing scenes and conditions of world history.

At times in the past the responsibility for security has been assumed by political states or governments. At others it has been considered primarily the business of the individual, often with the active cooperation of private agencies willing to guide as well as to assist the individual financially in his efforts. Industrial pension plans, both contributory and non-contributory, are of long standing in this country. Moreover, there have been institutions and associations organized for the express purpose of catering to the thrifty instincts of men and women, managing their savings with professional skill and providing benefits in times of trouble.

If we agree with the thesis that a competence for the years of retirement, and various social benefits in times of misfortune are desirable, who should provide these measures, and how? In our own adult lifetime these questions have been debated at great length, and I may say, at great breadth. Not always, I fear, have their implications been explored to sufficiently great depths. The questions have appeared as political, as well as social, economic, and industrial issues. Right now, to the best of our ability and with the aid of lessons learned from direct experience, many of us are in the midst of resolving some parts of them for the immediate or foreseeable future. At least a partial answer to the questions, who should provide these measures of social security, and how, has been set in general terms, and recently a greatly increased responsibility has been undertaken by sections of American industry.

Under these conditions, it may seem a little academic to discuss any considerations which are not directly concerned with the ways and means to be adopted in handling the new pension plans. Your patience, I hope, will not be overtaxed by a few statements relating to certain general aspects of the subject. There are some matters pertaining to security, and particularly to the expansive idea of "security from the cradle to the grave" which will bear rehearsing here, if only as a reaffirmation of faith.

Individual Responsibility Threatened

I believe, and I think you do too, that all human beings grow in dignity and self respect by reason of accomplishment and the assumption of responsibility. The spirit of independence, or of confidence, or of self-reliance, is mightily nourished by the exercise of one's own efforts. Moral stature is increased and moral fibre is strengthened by each job done with the free play of one's own ability. Ambition, which inspires men to attainment, is fed by an atmosphere of endeavor. In short, a man develops by standing on his own feet. He does not wax strong by having others do for him what he can and should do for himself.

Are we interested in the cultivation of these qualities in our own citizenry? Have we properly appraised the value of the spirit they create, in terms of a powerful influence for the preservation of freedom in America? If this land of opportunity, where men traditionally have enjoyed more independence than in any other, is to maintain that national spirit which has blessed it from the very beginning, it must carefully foster the dignity, self respect, moral stature, and self-reliance of the millions of individuals which make up the integrated whole.

Too much coddling, too much paternalism, too much recession from personal responsibility can have a decidedly weakening effect upon the aims and purposes of man. With the possibility of lapsing into a feeling of security provided wholly by others, the time-honored emphasis upon thrift is pushed into the background, and one of the spurs to maximum effort becomes inoperative. We should take thought then, serious thought, that in our over-all approach to this matter of planning security, we do not adopt methods which will wither the spirit while catering to the needs of the flesh. Already we find that many young men who are on the point of entering industry inquire first about pensions, benefits, and other elements of social security to be provided for them, while they manifest secondary interest in the opportunities lying ahead for a successful career, based upon the exercise of their own abilities. Little is the wonder that this distortion has taken place, with the atmosphere so filled with conflicting discussions about the merits of guaranteeing security throughout the entire span of life, with socialized this and socialized that applying at every point.

If from the foregoing remarks you have gained the impression that in my own thinking I favor the substantial participation of the individual in one of his very important personal affairs, for his own good, I am not in position to change your deductions. They may stand as you have drawn them.

How Should Social Security Be Provided?

Who should provide the measures required for social security, and how? Without reference to the word "should" in the question, we are all quite aware of the fact that a public agency has been operating in a part of the field during the past decade. The government of the United States, as every manufacturer who employs eight or more persons knows, is in the social security business. The Federal Social Security Act was approved in the year 1935, and the payment of pensions, or old age benefits, began in 1942. A statement of the purposes of the Act is as follows: "To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several

(Continued on page 43)

*An address by Mr. Fairless before the Illinois Manufacturers Association, Chicago, Ill., Dec. 13, 1949.

From Washington Ahead of the News

By CARLISLE BARGERON

What has been done to our country in the past 17 years, what is being done today, could not be done by a nicer set of guys.

This realization came to me rather abruptly Saturday night at the winter Gridiron Dinner when the Veep, Mr. Barkley, sang Wagon Wheels, his favorite song and with which he has frequently regaled us these many years. I thought as I sat listening to him, a kindly man and as delightful a companion as one could wish to have, of what an awful mess the country has come to be in and the prominent part he has had in bringing about that mess, and it occurred to me what an ironic commentary on human events it is that a people should slip into totalitarianism or socialism to the tune of this melody.

Carlisle Bargeron

I doubt there is anyone who ever had an association with Barkley who did not have a warm affection for him. To attribute any dictatorship ambitions to him would be absurd. Yet he has been a tremendous influence in the processes of government which are moving inexorably that way. His influence has been that of a mechanic rather than a devisor and this explains why a man so kindly, so warmhearted, so friendly, could be a party to a movement destructive of all these virtues.

He has been reared in party politics and, undoubtedly, were the radical forces that now dominate our life operating under a Republican label instead of Democratic, he would be in the role of a great statesman fighting against odds to save our freedoms, particularly States' Rights. This would be because he is a party wheelhorse, not because of any great perception of what was really taking place.

Indeed, he might be in this role anyhow had it not been for the matter of one vote back in 1937 when the Senate Democrats under the White House lash, elected him leader over the late Pat Harrison. Pat became increasingly aware of what the New Dealers were doing to the country after this and if the situation had been reversed and Barkley had lost by this one vote, I am quite sure this would have been his experience.

But as it is, if in these long years of his prominence in the party, culminated now in the Vice-Presidency where he doesn't have to do much work and can go around the country making speeches to add to his income—if it has occurred to him once what the final outcome will be, it has given him only a fleeting contemplation. He hasn't intended the country any harm, just wanted to get along himself.

Such personalities as his have been a mighty helpful facade for the ruthless movement that has our country in its grip. Looking back on it, in fact, there have been darned few of the New Deal headliners whom I haven't enjoyed being with, and always hated myself immediately afterwards for it. With the exception of Tugwell, the Professor, who seemed always suspicious and to betray his cunning, they have all been jolly raconteurs who would keep you in stitches. They are as generous, too, as Harry Vaughan and in the same way. They would gladly do you a favor. I recall once when my selling a magazine story turned upon Harry Hopkins, sick abed in the White House, letting a photographer come in and work on him. I had no idea he would permit this on my request but I went through the motions of making it. He readily acceded.

My mother will remember until her dying day the time Roosevelt received her as he sat propped up in bed. Jimmy, I assume, is still a good fellow to have on a party though Elliott was never a bargain when he had a few drinks under the belt.

In the early New Deal, old Hugh Johnson could talk as threateningly as any of them and that thing he headed up, the NRA, was about as big a monstrosity as ever was foisted upon a so-called free country. But in his unofficial moments, he was a delightful old wind bag. I never enjoyed Henry Wallace's company and I doubt that he ever enjoyed anybody else's.

You would never think in talking with Phil Murray that he could keep half a million men, with wives and children, on strike for more than a month to maintain his prestige. You are liable to mistake him for one of the Apostles, so angelic does he appear.

Walter Reuther occasionally comes to Washington and meets with a small group of correspondents at the home of one of them. Among the good food and drink of these occasions you are impressed with his mild-manneredness, his reasonableness, his burning desire to "make our democracy work."

I was tremendously shocked once, after one of these occasions, to read the transcript of a private meeting he and his associates had with General Motors. It was down to earth, unprintable, dis and doe's stuff. I have no illusion that Reuther is the unwitting tool of anything, as are some others I have mentioned. He knows what's going on.

But by and large, whether they have been unwitting tools or directors of the Revolution, you couldn't ask for nicer guys.

I imagine it was that way in Hitler Germany.

Klicka Investment Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF. — The Klicka Investment Company has been formed with offices at 3983 Thirtieth Street to engage in a securities business. Officers are Emil Klicka, President; George Klicka, Vice-President; and Chris M. Andersen, Treasurer.

Hannaford Talbot Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Arthur M. Breckenridge has been added to the staff of Hannaford & Talbot, 519 California Street.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Lorene H. Dahl is now connected with Investment Service Corp., 650 Seventeenth Street.

Prout & Meier Join Staff of Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Eugene B. Meier and Harold B. Prout have become associated with Bache & Co., 135 South La Salle Street. Mr. Prout in the past was with Carter H. Corbrey & Co. and Slayton & Co., Inc.

New Issue

$41,400,000

New York City Housing Authority

City Guaranteed Consolidated City-Aided Houses Bonds

The unconditional guaranty of The City of New York of the payment of both principal and interest will be endorsed upon each bond.

Dated February 1, 1950 — Due February 1, 1951-98, incl.

Bonds maturing on or after February 1, 1958 will be redeemable prior to maturity at the option of the Authority on February 1, 1957, or any interest payment date thereafter, as a whole, or in part in the inverse order of their numbers, at a redemption price of par and accrued interest to date of redemption plus a premium of 4% of their par value if redeemed on or before February 1, 1962; or a premium of 3½% of their par value if redeemed thereafter but on or before February 1, 1967; or a premium of 3% of their par value if redeemed thereafter but on or before February 1, 1972; or a premium of 2½% of their par value if redeemed thereafter but on or before February 1, 1977; or a premium of 2% of their par value if redeemed thereafter but on or before February 1, 1982; or a premium of 1½% of their par value if redeemed thereafter but on or before February 1, 1987; or a premium of 1% of their par value if redeemed thereafter.

Principal and semi-annual interest, August 1 and February 1, payable at the principal office of the Fiscal Agent of the Authority, the Bankers Trust Company, New York, N. Y. Coupon bonds in denomination of $1,000, registerable as to principal only, or as to both principal and interest, with the privilege of reconversion into coupon bonds at the expense of the holder.

In the opinion of bond counsel, the bonds together with the interest thereon, are exempt from all taxation by the United States by the existing provisions of the United States Housing Act of 1937, as amended and supplemented, and the Internal Revenue Code of the United States, as amended and supplemented, and are exempt from all taxation by the State of New York, or any political subdivision thereof, under provisions of the Public Housing Law, Chapter 44-A of the Consolidated Laws of the State of New York

Legal Investment in the State of New York, in the opinion of bond counsel, for Savings Banks and all other Banks, Trust Funds and Fiduciaries, Insurance Companies and all public bodies and public officers

AMOUNTS, COUPON RATES, MATURITIES AND YIELDS OR PRICES

Amount	Rate	Due	Yield or Price	Amount	Rate	Due	Yield or Price	Amount	Rate	Due	Yield or Price
$445,000	5%	1951	.80%	$670,000	2¼%	1967	2.20%	$ 988,000	2¾%	1983	2.60%
467,000	5	1952	.90	685,000	2¼	1968	@ 100	1,015,000	2¾	1984	2.65
490,000	5	1953	1.00	701,000	2¼	1969	@ 100	1,043,000	2¾	1985	2.65
515,000	5	1954	1.15	717,000	2¼	1970	2.30%	1,072,000	2¾	1986	2.65
540,000	1½	1955	1.30	733,000	2¼	1971	2.35	1,101,000	2¾	1987	2.65
548,000	1½	1956	1.40	749,000	2½	1972	2.40	1,131,000	2¾	1988	2.70
557,000	1½	1957	@ 100	768,000	2½	1973	2.45	1,162,000	2¾	1989	2.70
565,000	1½	1958	1.60%	787,000	2½	1974	2.45	1,194,000	2¾	1990	2.70
574,000	1¾	1959	1.70	807,000	2½	1975	@ 100	1,227,000	2¾	1991	2.70
584,000	1¾	1960	1.80	827,000	2½	1976	@ 100	1,261,000	2¾	1992	2.70
594,000	1¾	1961	1.85	848,000	2½	1977	@ 99½	1,296,000	2.70	1993	@ 100
604,000	2	1962	1.95	869,000	2½	1978	@ 99½	1,331,000	2.70	1994	@ 100
616,000	2	1963	@ 100	891,000	2½	1979	@ 99	1,367,000	2.70	1995	@ 100
629,000	2	1964	2.05%	913,000	2½	1980	@ 99	1,404,000	2.70	1996	@ 100
641,000	2¼	1965	2.10	936,000	2¾	1981	2.60%	1,441,000	2.70	1997	@ 100
656,000	2¼	1966	2.15	961,000	2¾	1982	2.60	1,480,000	2.70	1998	@ 100

(Accrued interest to be added)

The above Bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. Caldwell, Marshall, Trimble and Mitchell, New York, N. Y., Bond Counsel for the Authority.

The Chase National Bank — The National City Bank of New York

Chemical Bank & Trust Company — Halsey, Stuart & Co. Inc. — C. J. Devine & Co. Inc. — The Northern Trust Company — Harris Trust & Savings Bank

Salomon Bros. & Hutzler — Union Securities Corporation — Bear, Stearns & Co. — The First National Bank of Portland, Oregon

The Marine Trust Company of Buffalo — The Philadelphia National Bank — Barr Brothers & Co. — R. H. Moulton & Company Los Angeles

A. G. Becker & Co. Incorporated — C. F. Childs and Company Incorporated — City National Bank & Trust Company Kansas City — Hayden, Stone & Co.

Carl M. Loeb, Rhoades & Co. — Mercantile-Commerce Bank & Trust Company St. Louis — Trust Company of Georgia — Central Republic Company Incorporated

W. H. Morton & Co. Incorporated — Fidelity Union Trust Company Newark — Green, Ellis & Anderson — E. F. Hutton & Company — Laurence M. Marks & Co.

National State Bank Newark — F. S. Smithers & Co. — Weeden & Co. Incorporated — Bacon, Whipple & Co. Chicago — Baker, Weeks & Harden — William Blair & Co. Chicago

J. C. Bradford & Co. Nashville — Paul H. Davis & Co. Chicago — Folger, Nolan Incorporated Washington, D. C. — Martin, Burns & Corbett, Inc. Chicago — Newhard, Cook & Co. St. Louis

The Robinson-Humphrey Co. Atlanta — Schwabacher & Co. San Francisco — Shearson, Hammill & Co. — Robert Winthrop & Co. — Andrews & Wells, Inc.

Robert W. Baird & Co., Inc. Milwaukee — Bartow Leeds Co. — The Boatmen's National Bank St. Louis — Courts & Co. — Fahey, Clark & Co. Cleveland

Laird & Company — Rand & Co. — Stern Brothers & Co. Kansas City — Wheelock & Cummins, Inc. Des Moines

New York, December 15, 1949

Tax Revision Can Increase Security Values

By EVERETT J. MANN

Certified Public Accountant, Rochester, N. Y.

Mr. Mann, in condemning double taxation of dividends, presents a tabulation relating to the American Telephone and Telegraph Co. and General Foods shares, showing possible price increases that may come with revision of taxes on dividends.

Stock market analysts universally have been at a loss to account for a three year stagnation in the market, but all have a variety of theories and explanations for the failure of stock prices to respond to favorable dividend and earning reports. Boiled down to their essence, each of these theories comes back to one basic issue. Fear. The fear on the part of the investing public that today's earnings may be unrealistic in view of tomorrow's profits. Only incidentally is mention made of today's punitive Federal tax policies. Under our current system of taxation, corporate earnings are subjected to a double tax. Most corporations pay a Federal tax of 38% on earnings before there is anything to distribute to stockholders. The individual stockholder then pays an income tax which may range up to 77% on the amounts he receives as dividends.

Everett J. Mann

Lip service long has been paid to the injustice of the double tax, but it is only recently that tangible action has been discussed. Tax legislation has been pushed aside for more pressing problems by this session of Congress, but unless other matters again intervene, the 81st Congress may next year get around to the urgently needed revision of tax laws.

In 1947 it was estimated that the double taxation of dividend income yielded a return of about $900 million to the Treasury Department. Based on present collections, it would be possible for the Treasury to exempt all dividends from taxation and lose only a little over 2% in over-all revenues. This is perhaps Utopian, but it is interesting to note that there are now two bills before the House Ways and Means Committee that would soften the tax on dividends. H. R. 3272, now pending, proposes to allow individual taxpayers a credit of 20% of the amount received as dividends from a domestic corporation up to a maximum credit of $400. H.R. 3627 would go all the way and exclude dividends entirely from the gross income of an individual.

Besides stimulating a boom in investment in new enterprises, either of these bills if passed should have a catalytic effect on present-day security prices. The accompanying tables show possible effects of this proposed tax revision on the market prices of American Telephone & Telegraph and General Foods. These equities have been chosen because of their appeal to conservative investors who are seeking income rather than great capital appreciation. A. T. & T., the traditional "widows and orphans" stock, with its long record of paying a constant nine dollar dividend, presents especially good study material.

As shown in the accompanying table, American Telephone, at today's price of 142, returns a yield of 6.34% before taxes. The taxpayer with an income of $200,000 from all sources will pay the government about 70% of his income, and in the first column his situation is shown. His effective yield after taxes (not including any state levies), is revealed to be only 1.90%.

Let us follow down the first column. If 20% of dividends were exempted from tax, this taxpayer's income would rise to 2.79% By purchasing American Telephone at 142 under today's tax rates, this investor has evidenced his willingness to pay a price of 74.7 times yield. If 20% of his income were exempted from tax and he were to receive income of 2.79%, he presumably would be willing to pay 74.7 times this yield for the same security. In other words, he might pay a price of $208 per share.

If dividends were entirely exempted from tax, the extreme case would show the 70% income investor evidencing his willingness to pay $474 per share to secure a yield of 1.90%.

The situation of the 70% taxpayer is, of course, a rare one. Looking down the scale to the 30% bracket taxpayer with an approximate income of $18,000, we find that his net income after taxes on each share of AT&T purchased at 142 amounts to 4.44%. This is no mean yield in view of the low returns available on government and high grade corporate bonds. Presumably he would pay a higher price to retain that yield, and if 20% of his dividends were exempted from tax, he might pay up to 154 for the same share of stock that today sells for 142. At 154 he would still receive, after taxes, 4.44% on his investment. This would represent a price increase of about 11%—not very great, to be sure, but nevertheless substantial when it is reflected that this increment can be created by an act of Congress. If all his dividends were exempted from taxes, this same investor could pay $203 per share and retain his 4.44% return.

This same analysis can be followed through in the case of General Foods. The man with the $200,000 income receives a yield of only 1.57% on present-day dividends of $2.25 per share, based on a market price of 43. If a 20% exemption were granted dividends, this investor might be willing to pay as high as $63 for a share of General Foods stock and thereby retain his percent return of 1.57.

With General Foods, the $18,000 taxpayer receives a net return of 3.66% on his investment. With the possible 20% reduction, he might pay 47 and still keep the same percentage yield he had been receiving.

This study has been confined to two stocks of essentially conservative nature. More volatile issues might react much more violently to a reduction in taxation of dividends.

Still another possibility whose impact is impossible to estimate is the amount of investment funds that might be attracted into the stock market from tax exempt bonds. It is a good possibility that today's investor of $200,000 income will not buy American Telephone to yield 1.90%. He will probably prefer to put his funds into tax exempt bonds to return perhaps 2.25%. However, if a 20% tax credit against dividends were given and his yield on AT&T stock at 142 raised to 2.79%, he might well consider a switch. If the dividends were entirely exempted with the indicated yield of 6.34% on present-day price, he would almost undoubtedly transfer a good share of his investment funds into common stocks.

The implications of this happening with a large number of high income investors would mean vast new funds coming into the equity market, and a substantial movement of stocks toward a higher plane.

The possibility of a partial or full exemption of dividends from taxable income is something no investor or potential investor can afford to ignore in planning his future investment moves. Its significance to stock prices would be enormous.

Possible Price Increases That May Come With Revision Of Taxes On Dividends

AMERICAN TELEPHONE AND TELEGRAPH

Dividend $9.00. Approximate Price, $142. Yield Before Taxes, 6.34%.

	Investor's Income (All Sources) and Approximate Tax Bracket					
	$200,000 70%	$100,000 60%	$59,000 50%	$33,000 40%	$18,000 30%	$6,000 20%
Percent yield after taxes	1.90	2.54	3.17	3.80	4.44	5.07
20% reduction—						
Percent yield after taxes	2.79	3.30	3.80	4.31	4.82	5.32
New price based on yield	208	184	170	161	154	149
*Entirely exempt—						
New price based on yield	474	354	284	237	203	178

GENERAL FOODS

Dividend, $2.25. Approximate Price, $43. Yield Before Taxes, 5.23%.

	Investor's Income (All Sources) and Approximate Tax Bracket					
	$200,000 70%	$100,000 60%	$59,000 50%	$33,000 40%	$18,000 30%	$6,000 20%
Percent yield after taxes	1.57	2.09	2.62	3.14	3.66	4.18
20% reduction—						
Percent yield after taxes	2.30	2.72	3.14	3.56	3.98	4.40
New price based on yield	63	56	52	49	47	45
†Entirely exempt—						
New price based on yield	143	108	86	72	61	54

*Yield after taxes, 6.34%. †Yield after taxes 5.23%.

COMING EVENTS

In Investment Field

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.

Dealer-Broker Investment Recommendations and Literature

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

Aviation & Auto Stocks—Special 48-page issue rating aviation and auto stocks sent free to new subscribers on special introductory offer which includes for $5.00 four weekly editions of Ratings and Reports including special situations, etc. (See ad on page 4 of today's issue.) Write Dept. CF-1, The Value Line, Arnold Bernhard & Co., Inc., 5 East 44th Street, New York 17, N. Y.

"Gleanings"—Brief data on various items—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

How to Become a Successful Investor—Booklet—Axe-Houghton Fund B, Inc., 730 Fifth Avenue, New York 19, N. Y.

Just How Well Have Shareholders Been Treated?—Discussion—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Public Utilities — Analysis — William Blair & Co., 135 South La Salle Street, Chicago 3, Ill.

Rayon Industry — Circular — Morgan Stanley & Co., 2 Wall Street, New York 5, N. Y.

Study of the Bonds of the City and County of San Francisco, Calif.—Detailed analysis of outstanding bonded debt and the outlook for future indebtedness—Bank of America, N. T. & S. A., 300 Montgomery Street, San Francisco 4, Calif.

* * *

American Cyanamid Company—Study—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Bangor & Aroostook Railroad—New analysis—Stanley Heller & Co., 30 Pine Street, New York 5, New York.

Beryllium Corp. — Analysis — Coffin, Betz & Co., 123 South Broad Street, Philadelphia 9, Pa.

Also available is a brief study of **Lindsay Light & Chemical Co.**

C. I. T. Financial Corp.—Circular—Roberts & Co., 61 Broadway, New York 6, N. Y.

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

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

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

Also available is a memorandum on **Liberty Loan Corp.**, and a brief analysis of **Ohio Edison Co.**

Riverside Cement Co.—Analysis —Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Southeastern Public Service Co. —Circular—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Southern Pacific Railroad — Memorandum—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a leaflet of current developments in **Railroads.**

Standard Gas & Electric—Circular—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Stone & Webster Corp.—Circular—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Texas Engineering and Manufacturing Co., Inc.—New study of the common stock of a company pioneering in the field of airplane maintenance, overhaul and conversion—for banks, brokers and dealers—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Wheeling & Lake Erie—Memorandum in "Railroad and Other Quotations"—B. W. Pizzini & Co., 25 Broad Street, New York 4, New York.

$41,400,000 N. Y. City Housing Bonds Marketed

A new issue of $41,400,000 New York City housing bonds, due Feb. 1, 1951 to 1998, inclusive, is being offered to the public by The Chase National Bank and The National City Bank of New York and 51 other banks and underwriting firms. The issue carries coupon rates of 5%, 1½%, 1¾%, 2%, 2¼%, 2½%, 2¾% and 2.70%. The bonds are priced to yield from .80% to 2.70%, with the following exceptions: The 1957, 1963, 1968 and 1969 maturities are being offered at a dollar price of 100; the 1975 to 1980 maturities are offered at from 100 to 99; and the 1993 to 1998 maturities are priced at 100.

Officially known as "New York City Housing Authority City Guaranteed Consolidated City-Aided Houses Bonds," the issue will carry as an endorsement on each bond the unconditional guaranty of The City of New York of the payment of both principal and interest.

According to bond counsel, these securities together with interest thereon are exempt from all Federal and New York State taxes under existing housing and income laws, and are legal investment in the State of New York for savings banks and all other banks, trust funds and fiduciaries, insurance companies and all public bodies and officers.

Bonds maturing on or after Feb. 1, 1958 will be redeemable prior to maturity at the option of the Authority on Feb. 1, 1957, or any interest payment date thereafter, as a whole, or in part in the inverse order of their numbers, at a redemption price of par and accrued interest to date of redemption plus a premium of 4% of their par value if redeemed on or before Feb. 1, 1962; or a premium of 3½% of their par value if redeemed thereafter but on or before Feb. 1, 1967; or a premium of 3% of their par value if redeemed thereafter but on or before Feb. 1, 1972; or a premium of 2½% of their par value if redeemed thereafter but on or before Feb. 1, 1977; or a premium of 2% of their par value if redeemed thereafter but on or before Feb. 1, 1982; or a premium of 1½% of their par value if redeemed thereafter but on or before Feb. 1, 1987; or a premium of 1% of their par value if redeemed thereafter.

Program to Cut Government Costs by $2 Billion

By HON. HERBERT HOOVER*
Former President of the United States

Warning present Federal expenditures are letting loose two Frankensteins, Higher Taxes and Inflation, former U. S. President and Chairman of Commission on Government Reorganization, lays down 8-point program of reforms estimated to save $2 billion and at same time improve administrative efficiency. Says red tape dwells in civil service and urges decentralization in engagement and control of civil service employees. Advocates rebuilding national budgets on functional and performance basis.

Six months have passed since our commission finished its reports to the Congress on economies and improvements in the Executive branch. In the meantime, these recommendations have had a magnificent support by the press and the public. Added to this is the astonishing growth of your Committee of Citizens under the admirable leadership of President Johnson of Temple University.


Herbert Hoover

This has become a crusade for the intelligent reduction of the expense of government. It is a crusade to clear the track for competency. It is a non-partisan crusade. It is a job for citizenship rather than partisanship. The commission itself represented both political parties. Its work is supported by President Truman and by the leaders from both sides in Congress. Your Citizens Committee embraces our two living and wise former Vice-Presidents and five former Cabinet officers from both the Democratic and Republican side. You include educators, writers, editors, publishers, labor and farm leaders. You come from every state and Congressional district. You are a mighty host and you are in dead earnest.

It was not the field of our commission to discuss the merit or demerit of governmental policies. Whatever those functions may be, our purpose is to make them work more economically, more efficiently, and with better service in their contacts with the people.

You can have confidence that you are succeeding.

The last session of Congress adopted several important recommendations of the commission and of the President. These measures have already secured large savings. In the Defense Department alone they will soon be at the rate of about $1,000,000,000 a year, and Secretary Johnson believes they will amount to fully $2,000,000,000 without impairing national defense. And other measures have been enacted into law. We are already clearing the tracks for competence in government.

I am going to make some suggestions as to what we should undertake next. But first, I want to tell you four reasons why this crusade of ours has wider implications than specific reforms.

Fiscal and Economic Survival

The first implication relates to our fiscal and economic survival.

During these last six months, the financial situation of our government has become still more difficult. Federal expenditure of over $43 billion and a deficit of over $5 billion are announced for the present fiscal year. I believe it may be much greater for the next fiscal year. We may be turning two Frankensteins loose in the land. Their terrifying names are "Higher Taxes" and "Inflation." We are interested here in combating them.

When you listen to "billions" over the radio, you no doubt try to size them up in terms of your church contributions. I might remark that the decimal point leads a restless and uneasy life in the Federal government. Those groups of three ciphers which are separated by commas are moving steadily to the left.

Government spending and taxes must be related to increased per capita production. Therein lies the key of increasing new enterprise, increasing real wages to our workers, increasing real income to our farmers and an increasing ability to give security to our youth and our aged. Government is a powerful element in this progress. The method and amount of taxes can seriously affect productivity.

Our economists seem to agree that taxation beyond 25% of our national income will bring disaster. Possibly your life has been brightened by some economists who dismiss the Federal expenditures as amounting to only 20% of the national income, anyway. On that subject, if you add up the actual and prospective annual expenditures of the Federal Government and the local governments, and if you truly compute the national income, you will find this warning red light no longer shines with an intensity of only 20% but with considerably over 30%. This means far more than 30% of the national income. It is a combustion of your savings and your possible standards of living.

Some one remarked that about the time we think we can make ends meet somebody moves the ends. Despite this you should not be discouraged in the work we have undertaken. Whatever we can accomplish helps confine the two Frankensteins. And we can ask our people to think it over.

Education in Good Government

Second, another of the wider implications of this crusade is its by-product in public understanding. Millions of American people are receiving a lesson in the fundamentals and methods of good government. We are making some of the people economy-minded.

One of our results has been the setting up of reorganization commissions in twenty states and ten municipalities for a treatment similar to that of our commission. We are thus clearing other tracks of obstacles to competence in government.

Preservation of the American Experiment

Third, in a larger sense, this is a crusade to make democracy work. There is today much apprehension lest the American experiment will fail. We have need to re-establish faith that the whole of the preamble to the Declaration of Independence and the Gettysburg Address are still related to government. If the republic is not to be overwhelmed, the people must have such methods and systems as will enable good officials to give them good government.

Success in our crusade will help bring faith instead of cynicism and disillusionment.

Helping in the Cold War

Fourth, success in our crusade to reduce cost of government is a necessary condition to winning the cold war. We are fighting this war at frightful cost. The way to win that war is to reduce our wastes, give competence a chance, and defer some government ventures. By these reforms and these self-denials, we can help disappoint Mr. Stalin.

A Program for Action

The question before us now is how to further these reforms. Somebody said that wisdom consists not so much in knowing what to do with the ultimate as in knowing what to do next.

Obviously many of these reforms require legislation. Our Congressional leaders requested the commission staff to draft this legislation. The Budget Bureau is cooperating. Congress is a busy institution, and we cannot expect it to do everything all at once. It has the responsibility to inquire into these proposals, and it has the intricate job of putting them into law as far as they meet with its approval.

Having regard for the burdens of our Congress, it would be well to concentrate on some of the most urgent of these reforms. Some may differ on what this list should be. My own belief is that the following are in the most urgent category:

(1) Reorganization of Civil Service—the personnel problem.

(2) Reorganization of budgeting and accounting.

(3) Reorganization of the post office.

(4) Unification of the Federal hospital services.

(5) Unification of water conservation services.

(6) Unification of agricultural land services.

(7) Unification of transportation services.

(8) Relief for the President of the United States.

This is not the whole program but it would do to go on with.

I believe that $2,000,000,000 of savings and more efficient service to the public is to be had in these areas alone.

The reports of the commission are filled with facts in support of these eight reforms. I shall only mention them briefly here.

The Civil Service

Above all things, if we are to have economy and service to the people, the country must have a skilled, non-political civil service. And one which will attract and hold the best in the land.

At present Red Tape himself dwells in the civil service of 2,200,000 employees. The result is an accumulation of waste and deadwood—and discouragement of good officials. The sword to cut this Gordian knot is to decentralize the engagement and control of these employees (except for certain general services) into the departments and agencies. This must be done under rules to be established by the Civil Service Commission and enforced by it.

Budgeting and Accounting

Next on our list of priorities comes budgeting and accounting. I am sure you will agree with me that this is one of the dullest subjects on earth, but it is potent nevertheless. The ghost of Alexander Hamilton still wanders in our fiscal machinery. I doubt whether more than 15 men in the world can make head or tail of the 10,000,000 words and sums in the present Federal budget — certainly not all at one time.

We urge that the budget be rebuilt on a functional or performance basis, by which the costs of a given function can be compared year by year. That is both before and after taking. This system has been written into the law as to the armed services. It should be made universal. Hitherto no one could know what it costs to operate a hospital or the forests. You would need a sort of Geiger counter to discover it in two dozen different appropriations.

The accounts, except for government corporations, are kept by the Congress, not by the executive agencies. Any executive needs to sit on top of his accounts.

There has been no adequate personal or real property accounting at all. We estimate that the government has $27,000,000,000 of personal property. When officials know more about what all this property is composed of, and where it is, the departments might live off this fat for quite a while.

The Post Office

The post office is a big business. Our criticism is not directed to its 500,000 employees. They are courteous, helpful, hard working, and the friends of everybody — the nearest agent of Santa Claus most of us meet. What we object to is the form of organization that is a relic of Ben Franklin plus 160 years of oft-conflicting laws. They cover more than 800 finely printed pages.

We want the post office set up as a modern business. We want it taken out of politics.

Unification of Government Hospitals, Public Health and and Medical Research

Next, we propose a unification of the government hospitals, health service, medical research and guidance to governmental grants-in-aid to civilian hospitals. As an indication of waste, there already existed in Federal hospitals, at the time of our investigation, beds for 225,000 patients and only 155,000 were occupied. Yet Congress had made appropriations for, or authorized, hospitals with 50,000 additional beds despite the fact that 70,000 are empty—at a cost of $1,300,000,000. President Truman canceled out $300,000,000 of this program, and Congress restored the authority.

But beyond savings, we are striving for something even greater. That is better medical service to our armed forces, our veterans, and our seamen. We also want this service set up better to stimulate preventive medicine. We

(Continued on page 43)

*Address by former President Hoover before the National Reorganization Conference of the Citizens Committee on the Hoover Report, Washington, D. C., Dec. 12, 1949.

Missouri Brevities

On Nov. 17, two issues of securities of the Missouri Power & Light Co. were offered to the public, viz: $2,000,000 first mortgage bonds, 2¾% series due 1979, at 101 and accrued interest, and 20,000 shares of 4.30% cumulative preferred stock (par $100) at $101.176 per share, plus accrued dividends. The net proceeds from this financing will be added to the general funds of the company and used in part to retire unsecured promissory notes of the company aggregating $2,000,000, to reimburse the company's treasury for capital expenditures previously made and to meet in part the cost of additions to its property and facilities now in progress, and for other corporate purposes.

* * *

In addition to Newhard, Cook & Co., the following Missouri bankers participated in the public offering on Nov. 16 of 50,000 shares of Clinton Foods Inc. (formerly Clinton Industries, Inc.) 4½% cumulative convertible preferred stock (par $100) at $100.50 per share (flat); Reinholdt & Gardner; O. H. Wibbing & Co.; Dempsey-Tegeler & Co.; Stern Brothers & Co.; Stix & Co.; Scherck, Richter Co.; I. M. Simon & Co.; and A. G. Edwards & Sons. The net proceeds are to be used to pay certain obligations of Snow Crop Marketers, Inc., and Juice Industries, Inc., two wholly-owned subsidiaries, and the balance added to the working capital of the parent.

* * *

According to an announcement on Dec. 10, American-Marietta Co., Chicago, has acquired from H. M. Byllesby & Co., Inc., Chicago, 62,695 of the outstanding 118,125 shares of capital stock, par $5, of United Brick & Tile Co., Kansas City, Mo.

* * *

The Missouri bankers included in the nationwide group which underwrote an issue of 669,508 shares of New England Electric System common stock (par $1) offered to the latter's common stockholders at $10.50 per share were Newhard, Cook & Co., Reinholdt & Gardner, Stern Brothers & Co., Stifel, Nicolaus & Co., Inc., and Stix & Co. Subscription warrants expired on Dec. 5. The unsubscribed portion (189,015 shares) were taken up by the underwriters and offered at $10.87½ per share.

* * *

The offering to common stockholders of American Natural Gas Co. of record Nov. 23, 1949, of 276,805 additional shares of common stock (without par value) at $28.25 per share was underwritten by a group of underwriters, among which were the following Missouri bankers: Stern Brothers & Co.; Newhard, Cook & Co.; Reinholdt & Gardner; I. M. Simon & Co.; Smith, Moore & Co.; Barret, Fitch & Co., Inc.; Burke & MacDonald; Lucas, Eisen and Waeckerle, Inc.; McCourtney-Breckenridge & Co.; and Stix & Co. Subscription warrants expired on Dec. 12, 1949.

* * *

The Missouri bankers who participated in the public offering on Dec. 1 of 1,500,000 shares of common stock (par $5) of The Southern Company at $11.95 per share were: Dempsey-Tegeler & Co., A. G. Edwards & Sons, Edward D. Jones & Co., McCourtney-Breckenridge & Co., Newhard, Cook & Co., Peltason, Tenenbaum Co., Reinholdt & Gardner, Stern Brothers & Co., and Stifel, Nicolaus & Co., Inc.

* * *

Net income of Illinois Terminal RR. Co., St. Louis, for the 10 months ended Oct. 31, 1949, after charges and income taxes, amounted to $624,924, equal to approximately $1.25 per common share, compared with a net of $1,238,769, or $2.48 per common share for the corresponding period of 1948.

* * *

The offering of 1,584,238 shares of common stock (no par value) of Northern States Power Co. (Minn.), to its common stockholders and employees at $10.25 per share was underwritten by a group of investment houses, which included, among others, the following Missouri bankers: A. G. Edwards & Sons; Edward D. Jones & Co.; McCourtney-Breckenridge & Co.; Metropolitan St. Louis Co.; Peltason, Tenenbaum Co.; Prescott, Wright, Snider Co.; Reinholdt & Gardner; Smith, Moore & Co.; Stifel, Nicolaus & Co., Inc.; Stix & Co.; and Taussig, Day & Co., Inc. Subscription privileges expired on Dec. 6. This offering was oversubscribed by approximately 6%.

* * *

Missouri banking houses participating in the public offering on Dec. 1 of $41,000,000 Louisville Gas & Electric Co. first mortgage 2¾% bonds, due Nov. 1, 1979, at 102.375% and accrued interest, were: Barret, Fitch & Co., Inc.; George K. Baum & Co.; Newhard, Cook & Co.; Stern Brothers & Co.; Stifel, Nicolaus & Co., Inc.; and Stix & Co.

* * *

I. M. Simon & Co. participated in the public offering on Dec. 8 of 120,000 shares of Hudson Pulp & Paper Co. 5.12% cumulative preferred stock, series B, at par ($25 per share) and accrued dividends, the net proceeds to be used to pay for expansion, etc.

* * *

The Finance Committee of Kansas City has recommended to the City Council that an issue of not less than $4,500,000 in various purpose bonds be offered at competitive bidding by Dec. 15. If arrangements for the financing cannot be completed by this proposed date, it was suggested that the date of sale be put off until after the turn of the year.

* * *

Stern Brothers & Co. on Dec. 8 participated in the public offering of $7,500,000 Iowa Power & Light Co. first mortgage bonds, 2¾% series due 1979, at 102.50% and accrued interest.

Quentin Smith Named Vice-Pres. of Agency

Quentin I. Smith, Account Executive of Albert Frank-Guenther

Quentin I. Smith

Law, Inc., has been elected a Vice-President of the agency, it was announced. Mr. Smith has been associated with the firm since 1938, with the exception of three years (1943-46) when he was with the U. S. Treasury Department as Chief of the Advertising Section of the War Finance Committee for New York.

Lemuel C. Sizemore Is With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Lemuel C. Sizemore has become associated with Fusz-Schmelzle Co., Boatmen's Bank Building, members of the Midwest Stock Exchange. Mr. Sizemore, who is returning to the investment business, was formerly with John J. Seerley & Co. and Metropolitan St. Louis Co.

Stanley Heller Co. Retained As Stockholder Counsel

Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, have been retained as Stockholder Relations Counsel by Fedders-Quigan Corp., one of the leading manufacturers of air conditioners, convector-radiators, unit heaters, automotive radiators, refrigeration condensers, car heater cores, and handbag frames.

Frank Knowlton Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — Charles M. Anderson has been added to the staff of Frank Knowlton & Co., Bank of America Building.

With James Ebert Co.

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, CALIF.—Charles E. Kenealey is with James Ebert Co., 630 Chester Avenue.

Michigan Brevities

The Detroit Edison Co.'s offering of stock to its stockholders ended Dec. 5, 1949, a total of 679,812 shares, or more than 97% of the 699,743 shares offered, being subscribed for at $20 per share. Of the shares, 55% were sold through National Bank of Detroit, the Detroit subscription agent, and the balance through Bankers Trust Co., New York. This was to be expected as more than 50% of the stock ownership is in the Detroit and Michigan area. The result of this offering shows the high favor in which this stock, which has not failed to pay a dividend since 1909, is held by the company's stockholders and the public generally. The manner of distribution of the unsubscribed 19,931 shares has not yet been determined, but it is not planned to deregister any of these unsubscribed shares. This offering was not underwritten. The net proceeds, together with the proceeds of $40,000,000 of 2½% and 3% promissory notes to be issued will be applied toward the repayment of $5,000,000 bank loans and toward financing future construction.

* * *

An underwriting syndicate headed by George A. McDowell & Co. and Baker, Simonds & Co. on Nov. 29 publicly offered 183,339 shares of common stock (par $1) of The Stubnitz Greene Spring Corp., Adrian, at $5.30 per share, the net proceeds going to selling stockholders. The Stubnitz firm manufactures and sells seat spring and back spring assemblies to the automotive industry for use in trucks, passenger cars and buses. Other Detroit bankers who participated in this offering were: S. R. Livingstone & Co. and Andrew C. Reid & Co.

* * *

The Detroit Stock Exchange set a new in 1949 trading volume in November for the second successive month when shares and "rights" having a dollar value of $4,780,766 changed hands. This compares with the previous month's record total of $4,391,692. Although the November total of 326,312 shares was slightly less than the October total of 327,523 shares, the increased activity resulted from the trading in Detroit Edison Co. "rights," 572,810 of which changed hands.

The 10 most active traders for the month of November were: Detroit & Cleveland Navigation Co., Detroit Edison Co., Southern Co., Friars Ale Brewing Co., American Metal Products Co., Avco Manufacturing Corp., Parke, Davis & Co., Wayne Screw Products Co., General Motors Corp. and National Stamping Co.

* * *

Soss Manufacturing Co., Detroit, tomorrow will pay an extra dividend of 20% in stock, in addition to the regular quarterly cash dividend of 25 cents per share on its common stock to holders of record Dec. 6, 1949. Charles J. Soss, President, said "it is contemplated that regular quarterly cash dividends will be continued at the present rate." He added that both sales and earnings of the company have been exceptionally good.

* * *

Campbell, McCarty & Co., Inc., and Miller, Kenower & Co. were included in the group of underwriters who underwrote an issue of 276,805 shares of common stock (without par value) of American Natural Gas Co. which were offered first to the common stockholders of the latter firm of record Nov. 23, 1949, at $28.25 per share. Subscription warrants expired on Dec. 12, 1949.

* * *

Woodall Industries, Inc., Detroit, for the year ended Aug. 31, 1949 reported net income after taxes of $1,624,592, which was equal to $3.81 per common share, and compares with a net of $1,140,157, or $2.55 per common share, for the preceding fiscal year. Net sales approached wartime peaks and amounted to $22,107,151, against $19,531,799 for the 1948 year. The book value of the common stock was $13.70 per share as at Aug. 31, 1949, compared with $10.80 a year previous. This company is acquiring a new plant which it expects will be ready for occupancy by the end of this calendar year, in exchange for its old factory property in Chicago. The company is endeavoring to work out a similar trade for its Long Island City (N. Y.) plant. In the fiscal year ended Aug. 31, 1949 the company acquired 5,110 shares of its preferred stock which has been retired, and has also acquired 4,976 shares of its common stock which is being held in the treasury for future use.

* * *

An issue of 34,400 shares of 4¼% cumulative preferred stock, par $100, of Sutherland Paper Co., Kalamazoo, was offered to common stockholders of record Nov. 21, 1949 at $100 per share (flat), the net proceeds to be used for expansion and working capital. Subscription rights expired on Dec. 8, 1949. E. H. Schneider & Co., Detroit, was one of the underwriters. Each preferred share is convertible into 2½ shares of common stock prior to Jan. 1, 1960, at the holder's option.

* * *

Gerity-Michigan Corp. earned $115,350 or 15 cents per share in the three months ended Sept. 30, 1949, compared with $182,639 or 23 cents per share in the same period a year ago. Net sales totaled $3,556,859, compared with $3,159,022 in the 1948 period. Since July 1, 1949 inventories had been decreased by $410,620, according to James Gerity, Jr., President, who added that the company's cash position was the best in its history.

* * *

Baker, Simonds & Co., Campbell, McCarthy & Co., Inc., McDonald-Moore & Co., and Watling, Lerchen & Co., all of Detroit, were included in a nationwide group of investment houses which participated in the underwriting of an issue of 1,584,238 shares of common stock, no par value, of Northern States Power Co. (Minn.), which were offered to the common stockholders and employees of the latter at $10.25 per share. The subscription rights expired on Dec. 6. This offering was oversubscribed by approximately 6%.

* * *

Sales of The Murray Corp. of America, Detroit, for the year ended Aug. 31, 1949 totaled $97,844,203, while net earnings (after taxes) were $6,802,656, equal, after deducting preferred dividends, to $6.95 per common share. This compares with sales of $92,535,476 and net earnings of $3,253,305, or $3.21 per common share, for the

(Continued on page 47)

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

One of the highlights of this year's developments so far as insurance shares are concerned has been the increase in dividends. Numerous institutions have declared or announced their intention to pay stock dividends. Others have increased their cash payment to shareholders.

The change in dividend policies over the past year has been widespread and coincides with a sharp improvement in underwriting operations. Faced with rising costs, increasing losses and a larger volume of business, most fire and casualty companies were not able to show very satisfactory underwriting results in 1945, 1946 and 1947. In quite a number of cases, statutory underwriting losses were reported. The fundamental factors affecting operations began to change in the early months of 1948 as rates were adjusted upwards and prices leveled off. As a result underwriting turned profitable and generally favorable results were shown for the last half of 1948. These same conditions have prevailed throughout 1949 and record operating earnings will almost surely be reported by a large number of companies this year.

During this period investment income has been increasing at a moderate but steady rate. At the same time distributions to stockholders have been conservative amounting to approximately 60-70% of investment income. In some cases less than 50% of such earnings have been distributed.

It would appear that the managements of the various companies were reluctant to increase dividends even though they would have been justified from the standpoint of investment income, at a time when unfavorable underwriting results were being experienced. As conditions changed, however, a more liberal attitude was in evidence and last year many companies increased their annual rates or paid extra dividends in cash. In the last several months quite a few of the major institutions have declared or announced their intention to pay stock dividends. Many others have increased their cash payments over those of a year ago.

Home Insurance and Aetna Insurance are the latest of the large concerns to enlarge their payments to stockholders. The Home on Dec. 12, announced an increase in the annual dividend rate from $1.40 to $1.60 a share. The company has been making semi-annual payments and for 1949 paid 65 cents in February and 70 cents in August. This makes the payment for the current year equal to $1.35 a share compared with $1.25 in 1948. The current declaration of 80 cents is to be paid in February, 1950 and establishes the stock on a $1.60 annual basis.

At the same time Aetna Insurance declared an extra dividend of 20 cents a share to bring payments for 1949 to $2.20 a share compared with $1.80 a year ago. Aetna has been paying quarterly dividends at the rate of 40 cents with extras at different times during the year. During 1949 extras of 20 cents were paid in January and July. The current extra is to be paid Dec. 23. The company also announced that the quarterly rate would be raised from 40 cents to 50 cents with the payment to be made in January. This places the stock on a $2.00 annual basis with the possibility that additional amounts may be distributed as extras as heretofore.

Among the fire companies to announce stock dividends in the past two weeks have been Boston Insurance Company and Phoenix Insurance Co.

The stockholders of Boston Insurance Company have been asked to vote Dec. 20 on a proposal to increase the authorized capital stock in order to provide for a 12½% stock dividend. If the additional stock is authorized, it is the intention of the directors to continue the present dividend of 60 cents quarterly or $2.40 on an annual basis.

The Phoenix Insurance Co. (Hartford) also proposes to increase its capital. Stockholders are to vote Feb. 17, 1950 on a proposal to increase the capital from $6,000,000 to $7,500,000 by a transfer of an appropriate amount from surplus. The additional $1,500,000 of capital would be paid to stockholders in the form of a stock dividend. Providing the proposal is approved and the additional shares are issued the directors intend to pay dividends of 75 cents a share quarterly on the new capital. The company has been paying quarterly dividends of 50 cents with an extra at the year end for a total $3.00. At the time of the recent announcement on increased capital Phoenix also declared a special dividend of 50 cents making total payments for 1949 equal to $3.50 as compared with the $3.00 of 1948.

Some of the other major fire and casualty companies that have declared or announced their intention to pay stock dividends include: Continental Insurance Company, Fidelity-Phenix Fire Insurance Co., Fire Association of Philadelphia, Great American Insurance, Hartford Fire Insurance Co., Insurance Company of North America and U. S. Fidelity & Guaranty Co.

Dillon, Read & Co. In New Location

Dillon, Read & Co. Inc. announces the removal of its office to 46 William Street, New York City.

Schwabacher Adds

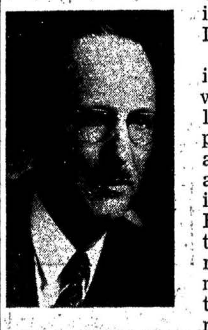
(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Valentine Wood has joined the staff of Schwabacher & Co., 600 Market Street at Montgomery, members of the San Francisco and New York Stock Exchanges.

Leading Canadian Banker Sees Devaluation as Temporary Expedient

Stanley M. Wedd, President of Canadian Bank of Commerce, tells stockholders at Annual Meeting, dollar issue has become more a problem of production and marketing. Cites Canada becoming self-sufficient in oil, as factor in reducing deficit in trade with U. S. James Stewart, Canadian Bank of Commerce General Manager, reveals growth in bank's assets.

Full effects of the devaluation of the British pound sterling, the Canadian dollar and currencies in the sterling area cannot properly be appraised for some time, Stanley M. Wedd, President of The Canadian Bank of Commerce, told the annual meeting of stockholders of the bank in Toronto on Dec. 13.



Stanley M. Wedd

The dollar issue, he said, was probably less a dollar problem than a production and marketing problem. He declared that having regard to the many conditions which must be satisfied before exchange depreciation could effectively check or reverse a trend in a country's balance of payments, it was probably more realistic "to regard devaluation as a temporary expedient rather than a corrective. Should this recent step lead eventually to free convertibility of currencies, an objective much to be desired will have been accomplished. If, on the other hand, devaluation is nullified by continuous price adjustments then from an economic point of view, the step will prove to be abortive."

The Dominion of Canada's petroleum program, largely in the province of Alberta, but extending also into Saskatchewan and Manitoba is "the largest ever undertaken in Canada," Mr. Wedd stated. "Alberta now has nearly 1,000 productive oil wells, over twice as many as a year ago, and Canadian oil production has tripled as compared to two years ago. It has been forecast that, by the end of this year, production will rise to over 70,000 barrels per day, sufficient to meet the entire needs of the three Prairie Provinces, and that it will continue to rise to as much as 100,000 barrels a day, or about one-third of total Canadian oil requirements. What the new oil discoveries may mean to the future of Canadian economic life is as yet uncertain but if there are further discoveries and production continues to increase at the present rate, oil production may rival agriculture in importance to the prairie economy. Equally topical is the possibility that, by becoming self-sufficient or nearly self-sufficient in oil, Canada may substantially reduce her trade deficit with the United States. In 1948 aggregate oil imports from all sources amounted to about $300,000,000 in United States Dollars."

In conclusion Mr. Wedd said: "Today we face many uncertainties. The attempts to gain control of men's minds, which is the goal of the totalitarian, throw difficulties in the way of efforts to establish an orderly trading world. Yet the advantages of peaceful and universal trade are so obvious that one cannot help but be strongly hopeful that common sense will prevail."

James Stewart, general manager of the bank, said that the sustained upward trend of Canadian business during the past year has been reflected in the Bank's position. Assets of the Bank, as of Oct. 31, increased $117,000,000 to the record figure of $1,646,000,000. Mr. Stewart said that the Bank's profits for the fiscal year ended Oct. 31, 1949, before Dominion Government taxes, but after appropriations to contingent reserves, out of which full provision has been made for bad and doubtful accounts, "increased some $503,000 and after taxes, depreciation, dividends at the usual rate and reserving for the extra disbursement payable Jan. 3, 1950, we have been able to carry forward $615,961, an increase of $87,603. The amount at credit of profit and loss account now stands at $3,705,010."

Connecticut Brevities

Kaman Aircraft announces that it has received a third contract from the U. S. Navy and an initial order from the Coast Guard. The present contract covers helicopters and spare parts. Previous contracts were for helicopter development and research. The Navy's helicopters will be delivered to the test center at Patuxent River, Maryland If the plane meets the Navy's rigorous requirements, it will be approved for quantity purchase by the Navy.

* * *

Pratt & Whitney Division of **United Aircraft Corporation** has been awarded a $10,368,600 contract to build 264 new model turbo-jet engines. The new engine is stated to be an "advancement" over previous types. Authorities expect the engine to be used in the Grumman F9F "Panther" fighter.

* * *

President W. Ross McCain of **Aetna Insurance Co.** has announced that the Boards of Directors of Piedmont Insurance Co. and Standard Insurance Co., two of Aetna's wholly owned fire subsidiaries, have approved a merger of the two companies. The purpose of the merger is to obtain greater efficiency and to prepare for the advent of multiple line underwriting. Aetna purchased Piedmont Fire in 1930 and Standard in 1941.

* * *

Application has been made to change the corporate title of the Comprehensive Insurance Co. to **The Connecticut Casualty & Fire Insurance Co.** The company expects to commence underwriting in the near future. Initially it is planned to confine business written to fire and automobile collision risks on the retrospective basis on a country-wide basis. The initial capital and surplus is fixed at $500,000.

* * *

The Hartford-Connecticut Trust Co. has joined the Federal Reserve System. It had been the largest non-member bank in New England and one of the ten largest non-member banks in the country.

* * *

On November 22, an underwriting syndicate offered $10,000,000 of **Connecticut Light & Power Co.** first and refunding mortgage 2¾% bonds, Series L, due Nov. 1, 1984, at 102.23 and accrued interest. At the same time 100,000 shares of $2.04 preferred stock were offered at $51.50 a share and accrued dividends. Proceeds are to be used to help finance the company's construction program through 1951.

On Nov. 16, 1949 the SEC authorized the sale of 14,723 shares of **Derby Gas & Electric Corp.** common stock to Allen & Co., underwriters, for $284,301, equal to $19.31 a share. The stock is to be reoffered to the public at a price of not to exceed 20⅜.

* * *

The New York, New Haven & Hartford Railroad awarded $2,340,000 of equipment trust certificates to Lehman Bros. and Bear, Stearns & Co. who bid 98.6693 for a 2¼% coupon. The underwriters offered the certificates, of which $156,000 mature annually Dec. 1, 1950 through 1964, at prices yielding from 1.25% to 2.70%. Proceeds will be used in connection with a purchase of 25 new streamlined sleeping cars.

* * *

Powdrell & Alexander's statement for the nine months ended Sept. 30, 1949 showed a loss equal to $0.62 a share on the common stock On Nov. 14, 1949 it was stated that operations were at a normal capacity and that a profit was expected in the fourth quarter. Mr. Powdrell, Chairman, said that in view of the results of the first nine months, directors have decided not to declare further dividends this year. Dividends of $0.37½ were declared earlier in the year.

* * *

Scoville Manufacturing Co.'s new strip mill was scheduled to commence operations Dec. 6, 1949. The plant has been under construction for two years at a cost of several million dollars. The management also announced the introduction of a new slide fastener, trade-named Gripper Zipper, which will be available for use by the clothing and clothing accessories industries.

* * *

Directors of **Phoenix Insurance Co.** have recommended increasing the company's capital stock from 600,000 to 750,000 shares by issuing a stock dividend of one for each four held. If approved by the stockholders at their annual meeting on Feb. 17, 1950, it would be accomplished by transferring $1,500,000 from surplus to capital. A special dividend on the present stock is payable Dec. 27, 1949 bringing full year payments to $3.50. A quarterly dividend of $1.00 is payable Jan. 2, 1950 and thereafter quarterly dividends of $0.75 are contemplated after the stock dividend.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — John W. Clem is with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York Stock Exchange.

With Leedy, Wheeler Firm

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, FLA.—John P. Higley has become affiliated with Leedy, Wheeler & Alleman, Florida Bank Building.

Meeting the Demand for Security

By WILLIAM J. CASEY*

Chairman, Board of Editors, The Research Institute of America, Inc.

Mr. Casey maintains while the tide of employer-paid security is irresistible, it nevertheless can be harnessed to improve the health of business institutions and satisfy the recipients. Declares employers will be whipsawed by unions in absence of development of definite over-all package. Cites conditions needed for sound programs.

I do not bring you any news when I tell you that you face a surging and insistent demand that employers assume substantial responsibility for the protection of the individuals who make up their work force against most of the hazards of life.

William J. Casey

Newspaper headlines tell you daily that employers are expected to provide cash when employees stop working because of illness or old age retirement, to meet their hospital and doctors' bills, and to provide cash for their families upon death. These are clearly new elements being built into the cost and wage structure of our economy. But the newspaper headlines do not tell us about the long run implications, the pitfalls, the challenge and the opportunity, which this trend presents to us.

This is a strong tide, in a sense it is an irresistible tide, but I do not believe it is uncontrollable. I propose to explore in a general way how we may be able to harness this tide to improve the health of the business institutions for which we are responsible and to give greater satisfaction to the individuals upon whom our companies depend and who depend on our companies.

I would like to approach this by examining the choices which seem to be available to us. It may seem that we have little, if any choice in this matter when we review the things that first strike our attention—the enactment by both Federal and State Governments of compulsory welfare plans; the decisions of the U. S. Supreme Court and the amplifications by lesser judicial bodies which tell us that employers must bargain on health and welfare funds, on pensions, and on insurance plans, and the strength of the trade unions which are insisting that employers finance the security of their members. You will note another powerful, but frequently overlooked factor as you scan through the help wanted section in any newspaper and notice the number of ads which cite employee welfare plans as companies bid for natural aptitudes, experience, skill and talent. But, it will become strikingly clear that there are important choices available to us if we compare the busted welfare plan which John L. Lewis has obtained for the coal miners and any one of the thousands of modestly conceived and soundly financed welfare plans which have more than 10 years of succeessful operation to their credit. I am reminded of an old story about a fellow who had been courting a girl for over five years. He had been beating a trail to her house every Saturday night, and there were no signs of a wedding. One Saturday, the girl's father called him aside and, not without embarrassment, said, "Johnnie, I feel that I am entitled to and I must ask you one question." He paused, looked Johnnie in the eye and said, "Are your intentions toward my Mary honorable or dishonorable?" Johnnie, not at all taken back, said, "Holy Smoke, do I have a choice?"

I strongly believe we have many choices in dealing with this trend which is unmistakably building welfare plans into the structure of pay and personnel policy which is almost certain ultimately to prevail in all areas and in all industries in this country. In fact, I believe that you have one big choice and many little ones. If your big and fundamental choice is right, you will control the little ones, and with competent technical counsel at your disposal, you can expect them to be right.

I have searched for the most emphatic way of stating the nature and the magnitude of your big choice. I think the best way to put it is: Will you, yourselves, take the initiative in developing a satisfactory, financially sound, and fruitful welfare program or will a patchwork of benefits be forced on you year-by-year by union pressure. Will the welfare continuation and benefits be the instrument of a resourceful and productive personnel policy which it has been in the hands of, for example, the Standard Oil Co., or will it be a continually disruptive sore spot which it has been between John L. Lewis and the coal operators? That is the big choice and it is within your own control.

I don't think that it will take much to convince you that this fundamental choice is even more important to the construction industry than to the relatively simple coal industry. It is imperative that you control the little choices so that you are not sunk by the complications, which arise from the fact that you deal with many different unions, that your employees, during the course of the year, will work on other jobs for other contractors; that it is impossible to predict how many days your men will work during the course of the year and what they will make.

Comprehensive Handling Needed

Unless there is a clear, coherent, comprehensive head-on facing of welfare demands now with the development of a definite over-all package, I am afraid that we will face attempts by many unions to whipsaw employers between expensive welfare pension demands and less costly direct pay hikes. In many cases, the union will prefer to jockey the employer into trading off the welfare demands for a few cents an hour boost in straight pay . . . only to return to the bargaining table with the same club the next year.

There is a major choice as to the scope of welfare benefits which you might be prepared to nail down now. There are a great many more employees covered by accident and health insurance than by pensions. Some 30 odd million people are insured loss of income resulting from sickness or accident. Over 60 million individuals, including dependents have the assurance that their hospital bills will be paid by them. Some 30 million individuals have the assurance that their surgical bills will be paid, and well over ten million individuals will have doctor's bills paid for them. Roughly one-half of these individuals are directly insured employees and the other half are dependents. On the other hand, there are probably no more than some four million workers covered by industry pension plans and the next three years or so are not likely to provide pensions for more than another three million additional workers.

There is good reason why welfare benefits will spread much more rapidly than pension benefits. Hospitalization, medical-surgical and disability benefits plans are the easiest plans to get started. Hospitalization and sickness benefit plans offer a limited risk. They are comparatively easy to alter. They do not create substantial future benefits which employees feel have become their earned rights. They are not like some plans which almost inevitably involve the acceptance of substantial expense on the part of employers on account of service which employees have performed prior to the date such a plan becomes effective. The clearest example of the effect of prior service occurs when an employer establishes, let us say, a pension plan under which several of his employees can retire immediately because of age and length of service. In the absence of employee contributions this employer may then be called upon to bear directly the full cost of pensions for those retired employees over the remainder of their life. The liability which the employer has taken on in this case is known as an "accrued liability." A similar accrued liability may be accepted to some degree with respect to every employee eligible under such a plan at the time it comes into existence.

In the case of the U. S. Steel Co. it has been estimated that a pension of $100 a month will represent taking on an accrued liability of one billion dollars which is about one-half the net worth of the company.

Disability benefit plans and hospitalization and surgical plans treat only with events which may occur in the future. They do not require the acceptance of accrued liabilities. The cost of such plans is reasonably predictable, and usually substantial protection in these fields can be provided at a cost which is less than that of an adequate pension plan.

We know that by July, 1950 New York employers must, by legislative decree, give sick pay—half pay with a top of $26 a week for 13 weeks. So let's focus our attention on welfare plans other than pensions. Employers can make employees contribute ½% of pay and can provide coverage by buying insurance from a private company or from the state or by self-insuring.

Let's recognize that sick pay is only part of the package that will be demanded and that welfare coverage will be both cheaper and more satisfactory if all phases of it are integrated. The package which unions are demanding throughout the country consists of life insurance of a year's salary and pre-paid medical and hospital care in addition to sick pay. I recommend that you study the Handbook on Bargaining for Worker's Security Program which the United Auto Workers have prepared to brief local negotiators. I bring it to your attention because it indicates the intricate nature of the subject and the prep-

*An address by Mr. Casey before the Building Trade Employers Association, Buffalo, N. Y., Dec. 5, 1949.

eration which you will be required to face in your bargaining.

Alternatives Against Unexpected Costs

What options and alternatives are there which give promise of protecting the employer against excessive and unexpected costs? This is a very complicated question which has many aspects. It cannot be definitely answered without long study of the particular problems of an industry, an area and a company, and this study can only be conducted by men with long specialized experience in the assessment, hedging and underwriting of this kind of risk.

Importance of Protective Features

I would limit myself to quickly throwing out to you some examples which may indicate the character and importance of the protective features which must be built into a welfare plan if it's to be soundly financed and sustained:

(1) Employers frequently make the mistake of thinking that because it has been their practice formerly to continue paying a limited group of their employees when they are sick that they can safely do so for the entire work force. Actual experience tells us that unless there is a marked differential between benefits received while sick and the amount which can be earned on the job, you will encourage malingering and sharply run up the cost of production.

The disability program may bog down unless the employee is left with a financial urge to return to work. For example, General Motors analyzed the disability experience of two plants located a short distance apart, both carrying the same benefits under a group policy. In one case, there was an additional payment provided by a private plan, and the claim rate there was consistently from 60 to 70 percent higher than in the other. Since these two plants drew on the same labor market, it is quite clear that the higher the benefit, the higher the claim rate; I cannot urge you too strongly to cut out any duplication of benefits in this way, or you will certainly pay through the nose for it, as well as cause disruption in your production schedule.

It's not safe to provide benefits for more than 50% to 60% of pay or in effect 65% to 75% of take-home pay. You must remember that payments received under casualty payments are not taxable income to the employee and thus a benefit of 75% of pay provides some employees with something close enough to his full pay envelope after social security and withholding tax deductions.

(2) Similarly, your costs will run up if you extend the sick pay to the first few days of illness. The dramatic and almost incredible example of this is the report on sickness in the Royal Ordnance factories in England. Their sick pay began the first day of illness and continued for seven weeks, at the end of which time half pay was continued for an additional seven weeks. A study of their experience published last summer showed that during the course of the previous year some 42% of the work force had been ill for exactly seven weeks on the nose.

(3) Your welfare commitments must be geared into present and prospective compulsory State Legislation. Fortunately the N. Y. disability law gives credit to employer plans. But there's pressure for Federal disability and health plans and there's no guarantee that private plans will receive any recognition any more than private pension plans under Federal old age retirement. Therefore, your deal should provide for automatic adjustment of your commitment when as and if you are required to pay for Federal or State welfare benefits of a similar kind.

(4) Should employees contribute? That's the best way to hold down the cost but, being realistic, I don't see much chance of employee contribution to welfare plans. There's a much better chance on the more expensive pension plans and employees do contribute to most of the group life insurance plans now in force. The great majority of sickness and health plans are employer financed and a strong union is going to stand strongly against employee contribution.

(5) It's worth exploring to see whether your commitment can be limited to contributions; it being left up to the fund to buy as much benefits as it can with the percentage of payroll you kick in.

(6) To avert the danger that a welfare plan will kick back in your face, both financially and in bad personnel relations, you must set up safeguards which will protect you and the plan in hard times. This can be done by building up some reserves, by limiting coverage to employees who leave a payroll and, most important, by building into the plan an automatic flexibility derived from adjusting benefits with contribution earned. When there's a slump in construction, employee earnings and contributions will fall off and benefit levels should go down correspondingly.

The level of benefits and the amount of employees contribution, together with most of these protective features will have to be thrashed out in collective bargaining. For this reason and because the big savings in cost will come from economic administration and spreading of risks, the imminence of a welfare plan presents a big challenge and a big opportunity to a trade association in an industry like this. Although whether to have a welfare plan, the level of benefits and their financing must be thrashed out in collective bargaining, welfare bargaining is intricate and tricky. You can't horse trade on actuarial implications or on protective features, the absence of which could sink the entire plan. A soundly conceived framework within which welfare benefits, if any are to be given, can be of inestimable value in controlling collective bargaining in this area.

The big secret to sickness and health protection at manageable costs lies in having an adequate and a representative spread of risk, an economical collection of premiums and an experienced sifting and handling of claims. No single employer, except perhaps the giant corporation, can achieve these factors within his own organization as well as larger groups. Above all I would urge any employer not to get himself in the position of scrutinizing and passing on sick pay claims. In [illegible] only group handling can make welfare coverage economical to a small employer and where employees shift around a great deal, only group handling can give satisfaction to the beneficiaries. The Hotel Trades in New York are a good example. The hotels deal with eleven different unions. By collective bargaining between a council representing all eleven unions and an Hotel Association Committee there is a single trust arrangement covering 163 hotels and 25,000 union members of eleven different unions and another trust embracing only 57 of the hotels and their non-union white collar employees. The Shoe Board of Trade has a single trust covering both union employees whose coverage was brought under the plan by collective bar-

(Continued on page 39)

With Shillinglaw Bolger

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Arthur J. Roth has become affiliated with Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

Mutual Funds

By HENRY HUNT

Eaton & Howard Observe 25th Anniversary

Charles F. Eaton, Jr.

BOSTON, MASS.—Eaton & Howard, Incorporated, Boston investment management firm, is celebrating the 25th anniversary of its founding in December, 1924 by Charles F. Eaton, Jr., its President, and the late John G. Howard. A pioneer in investment counsel and in the development of the mutual investment fund, the firm early in its career established Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund to be managed in conjunction with its other activities. The organization has grown to be one of the country's leading investment management and counsel firms.

The firm maintains principal offices in Boston and San Francisco and its activities have become national in scope. It provides investment counsel to many important individual and institutional clients. The two Funds which it sponsors and manages are owned by approximately 12,000 individuals, trustees and institutions located in every state of the Union and in a number of foreign countries. Assets of the Funds have within the past five years increased from $10,000,000 to over $50,000,000.

Market Comment

"Many investors who had gone into financial storm cellars back in 1946 in hopes of reinvesting funds when the recessionary storms were over were surprised this summer to find that earnings on the Dow Jones industrial stocks had increased 69% and dividends 53% since 1946. They also saw the government fighting deflationary trends with inflationary weapons and they realized that the 'cold war' had helped keep business activity high in spite of the partial readjustment to a peacetime economy. The result has been the longest and sharpest market recovery since 1945-46. While the pace of the advance slowed down during November, the industrial and utility averages distinguished themselves by moving above their highs of the last 3 years with the former selling within 9½% of its highest price since 1930. Aiding the recovery has been the realization that the income from common stocks is much greater than it is from other investment media as the following figures show:

Investment Needed to Earn a $1,000 Annual Income

Dow-Jones Industrials	$15,950
Dow-Jones Rails	13,250
Dow-Jones Utilities	20,000
High Grade Preferred Stocks	25,700
Highest Grade Corporation Bonds	39,000
Long-Term Government Bonds	47,500
Savings Banks	50,000

"Industrial stocks have advanced during 69% and rails during 56% of the December markets of the last 52 years. Most dependable of all seasonal rallies is the one that has occurred in 45 out of the last 52 years between Christmas and New Year's Day. During the last 10 years the gain from the December low to the January high has averaged 6%. The short interest is still large and there may be some buying to establish short-term losses before the end of the year."—Written by Ralph Rotnem of Harris, Upham & Co.

First $50,000,000 the Hardest

It took Wellington more than 19 years to get their first $50,000,000; less than two years to get their second. November, 1949, sales were at an annual rate of more than $57,000,000.

How Much Is a Billion Dollars?

"It used to be that people mentioned a billion dollars with the same kind of awe that is still associated with a light year or an atom bomb, but not so any more. Economists, politicians and even the man on the street now toss 'billions' around figuratively as though they were so many nickles.

"Maybe it is time for some of us to take another look to see just how much a billion dollars is so that the man who tries to save a couple of billion here or there in our government expenditures can be recognized for the remarkable man he is.

"If a billion dollars in dollar bills were laid one on top of the other, the pile would be over 59 miles high.

"A billion dollars would purchase a new $2,000 automobile for every man, woman and child in a city with a population of 500,000. These cars could form a bumper-to-bumper line from New York to Dallas, Texas.

"There is no proof that any man at any time has accumulated a billion dollars in wealth.

"Every dollar bill in the pockets of all of the citizens of the United States would only equal about a billion dollars.

"If a man worked 40 hours a week, 50 weeks a year at $2.50 per hour, it would take him 200,000 years to earn $1 billion dollars."—From **Vance Sanders'** "Brevits."

A $20 Investment in 40 Listed Stocks

"You can invest in 40 or more stocks listed on the New York Stock Exchange for as little as $20.

"These stocks represent the ownership of some of America's leading corporations such as General Motors Corp., United Aircraft Corp., Westinghouse Air Brake Co., Texas Company, Atchison, Topeka & Santa Fe Railway Co., and Bethlehem Steel Corp., to name a few.

"To buy only one share of each company in such a group would require a substantial cash outlay. Yet an investment reflecting the strength and promise of these great American companies can be made with modest amounts of money either at regular intervals out of earnings or from time to time as you have savings available.

"Learn more of this **method of investment** by mailing the coupon below."—Text of a **Coffin & Burr** ad in "The Farmers' Almanac."

"The Poor Man's Investment Counsel"

"How to participate in the economic expansion of the country has always been a major investment problem. The best way to acquire a stake in America's future is through the purchase of equities of American corporations. This requires careful selection of industries and of specific companies within the industry selected. It requires continued research and constant supervision of the securities selected. This produces an almost impossible situation for the average investor, or does it?

"I would like to tell you about a new way to obtain all this—new to most people, although approximately 1,000,000 Americans have solved their investment problems through this method.

"The Mutual Fund has been rightly called: 'The Poor Man's Investment Counsel,' although an increasing number of large investors are purchasing shares in the various funds. Large trust funds, charitable, religious and educational institutions, even insurance companies and savings banks are finding this an easy and efficient way to secure expert guidance and to avoid many of the pitfalls and worries of large-scale investment.

"The mutual fund is the logical and satisfactory answer to the investment problems of the individual investor. It provides him with good investment management, wide diversification, expert buying and selling, full bookkeeping service, continuity of income, the opportunity for capital gains and a guarantee that the funds can be withdrawn at any time."—Excerpts from **Axe-Houghton's** "How to Become a Successful Investor," written by Morris M. Townsend.

(Continued on page 15)

Mutual Funds

(Continued from page 14)

Canada's "Predicament"

"D. C. Abbott, Canadian Finance Minister, says the Dominion postwar 'bold program of tax relief' probably stimulated Canada's economy at a crucial time. Abbott: 'Every month since the beginning of this fiscal year I have been required to explain why revenues still exceed expenditures by more than had been predicted.' "—From "These Things Seemed Important," issued by **Selected Investment Co. of Chicago.**

Putnam Fund Adds Trustees

Shareholders of The George Putnam Fund of Boston, $34,000,000 open-end mutual fund, yesterday approved all of the trustees' proposals for broadening the management of the 12-year-old fund. Among other steps, the shareholders elected two additional trustees and approved a management contract with the newly-established Putnam Management Company.

The new trustees are Louis J. Hunter and Stanley F. Teele. They will serve with George Putnam, Charles M. Werly and Richard Osborn, who will continue on the enlarged board.

Mr. Hunter an officer and director of many business concerns, is owner of Louis J. Hunter and Associates. He is also a trustee and treasurer of the Massachusetts Memorial Hospitals, and a director and treasurer of the Boston YMCA.

Mr. Teele has been Associate Dean of The Harvard Graduate School of Business Administration since 1946. From 1941 to 1943 he served with the War Production Board as deputy director of the procurement policy division. He is a trustee of the Newton Savings Bank and a special consultant to the Standard Oil Co. of New Jersey.

Partners in the new management company will include William M. Hunt, Arthur T. Lyman, Jr. and Sydney Y. Upton, three of the junior assistants to the trustees together with George Putnam, Charles M. Werly, and G. L. Ludcke, President of Putnam Fund Distributors, Inc. Pointing out that most mutual funds have a separate organization to provide management and research facilities, Mr. Putnam said: "We think the Putnam Fund will provide a useful service to many generations of investors. To accomplish this purpose, the Fund must attract to its management organization men of outstanding ability. By providing partnerships for such men in the new management company, we believe that we can build soundly for the growth we foresee.

"The increase of the Fund's assets to more than $34,000,000 in only 12 years of operation has also made possible a reduction in the rate of compensation for overall management services. As approved by the shareholders, the new plan reduces the trustee's fee on the portion of the Fund in excess of $25,000,000 by approximately 20%. This means an important saving for beneficiaries in total management costs."

Reorganization of Britain's War Debt Demanded

Citing the current situation of the American taxpayer actually footing the costs of the blocked sterling balances, the U. S. Council of the International Chamber of Commerce pleads for a "constructive reorganization" of the British war-created debt as prerequisite of continued Marshall aid. Maintains devaluation is no solution of the dollar problem.

Asserting that "a constructive reorganization of the British war-created debt, now represented by blocked sterling balances," would be a major factor in justification of further ERP aid, the U. S. Council of the International Chamber of Commerce on Dec. 14 issued a nine-point program of recommendations on monetary reconstruction.

William A Mitchell

"Use by the British of American money to make releases to her creditors brings home the fact that not only the British economy but our own taxpayers are involved in a solution," the Foreword to the report states.

William A. Mitchell, President of the Central Trust Co., Cincinnati, is Chairman of the Study Group which prepared the report. August Maffry, Vice-President of the Irving Trust Co., New York, a member of the group, was rapporteur.

Entitled "Better Money — The next Step in World Recovery," the report discusses at length the consequences of devaluation and prescribes the additional things which must be done if its potention advantages are to be realized in fact.

"If the United States is to continue to pour out its substance in support of friendly foreign nations, it should expect and require reasonable measures of self-help from the beneficiaries, yes, even some concessions to the American way of producing and trading goods. Dollars alone cannot do the job. An unleashing of the forces of private competitive enterprise is the only real hope."

Devaluation Doubted

On the subject of gold, the report says: "The U. S. Council rejects the notion widely current since devaluation that the United States will take unilateral action to increase the price of gold and is convinced that such action is neither probable nor possible. The Council also rejects categorically the idea that an increase in the dollar price of gold would be a desirable means of closing the dollar gap."

Others of the nine points are as follows:

"(1) Devaluation alone will not appreciably narrow the dollar gap and may serve to widen it in the short run.

"(2) The basic requirements of the situation remain unaltered in the United Kingdom and other countries which have devalued. What is needed in these countries is more productivity on the part of the worker, more enterprise on the part of the producer and exporter, more incentives for business, and fewer restraints and controls on the part of governments.

"(3) The U. S. Council recommends that a constructive reorganization of the British war-created debt, now represented by blocked sterling balances, be undertaken immediately. This would be a major factor in justification of further ERP aid.

"(4) The U. S. Council declares its full support of effective measures for expanding purchases by the United States of foreign goods and services. Imports should and can be increased by further reductions in tariffs under the Trade Agreements Program, reforms in customs procedure, and prudent stockpiling on the part of the United States and better merchandising methods on the part of foreign producers.

Intelligent International Investment

"(5) The U. S. Council reaffirms its views on stimulating United States investments abroad as set forth in its report, 'Intelligent International Investment' and renews its endorsement of the 'Code of Fair Treatment for Foreign Investments' put forward by the International Chamber of Commerce.

"(6) The U. S. Council points to the great progress made by most European countries in restoring production to prewar levels and above, often despite monetary instability. It believes the next essential step is to strengthen European currencies in order to revive confidence, stop inflation, and provide new incentives to workers and producers. Devaluation sets the stage for removing exchange controls, enlarging the area of free transferability of sterling particularly, and thus moving toward convertibility. But the opportunity must be seized quickly if it is not to be lost.

"(7) Some substitute will have to be found, and found soon, for the export financing provided by the European Recovery Program. In the meantime, the Council applauds the statement of the Economic Cooperation Administration that it will allocate ECA funds in the future on the basis of performance rather than on the basis of calculated need.

"(8) Dollars unassisted cannot restore the world and make it prosperous. Free and stable currencies will go far to loose the forces of free competitive enterprise which alone can do the job."

Devaluation No Solution of Dollar Problem

In reference to devaluation, Chairman Mitchell said: "Devaluation has not changed in its fundamentals the dollar problem of the United Kingdom and many other countries." Elaborating on the requirements which remain unaltered by devaluation, he added:

"For labor, it would mean a retreat from principles established by a generation of trades-union activity, from all of the rigidities and restrictive practices, such as feather-bedding, which make impossible flexible labor management in British industry. It would mean placing chief emphasis on increasing productivity through the introduction of new and improved machines, the reorganization of production, and perhaps through a longer work week.

"For business, it would mean the abandonment of attitudes ingrained by long practice, the substitution of a quest for markets in open competition for the security now commonly sought through cartel arrangements and protected markets. It would mean new processes and equipment, new production methods, and new techniques of selling and distribution.

"For government, it would mean a reversal of policies which have become articles of party faith. It would mean giving relief from taxes which impair individual and business incentives, relaxing controls upon trade and exchange, retreating to a level of social services which will permit a reduction in government expenditures and in taxes, and removing the threat of nationalization from the managements of threatened industries. In the present crisis, there should be only one test of policy: What can be done, what must be done, to lower costs, increase output, and expand trade?

"What devaluation does is to provide greater freedom of action for governments and businessmen and improve opportunities to find and exploit markets abroad."

Other members of the Study Group serving with Chairman Mitchell and Mr. Maffry are: I. C. Raymond Atkin, Vice-President, J. P. Morgan Co., Inc.; W. Randolph Burgess, Chairman Executive Committee, National City Bank of New York; S. Sloan Colt, President, Bankers Trust Company; Lionel D. Edie, President, Lionel D. Edie & Co., Inc.; Robert J. McKim, President, Associated Dry Goods Corp. of New York; Marcus Nadler, Professor of Finance, Graduate School of Business Administration, New York University; William S. Robertson, President, American and Foreign Power Co., Inc.; James Grafton Rogers, President, Foreign Bondholders Protective Council, Inc.; Morris S. Rosenthal, President, Stein, Hall & Company, Inc.; Leo N. Shaw, Vice-President and Manager, Overseas Division, National City Bank of New York; H. Christian Sonne, Partner, Amsinck, Sonne & Company; all of New York.

J. M. Barker, Chairman, Allstate Insurance Company and Meyer Kestnbaum, President, Hart, Schaffner & Marx, both of Chicago.

William W. Crocker, President, Crocker First National Bank of San Francisco and Russell G. Smith, Executive Vice-President, Bank of America National Trust and Savings Association, both of San Francisco.

Joseph M. Dodge, President, The Detroit Bank, Detroit; Lamar Fleming, Jr., President, Anderson, Clayton & Co., Houston, Texas; W. Linn Hemingway, Chairman, Mercantile-Commerce Bank & Trust Company, St. Louis; J. Cameron Thomson, President, Northwest Bancorporation, Minneapolis.

Valenta Pres. of Natural Resources Fund

Frank L. Valenta, head of Frank L. Valenta & Co., Inc. has been elected President of Natural Resources Fund, Inc., a newly organized mutual fund. Natural Resources Fund, Inc. will invest primarily in securities of companies affiliated with natural gas, copper, gold and other metals as well as oil and other natural resource industries. Mr. Valenta was formerly Vice-President of Group Securities, Inc.

Frank L. Valenta

Hudson Distributors Inc Formed in Chicago

CHICAGO, ILL.—Hudson Distributors, Inc. has been formed with offices at 135 South La Salle Street. Officers are Russell H. Matthias, President; Paul A. Just, Executive Vice-President; Ralph A. Bard, Vice-President; William H. Cooley, Secretary-Treasurer and Vernon A. Forsberg, Assistant Secretary-Treasurer.

Providence Investment Co.

RENO, NEV.—The Providence Investment Co. is being formed with offices at 252 North First Street to engage in a securities business. Charles E. Crittenden is President and I. M. Wittman, Secretary-Treasurer.

Vernon Schweitzer With Stanley Heller & Co.

Vernon A. Schweitzer, formerly of Georgeson & Co., has become associated with Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, as Manager of their Stockholder Relations Department. Mr. Schweitzer, a graduate of Columbia University, prior to his association with Georgeson & Co. was with The Baltimore "Sun," the New York "Journal of Commerce," The National City Bank of New York, and the Federal Reserve Bank of New York.

Vernon A. Schweitzer

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market gave the 4¼-year, 1⅜% note a good reception and this has not had an adverse influence upon the rest of the issues. . . . Although there has been considerable churning, and quotations have gained a bit here and given a bit there, the tone is favorable and buoyancy is noted among the longer-term obligations. . . . It is not believed there will be any definite trend in either direction for the immediate future because of the year-end adjustments that are being carried out by many institutions. . . . At intervals there could be strength in individual issues, but they are not expected to move out of recent trading ranges since Federal will most likely supply securities to iron out the bulges. . . .

The best acting issues in a market which has had considerable activity and volume have been the longest taps, because the savings institutions have been quite aggressive buyers of these bonds. . . . The higher income banks have just about held their own, although the buying has also been good in these bonds. . . .

SWITCHING KEEPS RESTRICTEDS BUOYANT

The government security market is under the influence of considerable year-end adjustments, with many and varied operations being carried out by institutional holders of Treasury obligations. . . . Foremost, at the moment, seems to be the renewal of selling by savings institutions of eligible issues, with the proceeds going into the tap bonds, with the highest income obligations getting the bulk of the reinvestment demand. . . . This switching into the restricted issues has kept the market for these securities on the buoyant side, although it is not expected quotations will move out of recently established trading areas. . . . There seems to be a rather strong feeling among some money market followers that the monetary authorities will supply the market with restricted issues, if it seems as though the demand would take them much above the 103.20 level. . . .

The eligible obligations which have been appearing in the market as a result of swaps by savings institutions have been led by the 2¼s due 1956/59, although the 2½s due September 1967/72 have also been showing up in not unsizable amounts. . . . There have likewise been smaller blocks of the 2½s due 1956/58 appearing from time to time. . . . Despite the jumpy condition of the market recently, these higher income eligibles have been readily absorbed by both the larger and out-of-town deposit banks. . . . It is reported these institutions have been letting out short-term obligations so as to take on the longer-term issues which the savings institutions have been selling. . . . It seems as though most of the commercial banks hope to have their positions in governments pretty well set in the next two weeks, so that only minor (if any) changes will have to be made near the end of the year. . . .

INSURANCE COMPANIES INACTIVE

Life insurance companies continue to be on the inactive side as a whole, save for some of the intermediate-sized ones which have been sellers in not too large amounts of the eligible obligations the same as the savings institutions. . . . It is reported they have been letting out the 2½s due 1956/58, with the funds being put mainly into the December 2½s due 1967/72. . . . Fire and casualty companies have been on both sides of the partially-exempt market, with not too many securities involved. . . . It is reported there has been liquidation of the 2⅞s in order to move into the 2¾s with the 1960/65s getting the bulk of the attention. . . . Also, it is indicated new funds are being invested in the 2¾s with the three issues coming in for about equal buying. . . .

OTHER MARKET MANEUVERS

There is considerable activity in the new 1⅜% notes, which are selling at a premium of about ¼ of a point. . . . The commercial banks have been making many changes in their shorter maturities in order to build up holdings of the 4¼-year note. . . . The set maturity of the new refunding issue makes it attractive to many institutions and it is reported there has been quite a bit of switching out of the 2s into the 1⅜s. . . . There has also been considerable buying of the new notes by others than deposit banks, but the latter institutions dominate the market for the new Treasury obligation in no uncertain way. . . .

There is likewise switching going on from corporates into the tap bonds with the June and December 2½s being the most favored issues in this operation. . . . Some of the highest grade corporate bonds, including recently offered ones are being let out, when market conditions are favorable for it, so as to put the proceeds into the longest Treasury issues. . . . The spread in yield between the non-governments and the more distant Treasury bonds is too narrow now, in the opinion of many owners of corporates, to warrant continued representation in the latter securities. . . . Accordingly when the opportunity presents itself swaps are made into the government bonds. . . .

Calling of the World Bank 2¼s was not unexpected, since it had been rumored for a long time this would take place in early 1950. . . . Some of the funds which have been in the 2¼s are now being transferred into the 3s.

Consider Increase in NYSE Governing Board

Robert P. Boylan, Chairman of the Board of Governors of the New York Stock Exchange, has announced that a petition proposing an increase in the board from 25 to 33 was received by the board and set down for consideration at its regular policy meeting on Thursday, Jan. 12. The essential provisions of this petition, which replaces the previous petition, submitted on Oct. 20, are:

Robert P. Boylan

Effective with the annual election in May, 1950, the number of Governors who are members, from the New York Metropolitan area, to be increased from 10 to 13, of whom not less than 7 shall be general partners of member firms doing business with the public and of whom not less than 10 shall spend a substantial part of their time on the floor of the Exchange:

The number of Governors who are general partners of New York member firms doing business with the public to be increased from 4 to 6, of whom 5 shall be allied members of the Exchange and 1 a member;

The number of Governors, outside of the Metropolitan area, who are general partners of member firms doing business with the public, to be increased from 7 to 9, of whom not less than 2 shall be members of the Exchange;

The number of Governors who are representatives of the public to be increased from 2 to 3;

The other members of the board to be the Chairman and the President.

The previous petition called for an increase in the board from 25 to 32, by these provisions:

"That at the next Annual Election 7 additional members be added to the present board, and that the new board, in addition to the Chairman and President, be constituted as follows:

14 Active Floor Members from the New York Metropolitan area.

6 Allied Members or inactive Floor Members, general partners of New York member houses.

8 Members or Allied Members, general partners outside of the Metropolitan area, of whom not less than two shall be members.

2 Representatives of the public.

"Only active floor members shall be eligible for the first classification. The term "active," in this instance, shall be applied to those members who devote a minimum of 50% of their time directly on the floor of the Exchange.

"If the board shall determine that any Governor, qualified for office by reason of being active on the floor of the Exchange has lost such qualification, the board may, by the affirmative vote of a majority of Governors then in office, remove such Governor and declare the position held by him to be vacant. Members of the Exchange, by a petition of not less than 40, may request that the board pass upon an individual case. The decision of the board shall be final in all such matters. Notwithstanding the above, such Governor shall be eligible to serve as an inactive member of the board upon nomination and election in the regular way in May of that year or by appointment to a vacancy in such class."

Two Million Marshall Plan Dollars Available for Purchase of Prunes and Raisins

Great Britain will spend two million Marshall Plan dollars to buy prunes and raisins in the United States, the Economic Cooperation Administration announced on Dec. 9. With an ECA authorization announced Nov. 7 which gave the United Kingdom $2,000,000 to purchase apples, the prunes and raisins purchase approvals make a total of four million Marshall Plan dollars which the British are spending to buy U. S. perishable surplus agricultural commodities in accordance with their agreement of last September.

ECA stated that the British will actually obtain $8,000,000 worth of U. S. surplus apples, prunes and raisins, since the U. S. Department of Agriculture is paying an equal amount for the commodities from funds appropriated to the Secretary of Agriculture to encourage the export of agricultural commodities. Under the ECA Act Congress granted the Secretary of Agriculture the authority to use certain funds to pay up to 50% of the total cost of a purchase of a surplus agricultural commodity by a Marshall Plan country when negotiated through ECA.

ECA said the British will receive a total of $4 000,000 worth of fresh apples; $2,400,000 worth of prunes; and $1,600,000 worth of raisins. The quantities are estimated at about 1,900,000 bushels of apples; about 12,200 tons of prunes; and about 7,700 tons of raisins. The British are procuring the apples through private trade channels. Procurement of both the prunes and raisins will be made by the Department of Agriculture either from present Commodity Credit Corporation stocks or new purchases by CCC.

The British agreement to buy the perishable commodities was made at the time ECA authorized the United Kingdom to use Marshall Plan funds to purchase $175,000,000 worth of Canadian wheat in order to alleviate the critical drain on British gold and dollar holdings.

The British agreement, ECA explained, provides for the actual expenditure by the United Kingdom of $8 to $10 million in ECA or free dollars for U. S. perishable surplus agricultural commodities. Consequently, an additional $4 to $6 million of such funds remain to be programmed.

With Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WISC.—Eugene G. Gilbert is now affiliated with the Marshall Company, 762 North Water Street.

C. H. Wagner Inv. Co.

NEW ORLEANS, LA. — C. H. Wagner has formed the C. H. Wagner Investment Co. with offices at 1923 Elysian Fields. Mr. Wagner was formerly district manager for Investors Syndicate.

Sole Proprietorship

JERSEY CITY, N. J.—Anna F. Ross is now sole proprietor of Moore & Company, 113 Hudson Street, Robert W. Moore having withdrawn from partnership in the firm.

Gordon B. Tuttle With Gross, Rogers & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Gordon B. Tuttle has become associated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Tuttle was formerly an officer of Edgerton, Wykoff & Co.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Walter C. Bateman, Jr. is with E. F. Hutton & Co., 623 South Spring Street.

With Robert C. Conolly

(Special to THE FINANCIAL CHRONICLE)

WAUKEGAN, ILL.—Maxime E. Moncreiff has joined the staff of Robert C. Conolly, 223 Washington Street.

Los Angeles Stock Exchange Celebrates 50th Anniversary

(Continued from first page)

Commerce, and presented in the ballroom of the Los Angeles Biltmore Hotel.

Palmer Hoyt Sees New Field of Business Enterprise

Mr. Hoyt, in his address entitled "Buy It First—Then Sell It!" presented to his audience a challenge to open "a whole new field of business enterprise, the selling of common stocks, or shares of American industry, to a whole new list of prospects—American salary and wage-earner investors."

Mr. Hoyt went on to say, "There's a big field, too. A vast market. The 8% that now hold some form of such securities represent only at most some 16 million of our citizens as opposed to the 78 million who own insurance or the 80 million who still own war bonds. It is a sound attitude for you to take that people should first protect themselves with insurance and savings and then put their surpluses to work at more favorable rates. These new cutomers should be sold on the idea that they are buying the greatest investment in the world —a piece of America itself.

"To accomplish this, many things will have to be overcome. For example, the tacit cabal between many bankers and the war bond division of the United States Treasury that money can no longer earn money. Then there is the idea that many people have that buying stocks is a form of gambling and that the men that sell them are a lot of highbinders.

"Then there is that fear of the future, that lack of faith in America. And the point I'd like to make tonight is that America, despite some of its fearful critics, is not about to go down the drain."

Commending the Exchange on its anniversary, Mr. Hoyt said, "The celebration of this anniversary here tonight is a great event for the Los Angeles Stock Exchange, for the City of Los Angeles, for California, the West and the entire United States. It is a mark of progress and a bench mark of the development of this great West as an economic entity. I am proud to play my small part in this historic event."

Publisher Hoyt applauded the Exchange's ambitious new long-range public relations program, initiated this year, and given a rousing sendoff by the banquet celebration.

He praised the plans of the Exchange "to tell the public what you are up to and what you have to sell" and went on to say: "For far too long a period the persons responsible for the sale of common stocks and other commercial and industrial securities have failed to take the public into their confidence. Today this is vital if we are to continue the free enterprise that you gentlemen boast to regard so highly. The big buyer is rapidly becoming a curiosity due to the income tax situation. Persons of great wealth are not buying stocks as they once did. The new market lies in people of more modest incomes. But with wages and salaries going up, the new trend offers no inconsiderable potential."

Mr. Hoyt added, "The lack of information on the part of the public as to stocks and bonds is pretty well shown by a recent survey in Los Angeles. According to the ever-reliable 'Wall Street Journal,' the advertising agency of Steller-Millar and Lester, Inc., surveyed 375 families in a $5,000 to $12,000 income class (average was $8,600) and came up with these startling statistics: Out of the total of 375 families, 328 families did not know what a stock broker was and of the 47 who did know, only 7 were able to mention the name of an individual broker.

Your actions in promoting and carrying out a major public information program clearly indicates that you are aware of this situation. It is serious. A working knowledge of our national financial structure must be substituted for ignorance."

Identifying the sale of securities as a matter of vital importance to the entire American economy, Hoyt said, "At the present time there is a definite need for nationwide equity buying of common stocks and other industrial and commercial securities. One of the great reasons why more people do not buy stocks is because they don't know how to buy them. They think in terms of stocks as purely speculative investments and shudder when they think of 1929. If further proof were needed of this condition, we have the fact that a recent Federal Reserve survey showed that only 8% of the population owned stock or securities, and that many were in relatively modest amounts."

The speaker went on to say that with 78 million Americans owning life insurance and 43 million Americans possessing savings accounts, there is a tremendous potential for the sale of securities to millions of Americans who have never owned them in the past. Sounding the same keynote which was expressed by many other influential speakers throughout the Exchange's 50th anniversary celebration, Hoyt explained, "With a national debt of more than $250 billion, it is quite obvious to the thinking man that we cannot pay off unless we can keep up our national income. We can't keep up that national income without keeping up individual incomes. We can't keep up individual incomes unless we keep up industry and business incomes.

"Let's put it another way. In America, business and manufacturing is as much a part of America as government, politics, education, religion or labor. You can't destroy American industry and retain free enterprise. It wouldn't be America any more."

Assails Fear for Nation's Future

Hoyt vigorously assailed the current tendency to have fears and reservations about the future of this country. He pointed out that Henry Wallace made perhaps one valuable contribution to his country in making clear our national "guilt complex." "In seeking to convince the American people that they were guilty of a mortal sin, i.e., that of being prosperous, he actually started a purge of this unreasoning complex."

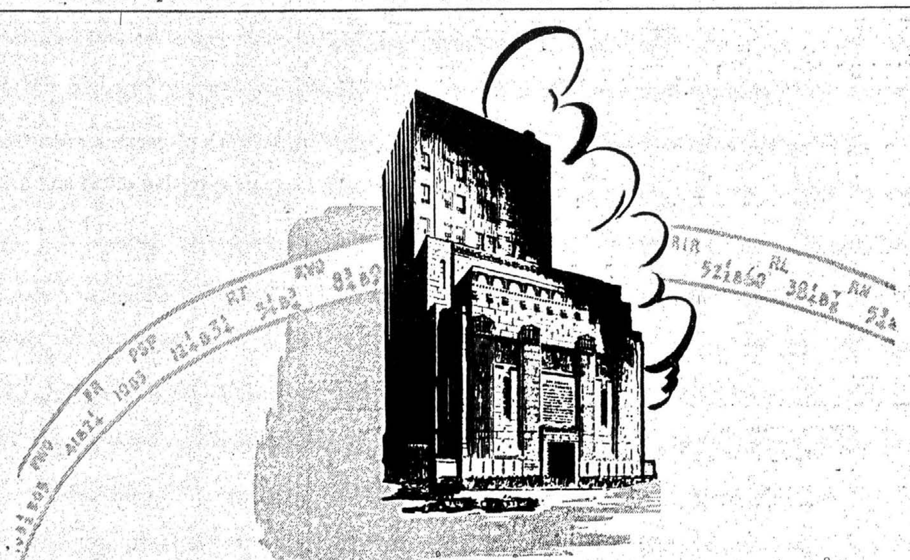
The Denver publisher then said, "The title of these remarks of mine, as you may have noted, is 'Buy It First—Then Sell It!' All of us have got to buy America and the American way of doing things; otherwise, we can't sell it. Those who take a dim view will tell you that we are in a great crisis; that we face extinction; that this America is through. Let me tell you something. America has faced nothing but crises since American muskets were fired at Lexington. America as a nation has lived dangerously. Its history is one of glorious conflicts."

Mr. Hoyt then went on to make some specific observations about the securities industry which were of great interest to his audience. "In the last decade, security and exchange laws and self-imposed regulations on the part of the stock and bond exchanges have eliminated the stock market 'dip' as a barometer of economic history. Since the war, a number of important and intelligent men have, on occasion, predicted imminent depression because of stock market fluctuations. Because of these debates on disaster, I became interested in studying the contrasts between 1929 and 1949. Some of those changes in our status I have already discussed, but one great and important thing became clear. 1929, the year of the big blue financial snowstorm, was primarily a year of mad speculation. Values of stocks were based on very little—least of all on dividends. It seemed quite a simple procedure. One bought stocks on a rising market, hoping

(Continued on page 18)

EXPLAINING OPERATIONS OF THE EXCHANGE

Operations of the Los Angeles Stock Exchange were explained to visiting county officials recently by Phelps Witter, of Dean Witter & Co., Chairman of the Board of Governors (foreground). Behind Mr. Witter, first row, left to right, are H. L. Byram, Los Angeles County Treasurer; William E. Simpson, District Attorney; Sheriff E. W. Biscailuz and Emerson Morgan, Chairman of the Exchange's anniversary arrangements committee. Second row: Edwin L. Harbach, Anniversary Chairman; Murray Ward, special events Chairman; Harry W. Howell, Assistant Superintendent, Los Angeles Board of Education; and Louis Meyer, Vice-Chairman of the Exchange Special Events Committee.



Los Angeles Stock Exchange Celebrates 50th Anniversary

(Continued from page 17)

to unload them on another equally unwary. Came the day when there were no customers in this gamblers' market. That was the day of the crash.

"It became clear also in studying the contrasting records of 1929 and 1949 that the reverse is true this year, and that the dividend and management factors are now very important in selecting the type of security."

Charting and Conducting the Program

The Exchange's extensive anniversary program was charted and conducted under the direction of Edwin L. Harbach, of Hopkins, Harbach & Co., General Chairman of the observance. Serving with him as Vice-Chairman was Mr. Robert H. Parsons, member of the firm of Pacific Company of California. Mr. Harbach set up five committees covering speakers' bureau, special events, arrangements, anniversary banquet, and public relations.

The Speakers' Bureau Committee, under the direction of Harry W. Hurry, of Bingham, Walter & Hurry, organized a group of 25 qualified speakers from the securities industry, who made addresses to more than 100 organizations, including trade associations, service clubs, women's groups and others throughout Southern California.

Murray Ward, President of Hill Richards & Co., was Chairman of the Special Events Committee, which organized tours of the Exchange floor and special luncheons for the Mayor and City Council, the County Board of Supervisors and other county officials, and the Executive Committee of the Los Angeles Chamber of Commerce.

An ambitious program covering many different activities was conducted by the Arrangements Committee, of which Emerson B. Morgan, President of Morgan & Company, was Chairman. The Committee cultivated active participation of business and industry to further extend the story to the general public of how the financial industry has contributed to the economic growth of Southern California. Mr. Morgan's Committee supervised the production and distribution of more than 30,000 brochures about the Exchange. They organized decorations on Spring Street, the Wall Street of Los Angeles, and the front of the Stock Exchange Building. They communicated directly with several hundred companies to arrange for material about the securities industry to be published in house magazines. They arranged for advertising tieups including a spectacular advertisement about the Exchange sponsored by the Union Oil Company appearing in every Los Angeles metropolitan daily newspaper plus the Pacific Coast edition of the "Wall Street Journal." Another project of this committee was to arrange for participation in several dozen radio shows, and presentation to Southern California's radio stations of copy for spot announcements and other participation by that medium. This committee established probably what is a precedent for the securities industry, in appointing a hostess of the 50th anniversary observance in the person of Miss Anne Pearce, an actress of Universal-International Studios. She made personal appearances on a number of radio programs and before many groups.

Heading the Banquet Committee, which worked closely with the sponsoring Los Angeles Chamber of Commerce on various details of the 50th anniversary banquet, was Mr. Donald Royce, of William R. Staats Co., and a director of the Chamber.

Willis H. Durst, Vice-President of Wagenseller & Durst, Inc., was Chairman of the Public Relations Committee, charged with conveying the story of the observance and the rôle of the securities industry in the Southern California economy to top community and business leaders.

Press of Southern California Participates

The press of Southern California, and particularly the metropolitan daily newspapers of Los Angeles, paid lavish tribute to the Exchange and its anniversary in giving generous and detailed coverage to many of the highlights of the extensive celebration. Special press interest was paid to the remarks of Phelps Witter, Chairman of the Board of Governors of the Exchange, made to three special meetings for City, County and Chamber of Commerce officials. Mr. Witter pointed out to these groups that there was a real significance to the fact that the Exchange Anniversary—Dec. 7—falls on the same date as the anniversary of Pearl Harbor. The significance drawn was "that the big lesson of our victory in two world wars is this: America is great and strong because America is free. We know that our country is the finest in the world in which to live. It is the most productive. It is the richest. It is the most powerful. Why is it so? Not because we have more people — China and Russia and India have more people. Not because we have more natural resources — many countries have more natural resources. America is the first nation on Earth for one reason — because the American people are free. Freedom leads to greatness. The free individual serves his own destiny and chooses his own life. This gives him incentive. It is the combination of millions of persons, with their incentive, with their freedom, with their resulting effort and achievement, that makes America the outstanding nation it is today.

"All this has a great deal to do with our Los Angeles Stock Exchange, which provides a facility whereby individuals may invest their money in American industry and business and enterprise. They are the more willing to invest, because the machinery of the Exchange enables them to get it back upon demand. This Exchange is a free and open market where the price of a security is determined by what one party is willing to pay and another is willing to take.

"We should remember the lesson that if business is not adequately financed by individuals and private capital, it will be financed by government. If the government finances business, the government will own and operate business. Should that happen, we will have lost our freedom—the foundation and basing point of America's greatness.

"That is the job of this Exchange, and the other exchanges throughout the country—to provide a means for free people to invest in a free economy."

Points Out Growth of Exchange

Mr. Witter went on to explain to local leaders that the growth of the Los Angeles Exchange has paralleled the remarkable growth of Los Angeles County itself. "We have continued to expand our facilities to serve more adequately the area which has now expanded to become the third largest population center, and at the same time has become the center for industrial, commercial, and other activities which reflect economic diversification.

"The Los Angeles area is now the third area nationally in the number of plants. We have here 9,700 manufacturing establishments, as compared with 5,500 in 1939 or a growth of more than 70% within one decade. This growth process is, even today, strongly continuing, with the investment in new plants and expansion in the Los Angeles metropolitan area, in 1949, 31% ahead of the same period last year. The percentage gain in the Los Angeles area over this decade of the 40s has considerably exceeded the percentage gain of any of the top nine areas of the United States in manufacturing volume.

"Our Exchange and its member firms have contributed to this impressive community growth by fostering the flow of private capital, the life blood of America's economic system, into the blood stream of Southland enterprises, as well as providing another major market for the free transfer of securities as necessitated by the changing economic conditions and individual circumstances.

"Just how important the function which the Exchange performs of raising capital for the growth of industry is indicated by the fact that it requires $7,500 of investment to provide employment for one person. This is double the amount required in 1939. One way to assess the importance of this industrial growth to our community is the fact that the manufacturing establishments here now give employment to 358,000 people as compared with 120,000 working people employed by our manufacturing establishments 10 years ago. In other words, the manufacturing industry in the Los Angeles area now employs three times as many people as it did a decade ago. This is a factor of the most vital and fundamental importance in an area growing in population as rapidly as is ours. Our Exchange is very proud indeed of the contributions it has been able to make to the industrial growth and to the employment total in Southern California," Witter concluded.

Speeches by President Paul

President W. G. Paul of the Los Angeles Rotary Club, the Los Angeles Stock Exchange made important addresses before the Los Angeles Advertising Club, and the Los Angeles Breakfast Club. Before several hundred members of the Los Angeles advertising profession, speaking on "Free Enterprise Must Advertise," Mr. Paul challenged those whose business it is to mold the ideas of their fellow countrymen, to address themselves to the task of selling the free enterprise system to the American people, so that all of us may remain free. To all three of his audiences Mr. Paul drove home the message that "Free enterprise is a vital bridge on the American highway of freedom, and the securities industry is the keystone linking private capital with private industry to form its arch. Without the bridge of Free Enterprise, Americans would face a tortuous detour in their attempt to avoid the treacherous waters and quicksands of un-Americanisms, risking the danger of being engulfed enroute.

"The securities industry affords the best assurance of preserving free enterprise because it channels the life blood of private capital to privately-owned and operated industry. If the flow of private capital dries up the only other source is government, and government financing must inevitably lead to government ownership and operation.

"The securities industry fosters free enterprise in another important way. It encourages the widespread public ownership of securities and the more Americans owning securities, having a stake in private industry, the less chance there is of changing our system of free enterprise into Communism, Socialism, or any other ism.

"Americans don't want any foreign ism. They would reject any direct attempt to substitute one for free enterprise. But they are tolerating or unaware of social, political and economic trends that can bring about the substitution indirectly," Mr. Paul continued.

"Our task is obvious but not easy. We must tell the public the truth, that free enterprise is really entitled to the credit for accomplishments which its opponents now falsely claim. We must likewise tell the public that free enterprise is not to blame for the ills charged to it by its critics. 'We' means every leader of business and industry. Each must find the way to carry the story to his employees and his stockholders for he and they have not only the greatest stake in free enterprise but the best if not the only chance to assure its preservation for the benefit of all Americans," Mr. Paul concluded.

New Public Relations Program

The Exchange inaugurated its new public relations program in June of this year, with the objective of selling the Los Angeles Stock Exchange to the business and financial community and to the civic leaders of Southern California. Another objective of the program is to sell to the American people the value of industrial securities as an investment. The Governors of the Exchange regard this anniversary celebration as a splendid beginning to a long-range program for attaining these objectives. Many of the activities spectacularly begun by the anniversary committees will be continued on a permanent basis. For example, the speakers' bureau will continue to be active, and provide good speakers for the many hundreds of different organizations which have expressed an interest in this subject by requesting qualified authorities from among the Exchange's member firms to bring the message to their members.

A number of additional ideas are now under consideration by the Exchange's leaders for further expanding the activities of the public relations program and increasing its impact on the public. The program has been generally hailed in the Los Angeles financial district and throughout the business community as a splendid beginning and a long-overdue activity to explain to the public the contributions of the securities industry to the general welfare.

The Stock Exchange Anniversary Committees were comprised as follows: Arrangements Committee was headed by Emerson B. Morgan, Morgan & Company, as Chairman, with E. J. Evans, Vice-President of the First California Company as Vice-Chairman. Other members of the committee were William Brown, E. F. Hutton & Co.; Lawrence P. Frank, Stern, Frank & Meyer; Pierce Gannon, Dean Witter & Company; Chester M. Glass, Jr., William R. Staats Co.; Gerald M. Goodman, Lord, Abbett & Co.; Paul Marache, Marache, Sims & Co.; Milbank McFie, Merrill Lynch, Pierce, Fenner & Beane; A. C. Purkiss, Walston, Hoffman & Goodwin; and Stephen C. Turner, Turner-Poindexter & Co.

The Speakers' Bureau has as its Chairman Harry W. Hurry, Bingham, Walter & Hurry, and Henri de LaChapelle, Paine, Webber, Jackson & Curtis, as Vice-Chairman. Members of the Speakers' Bureau included Carl C. Barnes, Morgan & Co.; George H. Barnes, Walston, Hoffman & Goodwin; Harold F. Beale, William R. Staats Co.; Curtis H. Bingham, Bingham, Walter & Hurry; Mark Davids, Lester & Co.; R. J. Eichler, Bateman, Eichler & Co.; W. C. Ferguson, E. F. Hutton & Co.; McClarty Harbison, Harbison & Henderson; Darrell J. Bogardus, Shearson, Hammill & Co.; Charles T. Jawetz, Daniel Reeves & Co.; Arthur C. Karr, Van Denburgh & Karr, Inc.; Ned H. Leavitt, Quincy Cass Associates; Paul McGreger, E. F. Hutton & Co.; Kenneth M. Payne, Pacific Company of California; George Rourke, E. F. Hutton & Co.; F. Stuart Roussell, First California Company; Allan J. Stampa, Paine, Webber, Jackson & Curtis.

Also, Norman A. Tulk, Noble, Tulk & Co.; John S. Thomson, Hill Richards & Co.; Carter H. Lane, Dempsey-Tegeler & Co.; Harry Milton Holt, William R. Staats Co.; Austin Fox, Sutro & Co.; John C. Barringer, First California Co.; John E. Wheeler, Gross Rogers & Co.; Marvin R. Kuppinger, Lester & Co.; Warren H. Crowell, Crowell, Weedon & Co.; Owen T. Dorsey, William R. Staats Co.; Frank Dyer, Jr., Wagenseller & Durst, Inc.; Thomas M. Hammond, J. A. Hogle & Co.; Sidney H. Stroud, Morgan & Co.

Willis H. Durst (Vice-President of Wagenseller & Durst, Inc.) was Chairman of the Public Relations Committee of the Anniversary celebration. Vice-Chairman was Franz Osthaus (Bateman, Eichler & Co). Others on the committee included Quincy Cass, Quincy Cass Associates; Edward Calin, Crowell, Weedon & Co.; C. V. Wykoff, Edgerton, Wykoff & Co.; Nelson Gross, Gross Rogers & Co.; William H. Jones, William H. Jones & Co.; William Rowland MacCormack, Fewel & Co.; P. J. Shropshire, Mitchum, Tully & Co.; and Arthur Morris, A. W. Morris & Co.

Special Events Committee was headed by Murray Ward, President of Hill Richards & Co., with Gerald C. Lambert of Akin-Lambert Co. as Vice-Chairman. Others on the committee included Robert Revel Miller of Revel Miller & Co., and Louis Meyer, Jr., of Stern Frank & Meyer.

The Banquet Committee was headed by Donald Royce, William R. Staats Co., with J. D. Middleton of First California Company as Vice-Chairman. Others on the committee included Benjamin A. Walter of Bingham, Walter & Hurry; Lloyd Young, Pacific Company of California; George M. Forrest, Paine, Webber, Jackson & Curtis; and Howard E. Coggeshall, William R. Staats Company.

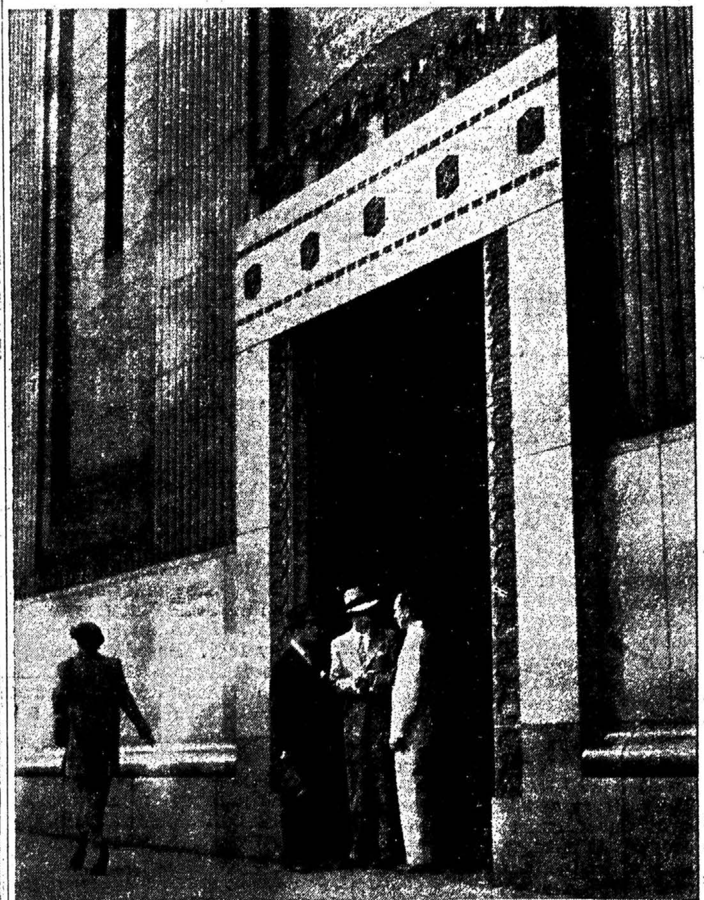
General Chairman of Anniversary Committee

Edwin L. Harbach

Mr. Harbach was General Chairman of the 50th Anniversary Committee. He is a partner in the firm of Hopkins, Harbach & Co., Los Angeles.

The Exchange's Home—Then and Now

First home of the Los Angeles Stock Exchange, located on the ground floor of the Yosemite Building, 115 South Broadway, Los Angeles, California.



Entrance to present home of the Los Angeles Stock Exchange at 618 So. Spring St., Los Angeles. The Exchange has occupied its present quarters since 1931.

Joins G. R. Wortman Co.

(Special to THE FINANCIAL CHRONICLE)

AURORA, ILL. — Charles L. Howison is now with G. R. Wortman & Co., Aurora National Bank Building, members of the Midwest Stock Exchange.

With Benjamin & Lang

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Vernon L. Cockelreas is now with Benjamin and Lang, Inc., 10 South La Salle Street.

Canadian Securities

By WILLIAM J. McKAY

The recent weakness of Canadian free funds in the New York market is beginning to give rise to a re-appraisal of the Canadian picture in general. Hitherto despite the appearance of a few distant clouds on the horizon there seemed to be little reason to have any doubts whosoever concerning the fundamental situation. The immediate statistics covering internal business activity and foreign trade tended to confirm the generally highly optimistic opinion regarding the Dominion's economic prospects. Official statements emanating from north of the border served only to emphasize the many favorable aspects of the Canadian economic scene.

During the Summer months also the spectacular Alberta oil discoveries came as a timely offset to the unfavorable factors constituted by the possibility of a serious decline in Canadian foreign trade and probable adverse repercussions of a devaluation of the pound. As a result of an amendment of the Foreign Exchange Control Board regulations the heavy influx of U. S. investment funds in the new oil properties was diverted entirely to the free market channel. Consequently both prior to and following the September currency devaluations the market for free Canadian funds held firm at peak levels. This in turn assisted the floating of a new Canadian loan in this country at a record low interest level. The fact also that the Liberal government, which enjoyed the highest reputation for capable economic management, was returned to power with a sweeping majority, contributed to the favorable atmosphere.

Now, however, the recent abrupt decline of the Canadian unofficial dollar is commencing to give point to previous warnings concerning a few serious chinks in the Dominion's economic armor which had been previously obscured. Predominant among these is the fact that Canada has failed to secure the safeguards that protected the Dominion's economy during the war. The Hyde Park Agreement with this country was allowed to lapse without a satisfactory substitute. ECA offshore purchases afforded temporary relief but the existing political and economic circumstances now preclude their operation on the previous large scale. The return to more normal competitive conditions in the U. S. market has further accentuated the seriousness of the Dominion's vital export problem.

Likewise Canada's foreign trade relations vis-a-vis the United Kingdom and the sterling area as a whole have steadily deteriorated since the war. The benefits previously derived from Imperial preferences are now a dead issue. Moreover, as a result of the U. S. dollar shortage Britain and her Dominions have been obliged to adopt a policy of trade discrimination against the Canadian member of the Imperial family. To add to these woes the extent of the recent sterling devaluation took the whole world by surprise. The Canadian authorities were consequently obliged to make an unpremeditated snap decision to devalue their own currency by 10%. Based on the historical relationship of the Canadian dollar vis-a-vis the pound and the U. S. dollar there are adequate grounds for supposing that a 15% cut would have been a sounder choice.

As in the British case, however, currency adjustment alone does not supply the complete answer especially when the step is precipitated by pressure of events. What is now required is bold independent action along the lines recently suggested by the President of the Bank of Montreal during the course of his address on the occasion of the bank's annual meeting. Permitting the Canadian dollar to find its own level with official intervention only to prevent short-term disorderly fluctuations would mark the first constructive step in the direction of a freer Canadian economy. Rigid exchange controls, restrictions on individual enterprise, and excessive state interference in private commerce certainly appear as strange anomalies in a youthful country such as Canada with her unrivalled potentialities for dynamic development. Furthermore the encroachment of the state on erstwhile private preserves is now producing embarrassing consequences in many directions. In this connection it is only necessary to cite the unfortunate acrimonious discussions in the British and Canadian Houses of Commons concerning British-Canadian commercial relations and the Colonial Air Lines-TCA dispute. In both cases the Canadian Government is involved as an interested principal instead of the ultimate arbiter, and Canadian foreign relations suffer in consequence.

During the week there was an almost complete absence of business in the external section of the bond market. There was also a negligible turnover in internals but prices were marked down in sympathy with the weakness of free funds which broke through 12% discount. The long-term internal Dominions even in the absence of pronounced selling pressure are now quoted almost 5 points below their peak level registered just prior to the devaluation. The corporate-arbitrage rate after earlier firmness subsequently eased to 14%-13%. Among the stocks the Western oils displayed unusual weakness in a generally firm market before staging a moderate recovery but the main interest was centered on the base-metal group and the senior golds.

International Monetary Order: Can It Be Achieved?

By LELAND REX ROBINSON*
Vice-President, Economists' National Committee on Monetary Policy
Professor of Political Economy, New York University

Ascribing world economic disorders to government deficits, made possible by inconvertible currency, Dr. Robinson maintains world, led by U. S., must now grope its way back to monetary terra firma. Says President Truman's assurance gold value of dollar will not be altered is not enough, and advocates return to gold convertibility.

What causes underlie the economic disorders plaguing humanity today? They spring from the abuses of peace as well as the wastages and dislocations of war. The diagnosis seems as complicated as the malady is rampant. However, a few fundamentals do emerge, and each of these is closely linked, as both cause and effect, to the state of the people's money. . . .

Leland Rex Robinson

We don't have to probe far below the troubled surface to recognize that industry, trade and investment thrive domestically and internationally only as the world's principal currencies have the strength and stability making them trustworthy means of exchange as well as longer term standards of value. A century of unparalleled development, during which most of these currencies were grounded on gold, highlights the drift and confusion accompanying the general abandonment of gold convertibility by England, the United States, France, and other countries in the '30s. Led by the United States the world must now grope its way back to monetary terra firma. . . .

How can we do this? Why must we do this? Let's look at the record.

Very generally today we are confronted by three kinds of political-economic mismanagement. The most obvious is the habit-making penchant of governments to live beyond their means. In our own country, for instance, this takes the form of 16 Federal deficits in the last 19 years, capped now by threat of the largest red figures in our peacetime history. In Great Britain, inflationary forces do not operate so openly, by grace of rationing, price ceilings, wage-freezing and subsidies. Nevertheless the day of reckoning is clearly at hand, despite recent juggling with the pound sterling, and this is accentuated by costs of nationalization and of compulsory welfare projects.

Closely associated with such fiscal mismanagement and political extravagance—in fact giving it the reins—is the commonly used device of converting government debt by one means or another into circulating currency. Artificial price supports and arbitrarily low interest rates are a part of this Treasury strategy. In fact it's a good question today whether the Federal Reserve system is run more in the interest of cheap Federal borrowing than the needs of the people as a whole.

Be that as it may, there's a third kind of political and economic mismanagement, rooted in the foregoing and particularly pernicious in its international effects. This is the obsession of some governments in our time to run the affairs of their people by currency and credit controls directed to ill-defined national ends best understood by politicians, let the chips of foreign exchange parities fall where they may . . . .

What a Sound Gold-Convertible Currency Can Do

Now the connection of a sound gold-convertible currency—or the lack of it—to all the foregoing must be fairly obvious on a little reflection. When folks can command gold for their money at fixed rates they are not likely to want it unless they have cause to distrust their government and its policies. In such a case, of course, withdrawals might threaten the nation's currency and banking reserves. This would put certain limits—and has done so historically—upon ambitious irresponsibility of officialdom and help set a wholesome course staked out between limits of realism and prudence.

No claim is made by responsible economists, bankers or businessmen that free convertibility of dollars into gold (now at the rate of $35 an ounce fixed by Congress and the President early in 1934) would prove the sole panacea for economic ills and fiscal abuses. Obviously it would not, nor has it been in the past. Credit and currency management is possible under a fully functioning gold standard. Whether such management is good or bad, whether it remains on the level of economic common sense and general well-being, or degenerates into manipulation on behalf of politically powerful blocs does depend in no small measure upon whether the dollar is securely tied to gold.

President Truman's recent assurance that the value of gold would remain fixed (in dollars) as long as he was in office is a much needed reassurance at a critical time. However, it is not enough. Gold is freely converted to dollars at the established rate, but only governments and foreign central banks can reverse the process by exchanging their dollars for gold. This privilege is denied to all American banks and citizens — in fact to individuals anywhere. As long as redeemability is thus refused there are bound to be fluctuating premiums on gold in "free markets," rumors and fears of further devaluations, regardless of the comparatively high ratios which the gleaming hoard at Fort Knox bears to bank deposits and currency in circulation in the United States.

While these uncertainties still exist about the gold value of dollars, the foundation-stone of a hoped-for structure of dependable and predictable foreign exchange rates will be missing, or sadly lacking in stability. How can we put together a jig-saw puzzle when the pieces are angle worms?

On the other hand, effective steps to end dollar fluctuations vis-a-vis gold in "free markets" which can be vastly speeded by genuine redeemability, would bring stability to the world's leading currency, thus facilitating efforts along many required lines to establish defensible parities of exchange, to reduce the tangled mess of official and unofficial quotations and to bring nearer the day of multilateral trade based upon multilateral convertibility.

Would establishment once more of convertibility into gold, first for dollars and later for other currencies at reasonably tested exchange rates, add to the hoarding of gold and the shifting movements of "hot money" throughout the world's chief trading areas? Quite the contrary, we have good reason to believe. It is curious that so many who ought to know better project their present fear psychoses into the future, regardless of natural impulse or historical experience.

As a matter of fact the desire to hoard gold seems to vary inversely with the case of getting at it. As long as gold is not generally available in exchange for dollars, the precious metal will prove that much more alluring to hoarders, where private possession of gold as a store of value is legal or possible. Hoarding of gold is a consequence of distrust of currencies; our American experiences definitely show that convertibility deadens the impulse.

The most likely result of building a secure gold foundation for the dollar, and at fixed rates, would be reduction, rather than increase, in the private hoarding of gold. "Hot money" would become less "hot" as areas of confidence could be broadened in media of exchange. The hope that speculation in gold would reap its harvest in depreciating dollars would receive its *coup-de-grace*. In brief, efficiency and economy in the use of gold as the one universally acceptable standard of value depend upon the number of active partners it can recruit through definite and dependable relationships with the principally used currencies.

This efficiency and economy would be furthered through the bill introduced by Representative Reed of New York (H. R. 3262) which would put our dollar on a fully convertible basis at the rate of $35 an ounce fixed in 1934 and confirmed in the Bretton Woods Agreements Act passed by Congress in 1945. This Reed bill merits our full support by rendering really effective the declarations concerning our intentions made by Congress and the President from 1934 to 1949. It would contribute effectively toward restoring gold to its proper functions, bringing nearer the dawn of order in the chaos of world currencies, and putting pressure upon government, banking and business to balance budgets, reduce interferences with mechanisms of market price, and give more scope to private enterprise and individual responsibility.

*Excerpts from remarks of Dr. Robinson, before World Affairs Committee of Detroit Board of Commerce and the Foreign Trade Club, Detroit, Mich., Dec. 13, 1949.

Name to Be Changed To McGinnis & Co.

The firm name of McGinnis, Bampton & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will be changed to McGinnis & Co. effective Dec. 15. Benjamin E. Bampton will retire from the firm as of that date and Walter T. Garden will be admitted to partnership.

Air Cargo's Growth

By CHARLES FROESCH*

Chief Engineer, Eastern Air Lines

As illustrating growth of air cargo, Mr. Froesch cites, increase in tonnage from 2,200,000 ton-miles in 1938 to an estimated 135,000,000 ton-miles in 1949. Outlines operational difficulties and describes advantages of merchandize airport.

Air cargo, which includes air express and air freight, is a relatively new kind of air traffic. With the exception of air express, comparatively little was done to exploit the commercial potentialities of moving merchandise by air in the United States until the end of World War II.

Charles Froesch

Some thought had been given to air cargo before the war, particularly since air cargo traffic formed a large percentage of Canada's and Central America's air traffic. To explore the possibilities of air cargo, the Air Transport Industry, tnrough its trade association, set up a company known as Air Cargo, Inc. whose primary purpose was to study air cargo markets, determine which producing areas had communities of interest with consuming centers, and list the commodities that might be economically and profitably transported by air.

These studies were halted by the war when approximately one-half of the airlines fleet was transferred to the Military Services which, at the same time, assumed practically complete control of airline traffic.

The activities of the Army Air Transport Command and the Naval Air Transport Service in successfully moving enormous quantities of personnel and materiel by air during the National emergency, has rapidly advanced the development of air cargo during the last few years.

The availability of surplus flying equipment permitted veterans all over the country to pool their cash and know-how to start air cargo service on a charter basis.

The scheduled airlines, having by that time increased their operating fleet and reorganized their personnel, entered the air freight field on a scheduled basis.

Today the country is well covered with a network of convenient air cargo schedules operated by the scheduled airlines and all-freight carriers recently certificated by the Civil Aeronautics Board.

The growth of air cargo is illustrated by the volume of air cargo during the last 11 years, that is, from 2,200,000 ton miles in 1938 to an estimated 135,000,000 ton miles for 1949. It will be noted that air express is reaching a stationary volume, whereas air freight is rapidly increasing for reasons which I will discuss later.

All this air cargo has moved on the airways with three types of aircraft. These are:

(1) The Douglas C-47, which is the well-known 21-passenger Douglas DC-3 twin-engine airplane converted to cargo operation by removing its passenger cabin interior and installing a large door at the rear end of the cabin for ease of loading and unloading large crates.

(2) The Douglas C-54, which was originally designed as the DC-4, a four-engine 50-passenger transport and converted during the war as a military freight carrier by also removing the passenger cabin interior and substituting the standard passenger entrance door with a large cargo door.

(3) The Curtiss-Wright C-46, primarily designed, just before the war, as a 37-passenger transport, converted by the Military Services during the war as a cargo carrier, and used since for that purpose commercially.

Over 200 such cargo transports are in commercial operation today and have a collective cargo capacity of approximately 220,000 ton miles per hour.

These aircraft, while doing an excellent job, cannot be termed suitable air cargo aircraft. They were originally designed for passenger services and cannot be considered true cargo aircraft any more than a large limousine could be called a truck by removing its seating interior.

Operational Difficulties

First of all, low wing, tricycle gear aircraft have a loading floor too high off the ground to accomplish loading and unloading easily and at low cost. Conveyors and lift devices are required, and as this equipment is used but a small portion of the time, they are expensive—not to mention flying equipment damage due to careless handling.

Smaller aircraft, such as the C-46 and C-47, do not have sufficient capacity to be economical and loading is difficult because their loading floor slopes upward from the rear loading door.

Other aircraft, such as the Fairchild Packet and the Chase Avitruc, would be much more desirable but they are not at present available to commercial carriers in view of military requirements.

Warehousing and cargo handling equipment problems go hand in hand. Large platform type buildings are necessary at the airport. They are used as air cargo terminals. Decks of truck-bed height must be made available for the loading and unloading of commercial trucks and trailers shuttling merchandise back and forth between the traffic generating centers and the airport. At the airport, such platforms must be of suitable height to load and unload aircraft by the use of conveyors or movable fingers, or gangplanks.

Such facilities exist at only very few airports in the United States because of their cost. Most air freight flown from commercial airports is stored and handled either in the hangars of the air carriers or their operations offices. As a rule, the size of these facilities has not met the pace of cargo volume growth with the result that air cargo is often left unprotected from the weather and subject to temperature variations which can be damaging.

It would seem extremely desirable that separate cargo terminal facilities be provided at each airport where cartage agents could deliver or pick up large shipments of air freight by one truck movement to expedite transportation to and from the airport to the city.

Merchandise Moving by Air

The speed advantage of air freight permits merchants to keep minimum inventories, meaning low capital investment and high merchandise turnovers. This is of particular advantage during periods of falling prices.

A partial list of goods moving by air freight might include securities from one bank to another, checks between large Clearing Houses, printed matter such as editions of magazines and daily newspapers, clothing to assure the latest fashions on display are immediately available for delivery, and sea foods such as lobsters, clams and shrimps, which are today moving by air in large volume.

The availability of air cargo service has permitted the poultry business to assume a new complexion in that concerns centralized in certain parts of the country are hatching eggs, then airshipping the baby chicks to poultry dealers for raising and resale. Countless thousands of baby chicks are also exported by air.

*Extracted from an address by Mr. Froesch at the 70th Annual Meeting of the American Society of Mechanical Engineers, Dec. 2, 1949.

Wm. Walsh to Be Merrill Lynch Partner

William V. Walsh, manager of the Merrill Lynch, Pierce, Fenner & Beane branch office at 70 Pine Street in New York City, will become a general partner of the brokerage and investment firm on Jan. 1, 1950, it was announced by Winthrop H. Smith, Merrill Lynch managing partner.

William V. Walsh

Mr. Walsh has been associated with Merrill Lynch or its predecessor firms since 1932, when he joined Redmond & Co., whose business was later consolidated with Fuller Rodney & Co. When the business of Merrill Lynch and Fuller Rodney was merged in 1941, Mr. Walsh was appointed manager of the Merrill Lynch uptown office on Fifth Avenue, a position he held until April 1, 1949, when he was promoted to the managership of the firm's largest office at 70 Pine Street.

Mr. Walsh has spent most of his business career in the brokerage and investment business. Upon his discharge from the U. S. Army where he served with the A.E.F. in France, Mr. Walsh became associated with Halle and Stieglitz where he remained until 1932 when he accepted a position with Redmond and Co.

Newburger, Loeb to Admit Three Partners

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Edward R. Holt, Harold J. Richards and Adolphus Roggenburg to partnership on Jan. 2. Mr. Holt is manager of the firm's investment research department.

To Be E. D. Smith Co.

Williard S. Irle, member of the New York Stock Exchange will retire from partnership in Smith & Irle, 30 Broad Street, New York City, on Dec. 31 and on Jan. 2 the firm name will be changed to E. Dutilh Smith & Co. The firm will continue its Exchange membership. Mr. Smith holding a

Delafield & Delafield To Admit

Norville E. White will become a partner in Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 3. He is manager of the firm's foreign department.

Public Utility Securities

By OWEN ELY

Mountain States Power

Mountain States Power is one of the smaller of the group of northwestern electric utilities whose stocks appear to be depressed by public power conditions in that area. The stock is currently around 32 and the yield based on the $2.50 dividend rate is 7.8%.

The company's properties are scattered over five areas in Washington, Oregon, Wyoming, Idaho and Montana, and are not interconnected. Total population served is 314,000. Principal business activities in these areas are lumbering oil, cattle raising, beet-sugar, dairying, farming and fishing. Crown Zellerbach, the big paper company, is the most important industrial customer. Electric revenues account for about 95% of total gross. Of the electric revenues, 48% are residential, 21% commercial and 25% industrial.

As with all the northwestern utilities, with their plentiful supply of hydro power, residential rates are very low, averaging 1.93¢ in 1948, compared with the national average around 3¢. The company is mainly a distributor, buying 85% of its power from various public and private agencies. However, it is less dependent on Bonneville than are the other four private utilities in the northwest, obtaining only 19% of its power from the big Federal hydro system. This year Mountain States along with the other companies in the Northwest Power Pool, received an unfavorable contract from Bonneville, firm power being cut to only 11,000 kw.; but the company can probably make this up from other sources.

It apparently plans to continue as a distributor rather than a producer of power, since the construction program as described in the last prospectus includes very little provision for new generating facilities. The company owns 46,811 kw. of generating capacity of which a 15,000 kw. steam plant is leased to California-Oregon Power until 1950. The latter company, however, sells part of the power generated at this plant to Mountain States Power at reasonable rates. Some 32% of purchased power is secured from California Electric Power. Thus the company is less dependent on public power than Portland General Electric, and the fact that its purchases are somewhat diversified is a favorable element so far as power availability is concerned.

The company has shared in the rapid growth of the area as indicated by the following record:

Cal. Year	Gross Revs. (Mill.)	Common Stock Earns.	Common Stock Divs.	Price Range High	Price Range Low
1949	--	--	$2.50	33½	28½
1948	$9.88	$4.69	2.50	34⅞	26¾
1947	8.44	4.40	2.32½	37	26¼
1946	7.18	3.60	1.50	32½	22⅜
1945	5.99	2.26	1.50	30¼	21⅞
1944	5.50	1.91	1.50	25¼	18
1943	4.95	2.33	1.50	20	12¼
1942	4.72	2.18	1.50	12½	7¾
1941	4.72	2.24	1.50	15½	7½
1940	4.51	2.25	1.62½	21¾	10½

In the 12 months ended Sept. 30 earnings on the 300,000 shares of common stock were $3.81 a share compared with $4.98 on the 249,233 shares outstanding a year ago. Based on average shares outstanding, share earnings would probably exceed $4.00. However, on the basis of $3.81 the price-earnings ratio is about 8.4, relatively low even for a small company.

The company's growth rate (increase in recent 12 months' revenues) was 13% compared with 10% for Pacific Gas, 9% for Portland General Electric, 10% for Utah Power & Light and 15% each for California Electric Power and California-Oregon Power. This rate of growth is better than for most of the southern companies—Middle South Utilities, Central & South West, Houston Light & Power and Southern Company show increases of only 7-11%.

The company carries down only 11% of gross to the balance available to common stock, which is a little below average. Maintenance and depreciation at 15% of gross appear to be quite ample, considering the heavy proportion of purchased power. The capital structure is excellent, with a common stock equity of 37% after elimination of all intangibles; net tangible assets per share approximate the market price. The dividend payout is 66%, which is somewhat below average.

To Give Course on "The Small Investor"

Carl T. Hyder, who has been active in the investment field for more than 20 years, will give a short course, "The Small Investor," at Columbia University beginning on Feb. 9 and meeting once a week for a period of ten weeks. The course is offered under the auspices of the Institute of Arts and Sciences of Columbia University.

"The Small Investor" is a broad but practical course in the fundamentals of security investment. The aim is to tell the individual investor what to look for as a good investment, what to avoid as unsound. Throughout the course the whole investment field will be surveyed, always with emphasis on the present situation and possible trends and tendencies. The course will cover industrials, railroads, public utilities, oils, chemicals, etc. Recognized specialists and authorities in different fields will appear as guest speakers.

The fee for the course is $15.

S. F. Street Club Installs Officers

SAN FRANCISCO, CALIF. — The Street Club of San Francisco held its annual Christmas Party at Lakeside Country Club on Friday, Dec. 2, celebrating the successful completion of its second year. Officers for the coming year were announced and installed by outgoing President Tom Howard of Mitchum, Tully & Co.

The new officers for 1950 are: President, G. Willard Miller, Jr., Dean Witter & Co.; Vice-President, Warren H. Berl of Edwin D. Berl & Sons; Secretary, Russell W. La Belle, Blyth & Co; Treasurer, David Bullen, Elworthy & Co.

Other members of the Board of Directors are: Kenneth M. Cuthbertson, McKinsey & Co.; Tom Howard, Mitchum, Tully & Co.; Edward S. Arnold, Jr., Brush, Slocumb & Co.

New Committee Chairmen named by President Miller were: Membership; Marion B. Seevers, J. Barth & Co. Program and Publicity; John R. Beckett, Blyth & Co. Entertainment; G. W. Douglas Carver, Harris, Upham & Co.

Employment Trends and Their Implications

By EWAN CLAGUE*

Commissioner of Labor Statistics, U. S. Department of Labor

Picturing current rate of employment as good, U. S. Commissioner of Labor Statistics foresees some possible increase in unemployment in 1950, though business may be aided by expanded home building and distribution of $3 billion insurance dividends to veterans. Notes constant increase in labor force due to growing population, and problem of keeping older workers in employment. Cites recent union demands for pensions, and concludes two serious future problems will be (1) providing for retirement expenditures; and (2) keeping growing population of workers employed.

The national employment picture as of the end of November is more encouraging than at any time during the past 12 months. The decline in employment, which began somewhat more than a year ago, was due in large measure to the recession in manufacturing industries.

Ewan Clague

From September, 1948 to September, 1949 there was a decline of about 1¼ million in manufacturing employment. Since manufacturing industries usually employ approximately one-fourth of the civilian labor force of the nation, the set-back in this group of industries was enough to account directly or indirectly for a large part of the increase in unemployment experienced during the past year. During August and September, 1949 manufacturing employment increased from the low point which was reached in July. While there was a downturn in October, and there may possibly be another one in November, the general picture seems to be one of a gradual strengthening of employment in most manufacturing industries.

At the same time employment in a number of other lines has receded very little during the past year. In the vast field of wholesale and retail trade, for example, employment in 1949 has been fairly close to 1948 levels, and we expect the usual sharp seasonal increase in such employment over the Christmas season. In both December, 1947 and 1948 employment in trade as a whole exceeded 10 million. Building construction likewise is an industry in which employment this year is fully up to the levels of a year ago.

On the other hand, it does not seem likely that there will be any substantial reduction in unemployment below recent levels, and there is a possibility of some seasonal increase during the Winter months. Unemployment reached a postwar peak last July of about 4.1 millions, according to the Bureau of the Census. There were substantial declines in the number of unemployed during August and September, with some of the ground being lost again in October, when the figure stood at somewhat less than 3.6 millions. From a long-range point of view, this is not a high proportion of the labor force. In October it amounted to only about 5.7% of the total civilian labor force, while in October, 1941, shortly before Pearl Harbor, the national unemployment rate was 6.9%, and in October, 1940, after the defense program had begun, it was 13.0%.

Prospects in 1950

Looking forward into next year, most businessmen and economists, both government and non-government, expect a moderately high level of business activity. The Departments of Commerce and Labor in their joint forecast for the building construction industry for 1950, expect about the same level of activity as in 1949, which has been one of the highest years of our history. In residential building, for example, the number of new dwelling units (houses and apartments) started in the first 10 months of 1949 reached a peak about 28,000 above the comparable period of 1948, and for the year as a whole the outlook is for a new all-time peak, exceeding the previous high mark of 937,000 started in 1925.

Still another favorable short-run employment factor will be the distribution of a 3-billion-dollar insurance dividend in the first half of 1950. This will probably act as an important stimulus to continued high consumer spending. In general terms then, the outlook for the first half of 1950 seems to be one of moderately good business activity, with employment holding up fairly well.

However, while general business and employment may turn out to be fairly good next year, there are a number of sobering facts which must be taken into account on the unemployment side. In the first place, there is usually a fairly substantial seasonal increase in unemployment after the Christmas season. Normally, January and February are the months in which unemployment reaches its annual peak, although, of course, this may be modified in any year in which there is a general business downturn. It will not be surprising, therefore, if unemployment in January and February, 1950 rises above present levels, and perhaps above the peak of 1948. This need not be cause for alarm, if it is recognized that in the usual Spring upturn some of this unemployment may be absorbed.

Increase in Labor Force

A somewhat longer-run factor is the annual increase in the labor force. During 1950 the nation may add as many as a million persons to the labor market. There is the normal annual increase of something like three-quarters of a million persons, and next year there will be as many as a quarter of a million veterans finishing their training courses and setting out to look for jobs. So employment will have to rise substantially during 1950 to keep unemployment at present levels.

Next, there are certain factors associated with the unemployed themselves which have a bearing on the general situation. The year 1949 was one in which employers emphasized cost reduction and elimination of any unnecessary expenditures. There is every reason to expect that 1950 will be a similar year. During 1949 there were substantial price declines in many industrial products, which means that businessmen were producing against a falling price level. Even if there is not a similar reduction in 1950, there are as yet no signs of any sharp increases in prices. Therefore, employers generally will be cutting corners on costs, which leads them to exercise care in expanding their employment.

Such a period is also likely to be one in which many changes are made in productive methods, such as the use of new raw materials, the purchase of new equipment, or changes in production processes and marketing methods. This brings about a persistent labor turnover, that is, the elimination of some jobs and the creation of others.

What is the effect of this shifting on the workers themselves? The records of the past show that workers in the middle age groups come out very well in such transitions. They are experienced and adaptable, and constitute the cream of the labor force from the employer's point of view. On the other hand, some groups do not fare so well. Young people just out of school find that their job opportunities shrink rapidly — the employer keeps his existing force of workers by shifting them around, and is not so active in hiring new ones. If he does go into the labor market, he will try to pick up the experienced men and women. So the school-age youngsters find their opportunities sharply curtailed, as was evident in May and June of 1949. At the other end of the scale, the older workers have more difficulty — those workers, say, 50 years of age and over. It is not that their unemployment rate is high; at the present time it is not. But it does cause them to remain out of work for longer periods of time once they are laid off. This factor will continue to operate throughout 1950, and in future years. In other words, in a period of rapid industrial change there will be a moderate high level of unemployment which is strictly temporary and transitional. But gradually there will also develop a "hard core" of marginal and more permanently displaced workers who will constitute an important social and economic problem. There are few signs that this group is important in numbers at present, but they will slowly become so with successive readjustments and displacements.

For short-run unemployment the present Federal-State unemployment insurance system is especially designed. It can carry workers for periods ranging from three to six months of unemployment, provided the workers are covered by the system. There are some groups in the economy not now covered who could readily be brought into it; but this is a matter for future legislation. At the present time the unemployment insurance picture is one of increasing exhaustions of benefits, that is, a larger number of workers have used up all of their rights, and are, therefore, not entitled to additional benefits. These individuals must necessarily apply for public assistance, in fact for general assistance, since they will not be eligible for any of the special categories of assistance. Their plight becomes important when we recognize that few of the State general assistance programs are adequate at present to pick up any great expansion of this type of load. Furthermore, in a good many communities the general assistance program would not recognize such employable heads of families as qualified applicants for assistance. The Nation will soon face the question as to how to provide some means of meeting the needs of this particular group — the longer-time unemployed who are still employable, but who do not readily find new jobs.

Problem of Old Workers

Looking to the still longer future, we may note particularly the problem of the truly old workers, those who are not likely to be hired again at all. At present those who are covered by the Federal Old Age and Survivors Insurance System have some modest retirement benefits provided for them after age 65. However, the benefits so far have been averaging around $25.00 per month for the aged person himself, and about $37.50 for an aged couple. In view of present living costs, these amounts are nowhere nearly sufficient to maintain even the most modest minimum standard of living. Consequently, the necessity for State welfare agencies to supplement these Federal Old Age Insurance benefits is becoming greater. This also is a matter which can only be handled by future legislation. Furthermore, there are many groups not covered by such Federal Old Age Insurance, and who, therefore, become an assistance problem when they are in need.

In this situation there has recently been a strong movement among the labor unions for industry-company retirement systems written into the collective bargaining contracts. While the unions have always supported the program of expanding the Federal Old Age Insurance System, they have reached a point of feeling that it is impossible to wait for this improvement to take place. Some of the recent plans which have been written, however, do provide that the industry benefits will be lowered as the Federal benefits may be increased. Without doubt, there will be greatly increased pressure for industry retirement plans brought about by collective bargaining. This will pick up some of the problem that otherwise might fall on the public welfare agencies of the States, but the spread of these union plans will not be rapid enough to relieve the welfare agencies of the burdens which will fall upon them.

Finally, and in conclusion, this problem will increase markedly during the next 50 years. The portion of older people in the population is increasing, and will continue to do so. While in the year 1900 only 4 percent of the American people were over 65 years of age, at the dawn of 1950 it is about 7½ percent, and in the year 2000, it is estimated to be about 13 percent—more than one in eight of the entire population. There will likewise be substantial increases in those between 45 and 65 years of age—the older working group. Both the old and these nearly-old may constitute as much as 40 percent of the entire population in the year 2000.

Two Future Social and Economic Problems

The consequence of this will be that we shall have two growing social and economic problems — first, greatly increased retirement expenditures for the ever-larger numbers of persons who will have to retire from gainful work; and, second, the growing unemployment problem arising from the great increase in the numbers of workers in the last two decades of their working lives. Fortunately for us, these twin problems will develop gradually, so that some little time will be available to us to consider them and to devise measures to deal with each of them. On the other hand, time is running against us in these matters. Each year may bring about a worsening of the situation. By 1960, the retirement problem certainly will be acute if nothing has been done about it in the meantime. Furthermore, at any time that there should occur a substantial business recession, the unemployment problem of these nearly-old workers would reach serious proportions.

The American Public Welfare Association must necessarily concern itself with these problems because throughout the years and decades ahead, as the Nation deals with these matters, the public welfare agencies will always find themselves in a position of "picking up the pieces"; that is, they are the final source of assistance. In case of need, the public welfare agencies will be the ones who carry the residual load. A great deal of research is needed in this field. There is no one simple solution for these problems; in fact, in a complex society such as ours, any solution must necessarily be complex, requiring action on many different fronts. It is to this need for future thought and study on these problems that I wish to direct your attention.

*An address by Commissioner Clague before the American Public Welfare Association, Washington, D. C., Dec. 8, 1949.

Proposes Plan to Finance Small Business

Oliver M. Whipple, Financial Vice-President of Mutual Life Insurance Company of New York, tells Subcommittee of Committee on the Economic Report that an agency financed by pooling of life insurance company funds with those of other investors should be set up to meet capital needs of small business.

A "small loan agency," financed by life insurance companies and other investors, was proposed to the subcommittee of the Senate-House Economic Committee in Washington on Dec. 9, as a means of supplying small business with its capital needs, by Oliver M. Whipple, Financial Vice-President of The Mutual Life Insurance Company of New York.

Oliver M. Whipple

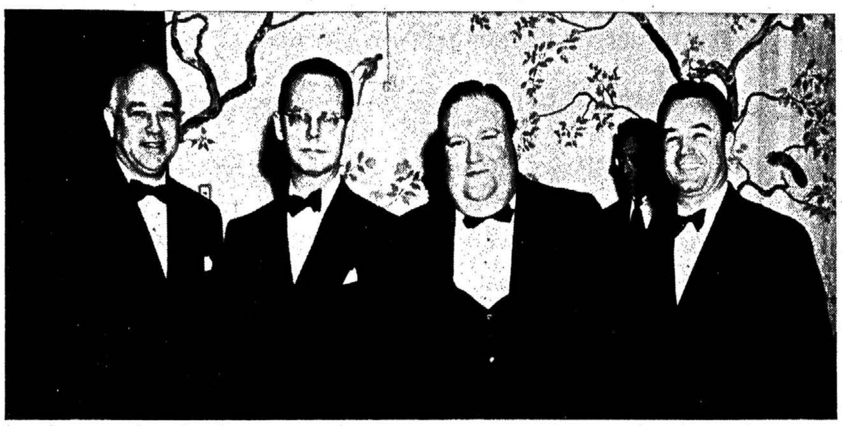
"It may be," he said, "that organizations of this nature, financed by institutions and other investors, and formed to meet the needs of small business, might be successful in satisfying the requirements for both debt and equity."

Mr. Whipple emphasized, however, that "any plan of this kind would have many problems to solve." State insurance and other laws might have to be amended if life insurance companies and other investors are to be permitted to participate, he reminded the subcommittee. The desirability of such an investment would have to be considered by many authorities, including directors and officers of the financing institutions, he added.

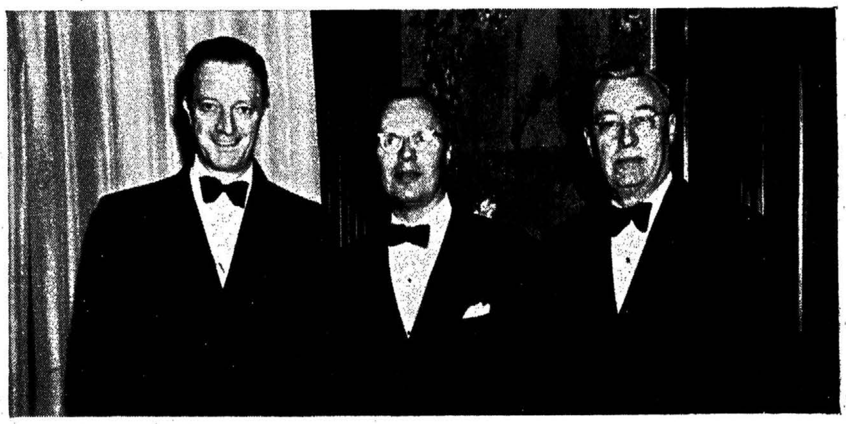
Mr. Whipple also pointed out that any such organization "would have to have some benefit from tax legislation to make its prospects of income sufficiently attractive to absorb costs and losses and still provide a reasonable return."

Because of the "high cost and risk element" in financing small business, it "appears to be difficult if not impossible" for investing institutions individually to attempt to solve the problem, Mr. Whipple said. But in proposals for an organization that would pool risks, government and business have an avenue "worthy of thorough exploration," he declared.

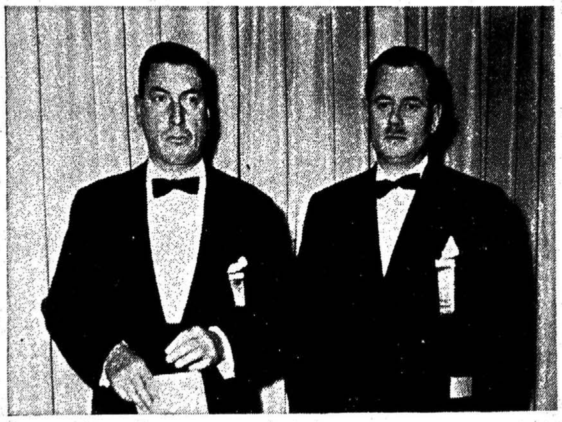
New York Security Dealers Association



David Morris, *David Morris & Co.*, President of the New York Security Dealers Association; Donald C. Cook, *Securities & Exchange Commission*, Washington, D. C.; Richard B. McEntire, *Securities & Exchange Commission*, Washington, D. C.; Edward T. McCormick, *Securities & Exchange Commission*, Washington, D. C.

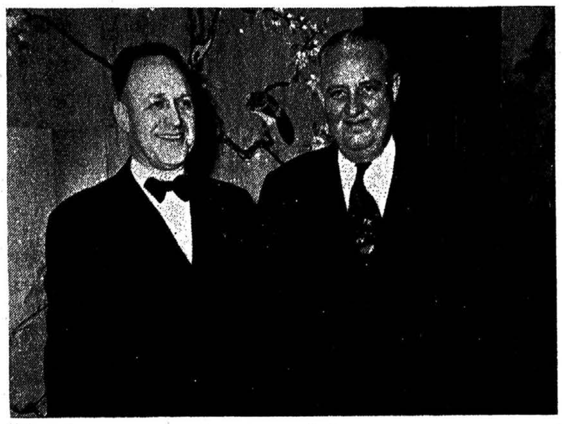


George E. Rieber, Secretary of the National Association of Securities Dealers; George Geyer, *Geyer & Co., Inc.*; H. D. Knox, *H. D. Knox & Co.*



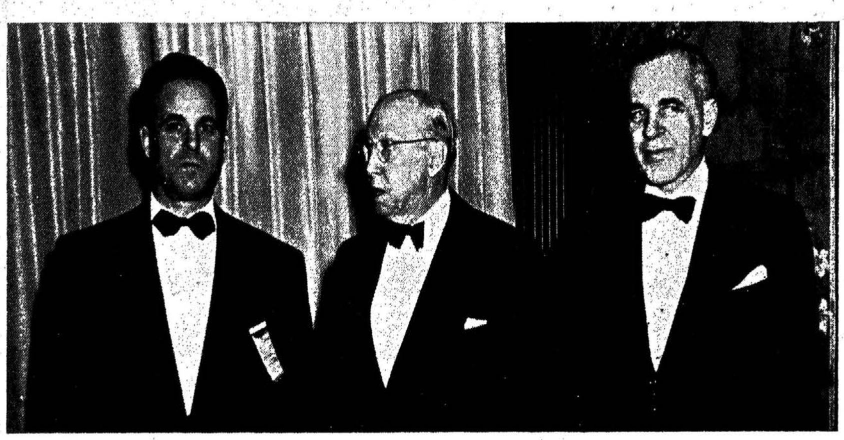
Walter Murphy, Jr., *Walter Murphy, Jr. & Co.*; Hanns E. Kuehner, *Joyce, Kuehner & Co.*

James F. FitzGerald, *Wm. L. Canady & Co.*, President of Security Traders Association of New York; Don C. Sloan, *Sloan & Wilcox*, Portland, Ore., First Vice-President elect of National Security Traders Association

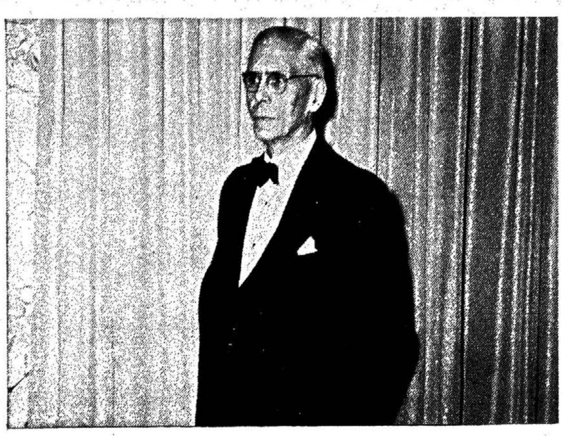


Col. Oliver J. Troster, *Troster, Currie & Summers*; Francis J. Keenan, *Central National Bank of Yonkers*

Carl Stolle, *G. A. Saxton & Co., Inc.*; C. E. Unterberg, *C. E. Unterberg & Co.*; Meyer Willett



Bert Seligman, *Townsend, Graff & Co.*; Wm. C. Orton, *Gude, Winmill & Co.*; Philip L. Carret, *Gammack & Co.*

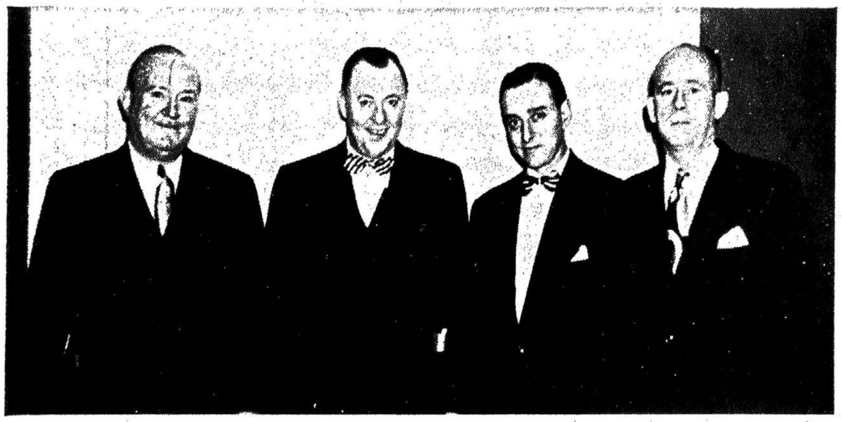


Dr. Edwin G. Nourse, speaker

Walter Murphy, Jr., *Walter Murphy, Jr. & Co.*; E. Chester Gersten, *Public National Bank of New York*; Frank Dunne, *Dunne & Co.*

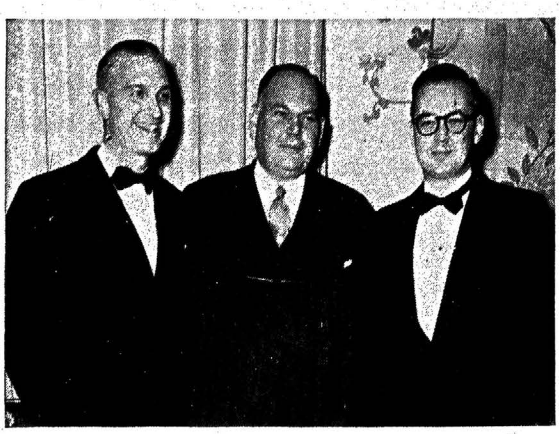
Edward A. Kole, guest

Twenty-Fourth Anniversary Dinner



A. Krieger, *Tellier & Co.;* Walter F. Tellier, *Tellier & Co.;* David Unterberg, *Securities & Exchange Commission;* Charles Jordan, *Securities & Exchange Commission*

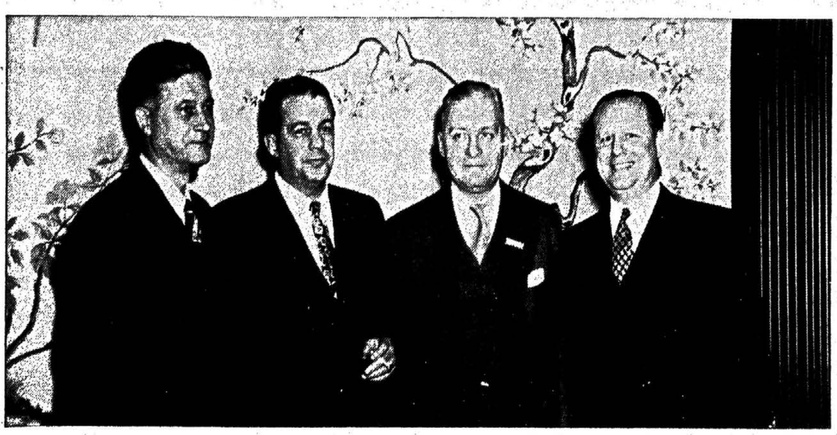
Irwin Frumberg, *Securities & Exchange Commission;* Abner Goldstone, guest; Peter T. Byrne, *Securities & Exchange Commission;* Irving A. Greene, *Greene and Company*



Erwin Stugard, *A. C. Allyn & Co.;* Harry MacCallum, Jr., *Peabody, Tyner & Co.,* Mt. Vernon, N. Y.; Walter C. Kruge, *James D. Cleland Co.*

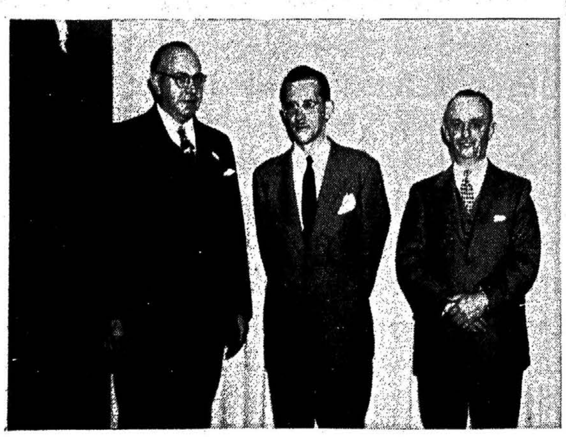
Fred J. Rabe, *F. J. Rabe & Co.;* Gilbert Parker, guest; Curtis J. Straus, *Heimerdinger & Straus*

W. Herbert Davis, *J. H. Brooks & Co.;* Edward C. Werle, Chairman of the board of the New York Curb Exchange; John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*



Joe Alberti, *Walston, Hoffman & Goodwin;* A. C. Purkiss, *Walston, Hoffman & Goodwin;* George L. Collins, *Geyer & Co., Inc.;* Edwin L. Beck, *Commercial & Financial Chronicle*

F. J. Murray, *Day, Stoddard & Williams,* New Haven, Conn.; Harry Stillman, *J. Arthur Warner & Co.;* Hercules Mottino, *Harris, Upham & Co.;* Nat Krumholz, *Siegel & Co.;* Irving Koerner, *Allen & Co.;* Connie Sheridan, *Mitchell & Co.*



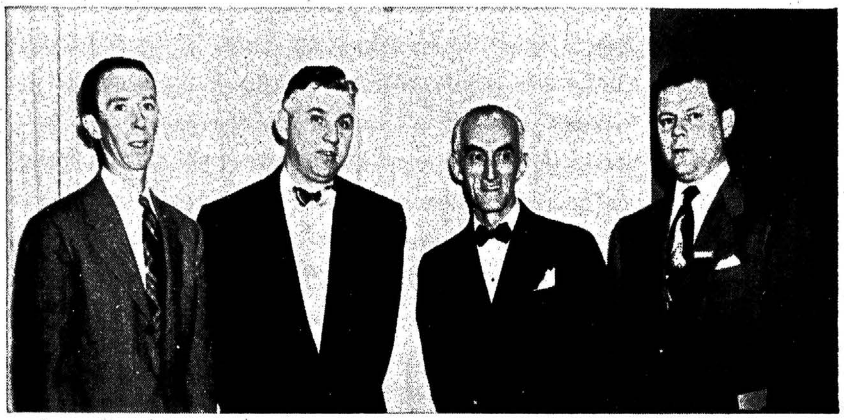
Philip C. Kullman, Jr., *John J. O'Kane, Jr. & Co.;* Carl G. Berg, *Gearhart, Kinnard & Otis, Inc.;* H. R. Schmitt, *Pulis, Dowling & Co.*

Mel S. Wien, *M. S. Wien & Co.,* New York City; Merritt Coleman, *Allen & Co.;* Irving Galpeer, guest

Harold B. Smith, *Pershing & Co.;* Ralph C. Baker, *Amott, Baker & Co.;* Louis Edward Walker, *National Quotation Bureau, Inc.*

Held Friday, December 9th, at Hotel Pierre

Louis C. Lerner, *Lerner & Co.*, Boston; David Unterberg, *Securities & Exchange Commission*; B. G. Cantor, *Cantor, Fitzgerald & Co., Inc.*; Jack J. Bernstein, *Cantor, Fitzgerald & Co., Inc.*



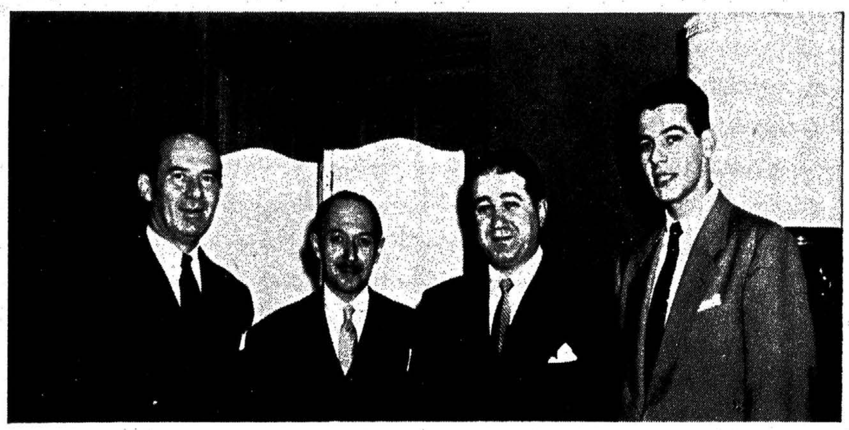
Vincent P. Shea, *Glore, Forgan & Co.*; Bill Moran, *Securities & Exchange Commission*; "Duke" Hunter, *Hunter & Co.*; Walter Filkins, *Troster, Currie & Summers*

Adrian Frankel, *Seligman, Lubetkin & Co.*; Hal E. Murphy, *Commercial & Financial Chronicle.*

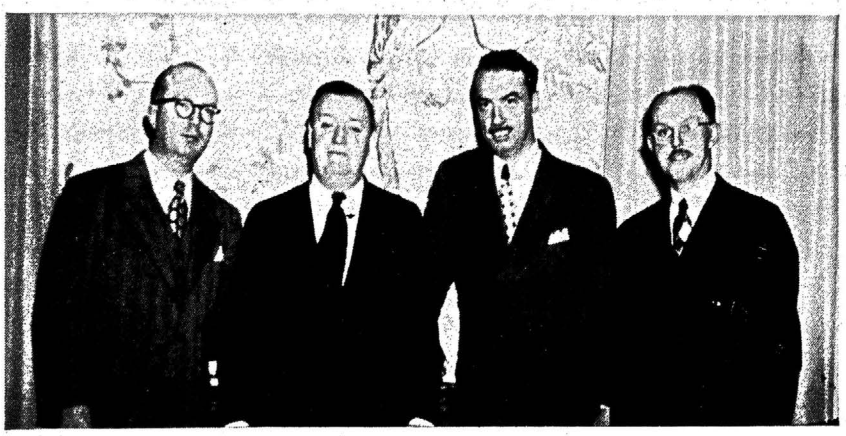
John Heck, *Greenhall, Heck & Co.*; John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane*

Matt Ryan, *Colonial Trust Co.*; Edward Ruskin, *Ward & Co.*; Herman Frankel, *Lapham & Co.*

John Connell, *Amott, Baker & Co.*; Joseph M. O'Brien, *T. I. S. Management Corp.*; Joseph Connolly, *Kaye, Schober, Fieman & Hays*; Bob Herzog, *Herzog & Co.*



Wm. F. Goulet; Maurice Hart, *New York Hanseatic Corporation*; Robert Strauss, *Daniel Rice & Co.*, Chicago; Leslie E. Goulet, guest



John Burke, *Merrill Lynch, Pierce, Fenner & Beane*; C. H. Tipton, *C. H. Tipton Securities Corporation*; W. T. Mellin, *Walter Murphy, Jr. & Co.*; Charles H. Dowd, *Hodson & Co., Inc.*

Samuel E. Magid, *Hill, Thompson & Co.*; Thomas J. Love, *Geo. E. Snyder & Co.*, Philadelphia; Wm. H. Boggs, *Hill, Thompson & Co.*; David H. Magid, *Hill, Thompson & Co.*

Five Hundred in Attendance

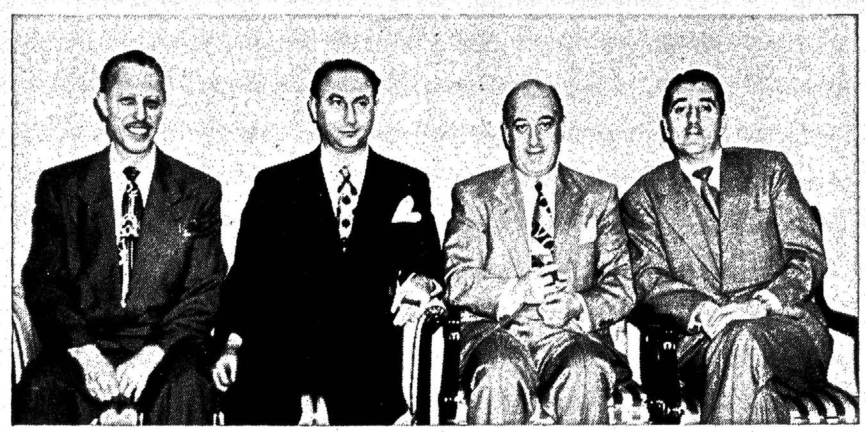
Joe Flanagan, *John J. O'Kane, Jr., & Co.*; Edward J. Enright, Executive Secretary, *New York Security Dealers Association*; E. W. Snyder, *E. W. Snyder & Co.*, Syracuse, N. Y.; E. H. MacKenzie, *Hirsch & Co.*

Chas. O'Brien Murphy III, *Merrill Lynch, Pierce, Fenner & Beane*; Herb Blizzard, *Herbert H. Blizzard & Co.*, Philadelphia; Harry D. Casper, *John J. O'Kane, Jr., & Co.* Arnold R. Hanson, *Hanson & Hanson.*

Soren D. Nielsen, *New York Hanseatic Corp.*; Larry Lyons, *Allen & Co.*; Alfred F. Tisch, *Fitzgerald & Co., Inc.*; Arthur E. Bysshe, *Fitzgerald & Co., Inc.*

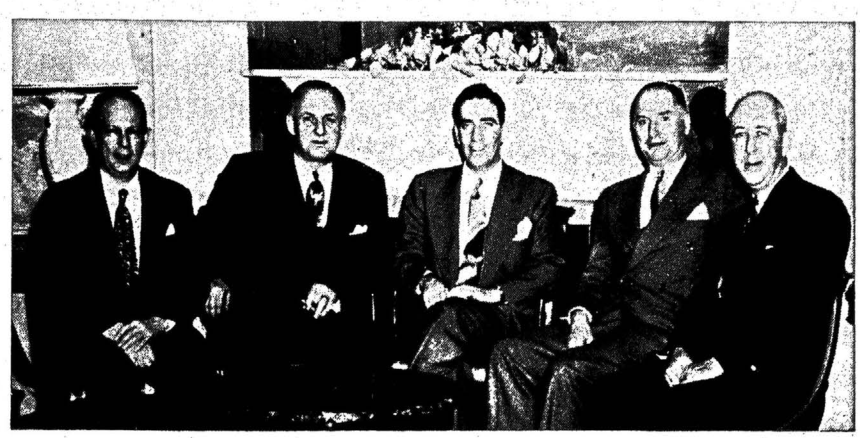
Sam. Weinberg, *S. Weinberg & Co.*; Al McGowan, *Seligman, Lubetkin & Co.*; Samuel Gold, *J. Arthur Warner & Co.*; Samuel F. Colwell, *W. E. Hutton & Co.*

Frank T. Harrington, *H. D. Knox & Co.*, Boston; John W. Sherger, *Francis I. du Pont & Co.*; Carroll Williams, *Laird, Bissell & Meeds*



Ed Jacobs, *Stanley Pelz & Co.*; Herb Lax, *Greenfield, Lax & Co.*; H. K. Greenfield, *Greenfield, Lax & Co.*; Ray Kenney, *D. Raymond Kenney & Co.*

Lester Gannon, *Cantor, Fitzgerald & Co.*; Edward O'Rourke, *Goldman, Sachs & Co.*; Irwin Schloss, *Goldman, Sachs & Co.*; Charles Gesing, *Hiscox, Van Meter & Co.*, Philadelphia; Louis Weingarten, *Herzog & Co.*



James Siepser, *Shaskan & Co.*; Harold H. Van Meter, *Hiscox, Van Meter & Co., Inc.*, Philadelphia; Bill Frankel, *Shaskan & Co.*; Arthur G. Hiscox, *Hiscox, Van Meter & Co.*, Philadelphia; Frank S. Beebe, *Colonial Trust Company*

Taxation and Foreign Investment

By THOMAS J. LYNCH*
General Counsel, U. S. Treasury Department

Asserting problem of international taxation is vital in any foreign investment program, legal expert of Treasury Department outlines efforts underway to enact tax measures and enter into tax treaties which may assist foreign investment. Says present U. S. taxation policy, in some cases, is discouraging to foreign investment and to technical experts residing abroad and recommends certain measures to eliminate double taxation on income received from abroad.

Tonight I wish to speak about an aspect of taxation which is closely related to the economic foreign policy of the United States. Most members of the public, I believe, associate the Treasury Department first and foremost with taxes. Actually the Department has much broader responsibilities as the chief fiscal agency of the government. These responsibilities in turn have close interrelationships with the tax activities of the Department.

Thomas J. Lynch

The subject to which I shall particularly refer this evening is taxation in relationship to private United States investment abroad. The Treasury Department is concerned not only with the tax considerations of this matter but also, as a result of the broad scope of the Department's duties, with the international financial implications as well. The Secretary of the Treasury is the Chairman of the National Advisory Council on International Monetary and Financial Problems, which was created by the Bretton Woods Agreements Act to coordinate policies and operations of government agencies to the extent that they make or participate in the making of foreign loans or engage in foreign financial exchange or monetary transactions. The Council advices the United States representatives on the International Monetary Fund and the International Bank for Reconstruction and Development as to the policies they should follow. It has also advised on the international financial aspects of such developments as the European Recovery Program and the Point IV Program. In addition to its concerns in the field covered by the National Advisory Council, the Treasury Department is also responsible for the administration of the customs laws, the relationship of which to the economic problems confronting the world has become a matter of rather general interest at the present time.

U. S. Private Investment and the National Economy

Before discussing with you the tax problems to which my remarks will be addressed, I think it might be well to indicate briefly the general foreign economic situation as it relates to those problems. I wish to point out particularly the part that it is hoped that American private investment will play in bringing about an improved international economy.

As you all are aware the postwar period found Europe and most of the rest of the world in conditions of severe economic dislocation coupled in some areas with grave political crises. Added to the physical destruction and increasing obsolescence of property and the danger of communism were a variety of other urgent and serious problems. Trade and financial channels had been disrupted by a war of six years' duration. Production had fallen far below prewar levels, yet the need for production was far greater. A concomitant to all this was inability of the countries of Western Europe and elsewhere to export goods in sufficient quantities to obtain the dollar resources required to procure goods vitally necessary for economic rehabilitation and recovery.

It was in the light of these conditions that the United States embarked on a series of economic assistance measures including the European Recovery Program. The results of these measures have been of great consequence. The danger of imminent communist coups has disappeared in Europe and production in the major countries has risen markedly above the level of the last prewar year.

Nonetheless, there continues to be an almost world-wide need for an expanding volume of international trade and investment. We now export goods at the rate of $12 billion a year while our imports of goods are running at a level of about $6 to $6½ billion a year. A high level of American exports is desirable for it helps both this country and the rest of the world. If foreign countries are to continue to spend $12 billion a year in our markets they must earn more dollars. By expanding United States imports and increasing American investment abroad, we can assist foreign countries to help themselves.

Already very considerable steps have been taken to facilitate trade between foreign countries and the United States. The Reciprocal Trade Program which has been pursued by this government for many years has considerably reduced tariff barriers that tended to keep large quantities of foreign merchandise out of the American market. Coupled with this continuing program are the steps which have been taken by the United States to form, in conjunction with more than 50 other countries, an International Trade Organization and to adhere to a General Agreement on Tariffs and Trade with a view to lessening the obstacles to a freer international trade. Strong efforts have also been undertaken within the United States Government itself to remove procedural impediments to import trade. The Treasury Department secured the services of private experts who carried out an exhaustive review of all customs procedures and made a variety of recommendations for their improvement. In addition, the Treasury has been in consultation with experts from a number of other governments to learn just what aspects of our customs procedures might be regarded by them as stumbling blocks to easy movement of goods across our borders. In the light of the experts' recommendations and of the inter-governmental discussions many changes have already been put into effect and others are contemplated for the near future.

Foreign countries have also taken measures to increase their flow of exports to us. In this connection an important step was the general devaluation of many foreign currencies which took place a couple of months ago. While many foreign countries kept their exchange rates stable after the end of the war, their internal prices and costs were rising. This rigidity of their exchange rates in the face of other changing economic factors tended to prevent or distort the operation of normal competitive forces. The devaluations do not constitute a cure-all for the serious and complex problems existing with regard to international payments; they were a move toward correcting artificial trade relationships and helping to remove some of the handicaps to the effective functioning of a world price system in accordance with free enterprise incentives.

Foreign Investment a Recovery Essential

It would, however, be unduly optimistic to hope for a number of years to come that increased trade alone can meet the whole problem. Investment in foreign countries will be essential on a large scale, and private investment should have a major role. There is a two-fold need for foreign investment by private American interests. Not only is such investment needed to supply much of the capital which will ultimately lead to greater economic development, but it is also requisite to provide the underdeveloped areas of the world with American know-how, without which capital will not be fully effective.

In enunciating his Point IV Program the President laid great stress on the transmission of technical knowledge. In the fields of industry and commerce, the best means of achieving this aim will be a greatly expanded flow of private investment carrying with it managerial experience and technical knowledge.

The need for American private investment poses the question of how such investment can best be encouraged. There is no magic word that will cause the American business man to venture into the foreign field. He must be convinced that he will not suffer financial disadvantages in going abroad and it is on this aspect that emphasis should be laid. What are the factors which have thus far interfered with a fuller development of such investment? Clearly, American individual and corporate investors have been concerned by the difficulty of converting earnings in foreign currencies into dollars. They have been disturbed by the possibility of unstable political conditions, as well as by restrictions which some governments have imposed on operations of foreign enterprises. And they have been concerned by tax problems. A determined effort is being made to attack all these problems.

To begin with, serious work is being done to obtain a favorable climate for American investment abroad. The State Department is endeavoring to negotiate treaties of "Friendship, Commerce and Economic Development" which will contain provisions designed to reduce the risks to investors from unfavorable action by foreign governments themselves. The first of these treaties was signed with Uruguay on Nov. 23.

Simultaneously, bills are pending before both branches of Congress to authorize the Export-Import Bank to issue guaranties which will protect American investors from both the risk of convertibility and the risk of expropriation. These bills have already received Committee hearings and favorable reports have been issued from the Committees on Banking and Currency of both Houses of Congress. It is believed that the bills will receive early consideration when Congress next convenes.

Tax Measures to Assist Foreign Investment

It can be seen that efforts of the United States to encourage private investment abroad are being pursued on many fronts. It is the belief of the Treasury Department that certain tax measures will assist these efforts. Though it is difficult to estimate the exact significance of such steps, it is important that the tax system give due recognition to the problems of doing business abroad so as not to retard the implementation of our economic foreign policy.

In order to understand the scope of the problem in revenue raising terms I may say at the outset that in 1947 the amount of revenue derived from taxing foreign income was about $200 million. This yield was the amount remaining after giving credit for foreign taxes imposed on the same income, and thus can be said to be the excess of the United States rate over those imposed abroad.

Taxes are one of the many factors to be considered by businessmen in making decisions where to invest. Investments in foreign countries raise many problems not involved in remaining in the United States. The various problems inherent in tax systems throughout the world become complicating factors as do the other problems to which I have just referred. Any equitable policy of taxing foreign income must take into account the taxes imposed abroad as well as the taxes at home. These taxes should be meshed insofar as possible so as to maintain an equitable and uniform application of the tax burden to all taxpayers and thus eliminate any unfair burden resulting from being subjected to two or more tax jurisdictions.

The policy of the United States in its taxation of American business has been basically one which is neutral in its effect on the allocation of investment between home and abroad, its tax burden falling uniformly on all income regardless of source. United States citizens, residents and corporations are generally subject to tax on all of their income whether derived from within or without the United States. However, there are some exceptions to this general principle. These exceptions provide (1) exemption of earned income of citizens who are bona fide residents of a foreign country, (2) exemption of foreign income of corporations doing business principally in a possession of the United States, and (3) exemption from corporate surtax of corporations operating wholly within the Western Hemisphere and deriving 95% of their income outside the United States. It is important to note that in most cases relief from double taxation of foreign income is accomplished by the allowance of full credit for foreign taxes paid abroad up to the amount of the United States tax on such income.

I have been talking about the principles applicable to United States citizens, residents and corporations. Except in the case of foreign personal holding companies, the Federal income tax does not apply to income derived abroad by corporations organized under the laws of a foreign country, even where the foreign corporation is wholly owned by United States citizens or corporations. The earnings of such subsidiaries become taxable in the hands of their American stockholders only if and when distributed to them in the form of dividends. Thus, the tax consequences for a domestic corporation of operating through a foreign subsidiary are presently different from those of operating through a foreign branch. Foreign branches are taxed by the United States on their profits at the end of each year with an allowance of a foreign tax credit for taxes imposed by foreign governments on that foreign income. Some foreign countries offer certain types of special tax concessions to business in order to build up their productive capacity. These local incentive measures are generally ineffective as to branches of American corporations since their current tax burden is determined under the United States law. Thus, foreign branches are unable to reinvest their foreign profits without being subject to United States tax. This form of foreign operation may be, therefore, a disadvantage in countries where such reinvestment would be tax free or subject only to minor taxes under foreign law. On the other hand, if a foreign corporation is used for carrying on business abroad the earnings and profits of that foreign corporation are not currently subject to United States tax, and are only taxed when the profits are received by its stockholders.

Question of Operating a Foreign Subsidiary or Branch

Although it would appear that a domestic corporation desiring to operate abroad can always get into a favorable tax position by organizing a foreign subsidiary, it is not always possible to have a free choice as to the legal form of operating abroad. In some countries foreign subsidiaries are subject to restrictions which are often not agreeable to the parent concern. For example, it is sometimes required that a certain percentage of the ownership be in native hands. In addition, American business may desire to operate abroad as an American corporation because of advantages inherent in being clearly under the American flag. It, therefore, has been claimed that where the taxpayer desires or is impelled to operate through a branch rather than a foreign subsidiary, he finds the United States tax policy discouraging to investment.

Confronted with the foregoing, the Treasury Department has given serious study to this subject. It felt that the entire regime of taxing American business abroad should be reexamined with a view towards eliminating any inequities which discriminate against foreign investment. In furtherance of this effort, the Treasury Department concluded that the postponement of tax on foreign income of branches of domestic corporations until it is returned to the United States would accomplish these objectives. This proposal would permit American corporations to reinvest their foreign earnings abroad without paying the Federal income tax on such earnings until they are brought back to the United States.

A further step in achieving the objectives which I have been discussing is to encourage individual American experts to provide technical knowledge and assist in the development of backward areas. Under the present law the United States citizen is exempted from tax on earned income if he is a bona fide resident of the foreign country for the entire taxable year. Much criticism has been leveled at the requirement that the individual must leave the country before Jan. 1 if he is to obtain the benefits of this exemption during the first year. The Treasury Department believes that liberalization is necessary

(Continued on page 34)

*An address by Mr. Lynch before the Philadelphia Chapter, Tax Executives Institute, Philadelphia, Pa., Dec. 7, 1949.

1950 Economic Outlook

Research Institute believes recession ended with continuing cold war preventing any sizable depression. Discloses results of businessmen's poll of expectations for 1950, as predicting increased soft goods sales, no change in producers' goods, and lower construction activity.

Nineteen hundred and fifty will be a good year for business overall, according to the Research Institute of America. "The 1949 adjustments are not ended—any concerns still face postwar readjustment problems; some who have been through the mill may be in for a second squeeze; competition will be even keener and more widespread than it was in 1949," Leo Cherne, Executive Secretary of the organization, told a press conference held at its offices in New York City Dec. 9.

Leo M. Cherne

During November the Research Institute of America polled its more than 30,000 member firms on their plans and expectations for 1950, the results of which poll were detailed by Mr. Cherne as follows:

Businessmen Optimistic

The most important single conclusion to be drawn from the poll is that American business is confident about prospects in the coming year. It's far from unanimous, of course; a substantial minority (roughly 1 in 4) expect their sales in '50 to be lower. Overall, however, business expects sales as well as costs to be same or higher, prices and profits to be the same or somewhat lower than this year.

In reply to the question: *"Compared to '49, how to you see your prospects for next year?"* the answers were as follows:

	Higher					Lower			
	More than 20%	—20%	—10%	—5%	Same	—5%	—10%	—20%	Less than 20%
Profits	6.8%	5.8%	13.2%	11.3%	22.7%	8.8%	15.1%	10.3%	6.0%
Sales in dollars	7.1	7.3	18.6	11.0	24.1	8.8	14.2	5.0	3.9
Sales in units	9.1	7.5	18.8	12.8	25.4	8.1	11.0	3.6	3.7
Prices	.6	.2	3.2	12.6	47.6	21.1	11.3	.9	2.5
Labor costs	2.7	1.6	13.8	39.8	35.7	4.2	1.6	.5	.1
Cost of materials and parts	2.0	.6	5.1	22.7	48.9	14.2	5.0	.5	1.0
Sales costs	3.1	3.3	11.1	22.7	50.6	5.5	2.7	.4	.6
Advertising costs	2.7	3.7	12.3	14.5	57.6	4.2	3.1	1.0	.9
Bad debt losses	2.3	1.0	10.0	16.6	65.7	1.3	1.1	.5	1.0

A further breakdown by industry groups shows significant variations. For instance, while 48.2% of *all* companies expect to sell more units next year, this is the way manufacturers in various fields view their prospects:

Soft Lines: Over 60% believe they'll sell more units in 1950. Less than 20% think they'll sell fewer goods.

Producers' goods: Almost the same number of companies expect to sell more units as expect fewer units (36%).

Construction: Nearly half the companies anticipate a dip in sales. Only 16.3% look for greater unit volume.

Willing to Spend

Institute member firms give very little evidence of hesitating over next year's commitments:

11.6% say they plan to take on long-term borrowing.

19.2% plan significant new commitments in building.

25.5% intend to make significant new commitments in machinery and equipment.

An equally encouraging picture resulted from the question: *"Compared with '49, how do you evaluate your requirements next year in terms of":*

	Higher	Lower	Same
New machinery and equipment	28.8	29.3	41.9
New construction	20.5	32.4	47.1
Number of employees	29.7	22.9	47.4
Average size of inventory	21.4	29.7	48.9
Credit	23.9	13.5	62.6

By industries, makers of consumer durables and producers' goods plan on heaviest commitments in new machinery and equipment. Manufacturers as a group seem to have relatively fewer construction projects planned, but wholesalers and retailers apparently will make up some of this decline. Most of the employment gain will come from manufacturing and service establishments.

Price Expectations Mixed

Executive opinion is almost evenly divided about the future price trend.

"Do you expect the general price level in '50 to be higher or lower?" produced a 41.1% (higher), 52.9% (lower) split.

"How are you betting it will run over the next 5-10 years?" showed a similarly close though reversed division: 52.8% (higher) and 47.2% (lower).

When questioned as to their own prices next year, however, these same executives are more bearish; only 16.6% expect them to be higher, 35.8% say they'll be lower, nearly one-half (47.6%) look for stable prices.

Sales Strategy Next Year

"To boost sales next year, which, if any, of the following means do you plan to apply?" was the question asked. The replies gave an interesting insight into sales plans for 1950:

Add more salesmen drew the heaviest response. Two out of five companies plan to increase their sales forces. Among wholesalers the proportion is nearly 50%. The tendency is clearest in the field of consumer durables, indicating that greater sales efforts, more canvassing, etc., are anticipated for these lines in 1950.

Increase advertising gained second place — an encouraging sign to advertising agencies and media. Less than 7% of the respondents are planning to cut down. Better than one in three intends to spend more. Especially retailers (45%) and service establishments (41.5%) plan to fight the threatening sales dip with greater ad budgets.

Add completely new products is something which nearly one-third of all respondents plan to do in order to strengthen competitive position. 40% of manufacturers, mostly of consumer durables and producers' goods, show this interest. The receptivity of all distributive trades to new ideas is shown by the number of wholesalers (36.4%) and retailers (27.1%) who plan to add new lines.

Brand name promotion also figures prominently. Particularly wholesalers (35.7%) and retailers (30.9%) are banking heavily on the pulling power of branded merchandise. Interesting to all levels of production and distribution is the 9:1 margin in favor of branded goods.

Redistricting sales territories is getting considerable attention (26% among wholesalers, 20% among manufacturers), undoubtedly reflecting the rapid change in area potentials and availability of new market data.

Cost Cutting Drives Planned

How to reduce costs looms as a big problem in the minds of most executives. In response to the question: *"If you plan any major cost-cutting drive next year, which of the following means do you expect to use?"* the answers shaped up as follows:

Added mechanization: 37% of the respondents plan to invest in more modern facilities to beat next year's cost-price squeeze. Among manufacturers the ratio is even higher—close to 45%.

Streamlining plant procedures gets almost as high a vote (36%) with manufacturers again in the lead (45%), followed by retailers (almost 24%).

Material handling takes first place among specific targets for cost cutting. Overall, almost two out of five firms plan some action in this area. This interest is shared by manufacturers (44.7%), wholesalers (38.5%) and retailers (35.4%).

Higher work loads are planned by about 30%, with an even higher percentage among retailers and service establishments.

Improved office procedures are the target of 27.6%; and 18.1% plan some type of *incentive pay.*

Higher Wages Anticipated

35% of the companies indicate that they don't expect to give wage and salary increases next year. Less than 5% believe they may reduce wages.

The majority, however, representing slightly over 60% are planning in terms of higher wages and salaries in 1950. Of these, nearly one-half (31.2% of all companies) expect the increases to be between 5 and 10%, somewhat fewer firms (26.3% of all companies) anticipate hikes of less than 5%. A few scattered returns (less than 3% of the total) predict major wage increases in excess of 10%.

Also of interest in the labor field is the way in which Institute members appraise the effects of two recent legislative changes:

89% say their payroll costs will not be affected by the new higher minimums necessary to qualify employees for executive, professional or administrative exemptions.

86% report that the jump in the minimum wage from 40¢ to 75¢ will not affect their employees. In the relatively few firms where it will, however, the effect apparently will be substantial: nearly 5% say that 20% or more of their work force will be affected.

R. M. Horner Co. Adds L. Leif to Staff

R. M. Horner & Co., 52 Broadway, New York City, investments, announces that Lawrence Leif has become associated with the firm as manager of the research and statistical department. Mr. Leif was formerly with R. H. Johnson & Co.

Blair Williams to Admit Crandell to Partnership

Edwin H. Crandell, member of the New York Stock Exchange, on Jan. 1 will become a partner in Blair S. Williams & Co., 14 Wall Street, New York City, Exchange members. Mr. Crandell has been active as an individual member of the Exchange.

Sees Over-the-Counter Industry Threatened by Frear Bill

David Morris, of David Morris & Co., President of New York Security Dealers Association, states, if enacted, measure would cause liquidation of many established over-the-counter firms.

Speaking at the Annual Dinner of the New York Security Dealers Association in New York City on Dec. 9, its President, David Morris, head of David Morris & Co., asserted the Frear Bill, in its present form, is detrimental to the public interest as well as to the securities business, and, if enacted, will lead to the liquidation of numerous established over-the-counter firms throughout the country. In his remarks, Mr. Morris stated:

David Morris

"Over the past years, our business has been confronted, from time to time, by serious problems that have threatened our existence. The over-the-counter industry is again threatened with a measure, which in its present form, is not only detrimental to our business, but to the public interest as well.

"I refer to the legislation sponsored by Senator Frear of Delaware. As most of you know, the proposed legislation would amend the Securities Exchange Act of 1934 to compel small corporations with 300 stockholders and gross assets of 3 million dollars to conform to the reporting, proxy and insider trading provisions of the 1934 act. These are substantially the important provisions to which, so called registered corporations submit, because their shares are fully listed on exchanges. This Association has consistently maintained that the proposed amendment is ill-considered, and should not be enacted. If it is enacted by Congress, it will cause the liquidation of numerous established over-the-counter firms throughout the nation now contributing to the economic welfare of our country; and it will cause loss and damage to the general public.

"The Frear bill, **in its present** form, must not become law, and this Association will oppose its adoption most vigorously.

"In conclusion I wish to say that the New York Security Dealers Association continues to advocate and to hope for genuine cooperation of all segments that make up the securities industry. An effort is now under way to bring that about. We are inclined to believe that if we can arrive at an understanding among ourselves, we can count on the Securities and Exchange Commission to cooperate with us to the benefit of the entire securities business and the general public interest.'"

A Forecast for 1950

In its special Annual Forecast Report issued on Dec. 12, the United Business Service makes the following predictions for 1950:

Business—The total volume of business in 1950 will fall only 3-5% short of 1949. Recovery from recent strikes, plus $2.8 billion of GI insurance refunds, will stimulate activity in the first half. Deflationary forces will reassert themselves later in the year. Nevertheless, continued high buying power, Federal spending, and farm price supports will keep business at relatively high levels in 1950.

Commodity Prices — The basic wholesale trend will be downward in 1950. Some strength in the first half, reflecting well-sustained business volume, will give way to weakening tendencies in the second half as supplies expand further. However, high production costs and liberal farm price supports will prevent a severe commodity break in 1950. Average wholesale prices (BLS Index) are expected to decline 6-8% from current levels during 1950.

Labor and Employment — Relatively peaceful labor conditions are in prospect next year. There will be few, if any, big strikes. The unions will concentrate on winning pensions and other fringe benefits from more employers instead of making new wage demands. However, the 75¢ minimum wage will bring some pressure for increases to restore former differentials. Employment will remain high, although unemployment may reach 5 million during the year.

Retail Trade—Total dollar sales are expected to decline about 5% from 1949, reflecting slightly smaller unit volume and somewhat lower average prices. Soft goods sales should make a better showing than durable lines.

Steel—Ingot output is expected to be about the same as in 1949—78-80 million tons. First half operations, stimulated by strike-created shortages, should average 85-90% of capacity. Activity will slacken in second half—averaging about 75% of capacity.

Building — New construction in 1950 will come close to the 1949 record of $19 billion. Private outlays will be off 6-8%, but this will be nearly offset by a gain of 15-20% in public construction. Residential activity will be aided by a sharp rise in low-rent public housing, but is expected to fall 10% short of 1949. Costs will show little change in the first half, with some decline later in the year.

Automobiles — Output will rise to new peaks early in 1950. Full year production, however, is expected to total about 5¾ million cars and trucks against a 1949 record of 6¼ million. Outlook for trucks is less favorable than for passenger cars. Used car prices will continue to decline.

Earnings and Dividends — Net earnings will run 10-12% under 1949, reflecting intensified competition and a slight decline in business volume. The moderate downturn in earnings will not affect dividends as a whole, which are expected to be about the same as in 1949.

Money Rates—Interest rates will undergo little change in 1950. Government policy will continue along the 1949 pattern. Demand for money will remain high, although commercial loans may drop below 1949 levels in the second half.

Bond Market — Relative steadiness is expected to characterize the bond market next year, with any price changes likely to be slightly downward.

Stock Market — Stocks are expected to move on a higher plane than in 1949. Good quality stocks will continue to do well, and some attractive profit opportunities will be found in secondary issues.

Soden-Zahner Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—William W. Brill is now with Soden-Zahner Co., Dwight Building.

How to Stop Socialism

By ELMER L. LINDSETH*
President, Edison Electric Institute
President, Cleveland Electric Illuminating Company

Prominent utility executive, describing ever-widening intervention of government in private affairs as menacing cloud, cites rapid growth of Federal ownership of electric plants. Says Federal usurpation in electric power is based on discriminatory taxation and other financial devices, and claim that government supplies power cheaper is unjust. Urges more education on advantages of American private enterprise system, along with recognition that proposals for reforming economy spring from real human problems. Calls for more personal interest of businessmen in government, and advocates reduction of government spending.

Today I'd like to discuss what is certainly the most critical and urgent domestic problem America faces—the trend toward the socialistic state, with its planning and regulation of all phases of living. It is fair to assume that you are typical of an increasing number of our fellow citizens who have become alarmed at the ever-widening intervention and authority assumed by the government in the affairs of individual citizens and at the drift in America toward the socialistic state.

Elmer L. Lindseth

This trend has become a menacing cloud which is casting an increasingly broader and blacker shadow over the country. It should be of particular concern to us here today because so many of us have already seen the strong frontal attack presently being made by the exponents of socialization of the electric light and power industry. Alarming successes already have been scored. Let me cite a few examples.

In 1933 Federal and municipal electric light and power systems were serving 2,200,000 customers, or 9% of the nation's total. Today they are serving 7½ million customers, or 19% of the total, with power costs heavily subsidized by the taxpayer, and preference clauses discriminating against electric customers who pay their own way.

Up to 1930, the Federal government had built only 17 small hydro-electric plants, each of these as an adjunct to an irrigation dam. Total installed capacity was 226,000 kilowatts.

One of the Hoover Commission reports says that as of June 30, 1947, the Federal Government had plants with a capacity of approximately 5 million kilowatts. It had additional plants under construction with a capacity of 8½ million kilowatts. Construction authorized by Congress contemplates almost another 7 million kilowatts. Thus, in 1960 the Federal Government will have in operation 172 plants with a capacity of about 20 million kilowatts.

In 1932—17 years ago—the electric companies served 94% of the electric utility business of the country. Today, due to the invasion of this field by the Federal Government, the electric companies serve but 85% of the business.

Usurpation Based on Discriminatory Taxation

The Federal Government, as we all know, has usurped this business through competition based on discriminatory taxation and other financial devices.

The electric companies are gravely concerned by these maneuvers. We believe all citizens should be.

It is plainly contrary to sound principles of economics and democratic government that taxes collected from our self-supporting electric companies be used to help support competing, government-owned electric systems which are largely tax-exempt, and which, in addition, are subsidized out of taxes collected from the public. It likewise is plain that the American system of freedom of enterprise cannot survive indefinitely under a regime which divides a major basic industry into two parts: one part that is taxed, and the other part that is tax-subsidized.

The Federal Government today is taking as taxes over 11% of the total revenues which the electric companies receive from the sale of electricity. These are Federal taxes only.

But the government power systems pay no Federal taxes.

This differential of 11% shows there is no magic in the government's claim that it can produce and sell power at lower prices than the electric companies. Nevertheless, this claim—repeated over and over by government power propagandists—results in unjust, adverse criticism of the companies' rates.

There is no denying that the propaganda claiming the government projects supply power cheaper, is harmful to the companies. It is harmful even though the government actually does not supply power cheaper, with all tax-exemptions, tax-subsidies, and accounting practices measured.

The fact is that government power rates are subsidized by the taxpayers. Aside from paying no Federal taxes, and generally little or no local taxes, the government power projects pay no interest whatever in some cases, and only partial interest in other cases. In addition, the allocations of total cost of multiple-purpose projects charged to power production are open to question.

We in the electric light and power business do not believe that the American people want a socialistic state. However, there is a very grave danger that they are having socialism envelop them without their realizing it.

Federal power agencies are now becoming very active in New England. A political conference designed, among other things, to promise New England great benefits from Federal hydroelectric power, was scheduled for Boston this past weekend but has been postponed until January.

C. Gerard Davidson, Assistant Secretary of the Interior, said recently:

"We in the Interior Department believe the waters of New England, which are now largely unharnessed and flow unused into the sea, should be put to work for the benefit of the people of New England. . . ."

A Familiar "Scare"

Mr. Davidson, ignoring the tremendous expansion program of the electric utility industry, then went on to warn of forthcoming power shortages in the United States. This, of course, is a familiar "scare" tactic of government power proponents.

However, Mr. Davidson's assertions have been contradicted flatly by experts in the field living in New England. Private expansion has already given New England ample power capacity, with plenty of reserve.

During October these experts told a Massachusetts legislative committee, which has been investigating the facts, that virtually all of the hydro-electric power available on an economically sound basis in Massachusetts already has been developed.

A representative of the army engineers said that only an "insignificant" amount of hydro-electric power could be developed in Massachusetts in addition to that already being produced. The chief engineer of the state planning board said he did not know of any further rivers or streams in Massachusetts which could be developed profitably.

The wildest estimate of the hydro potential in New England has come from the Federal Power Commission, which declared in a memorandum to Congress that 3,000,000 kilowatts of hydro were available in the area. The New England Council has estimated at 400,000 kilowatts the total it is feasible to develop.

The same trends which are taking place in our industry are present in many other industries and businesses, with the Federal Government directly competing with its own citizens in many cases.

I have emphasized the extent of Federal intervention in the electric power field only because I am more familiar with it—and many of you are close to it.

We must not forget, however, how extensively the government has wedged its way into many functions hitherto performed largely by private enterprise. The Hoover Report pointed out that the Federal Government owns or is financially interested in about 100 important business enterprises. It is by far the nation's largest lending agency, the biggest writer of life insurance policies, the largest landlord, and the greatest purchaser of agricultural commodities.

In addition, the government is an extremely important factor in medical care, synthetic rubber, hotels, forestry, chemicals, retail stores, ship building and petroleum—to name only a few categories.

Socialization an Accomplished Fact

This degree of socialization is an accomplished fact. But we hope that by exposing the facts to light, we can stem and then reverse this tide. We have found some reason for hope.

Recent research by Central Surveys showed that three of every five persons questioned among opinion-forming groups thought the trend toward greater government influence was pronounced, regarded this trend as harmful and believed it will affect them adversely.

This growing awareness of the problem is encouraging. But there is little encouragement in the fact that relatively few of the persons questioned had done anything to oppose the trend.

Only one in seven could recall any specific activities in which he had engaged to stem the tide. But two in every five did say "they want to work against this trend, but don't know exactly what to do." Two in every five don't know what they can do! So there is reason for hope that effective and sensible opposition can be marshaled against undesirable trends. Yet large numbers of people—and mind you these are opinion-forming people—still need not only to be convinced of the existence of the problem and of the need to do something about it—but also to be told just what they can do.

What Can One Man Do?

Just what *can* one man do to help stem this tide of federalization of the national life? Not necessarily a person in our industry. Just anyone, anywhere. A teacher, a housewife, a foreman, a farmer, a businessman or a doctor.

I should like to review a list of specific ideas with you—a "do" list. The ideas are not original with me, but they do reflect the experience of many people who have been earnestly concerned about these threats to liberty, and who have been doing something about them.

The people who are pushing the ideas which will lead us inevitably to a socialistic state have a fanatical fervor. They believe theirs is the only true economic and political gospel, and they are fanatically striving to force it on the unbelievers.

Many of these zealots are in the government. There they are free to spend their full time working on their schemes. By contrast, most of us businessmen devote but a pitifully small share of our time to combating their propaganda.

To do an effective job, we must match the fervor and the endeavor of the nationalizers. We must have the will to win. As L. R Boulware, Vice-President of General Electric, has said, "We must be born again."

Once we are dedicated to work for freedom, and have faith that our efforts can be productive, once we have resolved that we can help and will help, what specific steps can we take?

First, we have got to get informed. We must educate ourselves on the ideals, economics and advantages of the American system.

In plain English, we must know what we're talking about.

Unfortunately, this isn't quite as simple as it sounds.

Too few of us businessmen know—much less are able to express clearly to others—the simple fundamentals of our free American economic and political system, its virtues, and its values.

Let's ask ourselves:

Can we simply and effectively explain the function of savings and investment in providing the tools which multiply the productivity of labor?

Can we explain the benefits of incentives and competition, as contrasted with the repressive effects of government planning and bureaucratic control?

Can we explain how *only* under the capitalistic system real wages will be increased?

Paradoxically, the nationalizers often know a great deal more about the American economic system than the exponents and advocates of free enterprise.

It isn't easy to suggest how to broaden your knowledge, but a few obvious methods can be pointed out. These include constant study of all phases of the subject, first-hand observation of the effects socialistic measures have had on various industries already, and discussion with other persons who are affected and concerned.

I might also add that as in all education, the process of learning this subject must be a continuous one. There can never be an end to it and you can never know too much.

A well-rounded study of the American system leads to the conclusion which is the second of the suggestions for an individual who wants to help in this struggle. It is this:

We must recognize that many proposals for reforming the American economy stem from real human problems.

Sumner Slichter, of the Harvard Graduate School, in an analysis of the lack of confidence in business which is expressed in many quarters, said:

"It is true that many proposals for reforming the economy are ill-considered and impracticable. This does not mean, however, that the proposals do not spring from real problems. . . .

"Certainly business cannot be expected to have influence in the future unless it shows awareness of the problems confronting employees, farmers, and consumers, and unless it is willing to offer constructive proposals for dealing with these problems."

As a corollary to Professor Slichter's remarks, we should recognize that government always tends to fill any void left by private enterprise. If there is a strong demand for something, and business fails to meet the demand, government will step in.

Business has suffered because it has not maintained the full confidence of the public. One way to gain more confidence is to refrain from an ostrich-like attitude toward the legitimate needs of the people for security, opportunity and progress.

Recognition that problems exist must be followed by action, which leads to my third point:

We must work for right things, not merely against wrong things.

There is a political maxim, "You can't beat somebody with nobody." Neither can we beat something with nothing.

We are not going to blunt the edge of collectivism by merely railing against it. Nor are we going to accomplish much by trying to stand pat, trying to defend our present system as perfect. As always, a good offense is the best defense.

Just what are we businessmen working for? Isn't it an expanding economy of freedom, opportunity and competition? Isn't it an ever-rising standard of living achieved through ever increasing the tools and skills of productivity? Isn't it the security and independence that come with freedom, as contrasted with the slavery of collectivism, in business and industry, in the professions, or in any other walk of life?

We can be for change. We can concede that the American economic system should be and will be improved.

We can be for every good thing already here, and yet to come. And we can honestly promise to preserve the good we have, and promise to make it even better.

James H. McGraw, Jr., President of McGraw-Hill, put the problem this way:

"The public must learn that socialism is reactionary, that it is the oldest fraud in history, that only freedom is new and progressive.

"I believe we can win public support for a positive program. I believe that such a program is in the public interest. I believe that we cannot stand still and survive as free industry. . . ."

Having determined what we stand for and how we are going to proceed, we must get our story across. The fourth point, therefore, is this:

We must spread the story of the superiority of the American sys-

(Continued on page 36)

*An address by Mr. Lindseth before the Electrical and Gas Association of New York, Inc., New York City, Nov. 23, 1949.

Sawyer Favors Increased Govt. Role in Pensions

Avers national and state governments are committed to payment of pensions and man's right to a pension should not depend on vicissitudes of company or industry employing him.

Addressing the Public Relations Society of America on Dec. 5, on "A New Liberalism for the Next Half-Century," Secretary of Commerce Charles Sawyer asserted that workers' pensions "should move along lines of more, not less, government participation."

Charles Sawyer

"Two things are clear," Sec'y Sawyer stated, "As a matter of national policy our Federal Government and our state governments are committed to the payment of pensions. It is equally clear that this involves actuarial and financing problems of the most delicate and critical nature. Unless the workers of this country are to be horribly disappointed, unless we are prepared to face a future crisis in our economic and financial situation which will make earlier crises seem pale by comparison, this problem must be approached by industry and labor and by government on the basis of facts as distinguished from emotion. We are seeing already in connection with some current pension plans what serious results can flow from a pension system which is not actuarially sound nor properly administered. Administration is, of course, hard to control, but the serious task of administrators should be brought home to those who assume the responsibility.

"Progress in connection with pensions should move along lines of more, not less, government participation. A man's right to a pension should not depend upon the accident of his being employed by a company which happens to be operating temporarily at a high profit, or in manufacturing rather than farming, or in an office rather than as a domestic in a home. To underline this point with reference to industry, I know from my recent wide contacts with business that many small businesses cannot pay the pensions which are provided by large industries. This means either that their employees will get no pensions or will make insistent demands for pensions, and the employer—being unable to pay—will go out of business. There are almost four million small businesses in the United States. No planning with reference to pensions or wages or other major problems can afford to ignore the interests of this great group. If these interests are long ignored, our economic collapse is inevitable."

Szymczak Favors Standby Credit Agency

Federal Reserve Governor says, in view of financial crises and emergencies, some public credit agency is needed to render assistance at times private commercial lending institutions are unable to cope with situation.

Though agreeing that government competition in the field of private lending is undesirable, M. S. Szymczak, a Governor of the Federal Reserve Board, in an address before the Robert Morris Associates in Chicago, on Dec. 9, contended that there was need for a government standby credit agency to meet credit needs in periods of emergencies. In this connection, Mr. Szymczak stated:

M. S. Szymczak

"I should like to say a word about public lending institutions that provide emergency financial assistance to banks and business. I think most credit men would agree that government competition in the field of direct lending is undesirable if private lending institutions can provide the amounts and types of credit needed. On the other hand, I think we should have some public credit agency or agencies available on a standby basis to render assistance in periods of financial stress—at least until such time as the commercial lending institutions are able to cope with any conceivable situation. In addition, there may be some remaining gaps in our present structure of financing agencies—for example, agencies that would provide long-term debt capital to small enterprises. Such gaps may have to be filled by new types of private or public financial institutions.

"Whether the potential expansion of government lending agencies poses any serious competitive threat for private credit institutions will depend, in my opinion, on our success in minimizing or eliminating cyclical expansion and contraction of business activity and credit and in filling any gaps with appropriate private lending institutions wherever possible.

"The *dual* responsibility of the commercial banker on the one hand to protect the interests of his depositors and stockholders and on the other hand to expedite the production of essential goods and services by granting credit, is a difficult one. The desire to protect depositors may cause individual bankers to change their credit policies at the first signs of financial stress. The over-all effect of such action, by sharply curtailing or even liquidating credit lines, might seriously impede economic activity and hurt all bank depositors. Individual bankers might find it difficult to continue granting credit freely when competitors are calling in their weaker loans and tightening up their credit terms.

"The only real solution to this problem lies in the prevention, by means of over-all credit and monetary action, and other public and private means too numerous to mention on this occasion, of any economic development that might lead to sharp retrenchment and liquidation of credit."

Piper, Jaffray to Admit Three Partners

MINNEAPOLIS, MINN. — Piper, Jaffray & Hopwood, 115 South Seventh Street, members of the New York Stock Exchange, will admit Harry C. Piper, Jr., Clarence E. Howard, and Grant A. Feldman to partnership Jan. 1. All are associated with the firm, Mr. Feldman as corporate trader.

Business Pace at Highest Rate Since September

National Industrial Conference Board, however, holds inventories of non-durables are again advancing and prospects for outlets are less firm. Sees easing off of corporate profits and squeeze on retained earnings.

Industrial activity closed in November at its highest rate since late September, before the steel strike, according to the latest survey of business conditions prepared by the National Industrial Conference Board. Steel mills were found to be accelerating output as rapidly as possible. "Close-to-capacity operations are in sight for some time. Over 9 million tons of ingots were lost in the strike. It will take until next midyear to make up all that tonnage, even at capacity operations, if demand holds up to pre-strike levels."

The Board stated, however, that expectations for nondurable goods lines rest on no such firm basis. "Activity has recovered most of the ground lost in the decline earlier this year. Meanwhile inventories have again begun to advance, just as they did at similar production levels during 1948."

The following are excerpts from the Board's analysis:

Effects of the Steel Strike

Metalworking industries, meanwhile, were resuming normal production as rapidly as possible. But the comeback is slowed because it must wait on the refilling of the pipe lines of steel flow. Makers of automobiles, appliances, and other durable goods kept up their output during the early strike weeks, while they lived off their inventories of steel. But once steel stocks were gone, metalworking lines were forced to curtail, even as mills were starting to pour ingots again. Now the steel supply lines must be filled again.

Automobile producers, for example, do not expect to attain September's record pace again until some time in January. Even higher levels may be reached later in the spring during the normal seasonal rise in production.

Automobile Production and Market

Automakers are planning a speed-up to a new peak in assemblies some time after the New Year. Undoubtedly more of the consumers planning to buy cars will purchase used cars than in the past. Nonetheless, it is indicated plainly that the new-car market will be strong at least in the spring-summer buying season.

Automobile sales have been outstanding in the retail picture for the whole past year. Dollar volume has been running a fourth above 1948. That gain has kept total retail sales within 3% of the record totals of a year ago.

Sales of all stores other than car dealers have been off 7% or 8% from last year, dollarwise. In large measure, this dollar dip reflects a decline in prices, whereas physical volume has held up very much better.

Inventories of Durable and Nondurable Goods

This strength in consumers' demand for actual goods has had a lot to do with the business upturn that started last midsummer. Much if not most of the decline in industrial activity earlier this year was owing to a sharp shift in inventory policy. Instead of expanding inventories at the rapid rate of $6.5 billion as it did during 1948, business began to reduce them, by as much as $2 billion a year during the summer of 1949. But after production dipped well below the current rate of consumption during midsummer, it began to pick up again.

The trends in soft goods industries are very different from those in heavy goods lines. (For this analysis, inventories of manufacturers, wholesalers, and retailers have been added together. But they have been divided between durable and nondurable goods totals.)

Nondurable goods stocks have turned up before those of durables, just as they reached their peaks earlier and stabilized sooner. In September, inventories of nondurables rose while those of durable goods declined. This contrasting trend undoubtedly continued through October and well into November. For nondurable goods output has continued to advance while retail sales were hurt both by strikes and by warm early autumn weather. It would appear that inventories must therefore have continued their September upturn. Durable goods production, meanwhile, was set back sharply by recent strikes, and this undoubtedly diminished stocks.

Exports, Imports and Devaluation

Recent strikes also served to shift attention sharply away from the foreign trade problem, on which devaluation focused it so closely only several weeks ago. Meanwhile, a significant new trend in exports has appeared quite plainly.

During the third quarter our exports dropped from a level of $1.1 billion monthly to less than $900 million. Imports dipped only slightly. The result was to narrow sharply the surplus of exports over imports. It dropped from a rate of $6.5 billion a year to less than $5 billion.

It would seem that the recent export drop was caused by forces that antedated devaluation. For one thing, Congress voted $1 billion less for Marshall plan funds for the 1949-50 fiscal year than for the year before. Last year the delay in getting Economic Cooperation Administration shipments under way caused a bulge in exports late in 1948 and early in 1949. The new and lower export level is more closely in line with current-year funds.

National Income Picture

Income declined for the third successive quarter since the high at the end of 1948, and with business now on an upswing, that may well mark the low for 1949.

The annual rate of national income has dropped about $15 billion since its high. But total compensation of employees has eased by only $4 billion, or less than 3%, whereas income from property, including profits, has dropped $12 billion, or 13%. About half this fall took place in corporate profits (adjusted for inventory book losses), a decline of one-sixth. The rest came in profits of unincorporated proprietors, both farm and nonfarm. Rents and net interest held steady or rose.

It is clear that most of the decrease in prices in the past year has come at the expense of profits. Meanwhile, hourly wages have risen slightly, offsetting much of the small decline in employment. The result is that per capita buying power has pretty well held its own in "real" terms (adjusted for lower prices).

Corporate Profits

Corporate profits, taking account of the adjustment or book losses on inventory due to price changes, eased off by another 5% during the third quarter, to a level of 11% below a year ago. This is an over-all government estimate. Corporate profits taken without inventory value readjustments also are stabilizing. They dipped by less than 2% in the third quarter. But compared with last year, there has been a 30% drop in actual profits before inventory adjustments.

Squeeze on Retained Earnings

This drop has just about halved the volume of undistributed profits. While dividend payments have, as usual, been fairly stable, retained earnings dropped from a rate of $14 billion to one of $7 billion a year. These retained profits have been one of industry's chief sources for financing its postwar capital expenditures.

This squeeze on retained earnings, together with the return of many seasonal needs for funds, has helped to reverse the course of business borrowings from commercial banks. Outstanding commercial, industrial, and agricultural loans fell substantially during the first seven months of the year. But in the past four months such credit to business has again increased, by $1 billion. That was just about the same increase in outstanding loans to business as took place in the same period last year.

Charles King Forms New Partnership

Charles King & Co., 61 Broadway, New York City, specialists in Canadian securities, have formed a new Stock Exchange partnership


Charles King G. L. Burchard, Jr.

Herbert Hipkins

under the same name. Partners are Charles King, founder of the original company in 1931 and a member of the Toronto Stock Exchange, Herbert Hipkins and Gerard L. Burchard, Jr., former comanagers of the Canadian Department of Goodbody & Co., Paul E. Ostiguy, Robert H. King, Joseph H. Amy, member New York Stock Exchange, Benedict Jarmal and William N. Moxley. Limited partners are: Viola C. King and Ursula Squier Reimer.

Titus-Miller Adds Wm. Gant to Staff

DETROIT, MICH.—Titus-Miller & Co., Penobscot Building, announce that William A. Gant is now associated with them as a registered representative in their Detroit Office. He is a veteran on Griswold Street.

Neuberger & Berman Partner

Robert J. Felheim will become a partner in Neuberger & Berman, 160 Broadway, New York City. members of the New York Stock Exchange, on Jan. 4.

Nourse Scores Price Fixing

Former Presidential Economic Adviser decries attempt to stabilize inflation at present time. Says problem is to promote price-income relations which will give maximum production and corresponding consumption. Objects to tinkering with the dollar and condemns budget deficits.

In an extemporaneous address at the annual meeting of the New York Security Dealers Association in New York City on Dec. 9 Dr. Edwin G. Nourse, until recently Chairman of the President's Council of Economic Advisers, attacked the policy of attempted stabilization of inflation through price-fixing and proposed as an alternative objective a new set of price and income relationships for the promotion of maximum production with corresponding volume of consumption. According to Dr. Nourse:

Edwin G. Nourse

"The country has been and still is in a process of trying to hammer out a new set of price and income relationships which will be reasonably stable. To have such stability they will have to give recognition to many new conditions brought about by the war or new developments since.

"This new structure of prices—for goods, for services, and for properties—will of course be on a much higher level than prewar. Theoretically, we could secure workable relationships on any one of several different levels. But when certain spots in the system are frozen, other parts have to come in line.

"This is evident in the case of pegged bond price and related interest rates. It is equally evident in the case of high and rigid farm price supports. And there has developed a kind of ratchet mechanism on wages so that if rates for one group get too high for stable relationships other rates have to be brought up; there is little practical possibility of lowering the one that had been pushed too high by use of a temporarily strong bargaining position.

"Some people think we can 'stabilize inflation.' That is a pleasing doctrine for union workers, for farmers, and even for active businessmen. They find it a pleasant and exciting experience. 'It's nice work if you can get it,' but it never has been successfully done before. I think we old 'fuddy-duddies' have good grounds for being apprehensive that it might not be done this time.

"Such an experiment is more risky when we start it from the level of $260 billion of debt than when we had a debt one-tenth that size, as we did after the First World War. Personally, I would rather experiment with methods of sound deceleration than a reckless acceleration under the circumstances that surround us or that we can easily foresee.

"The Administration is indicating that managed inflation will be its policy and is expressing great confidence that it can turn the trick. We may perhaps be pardoned if we suggest that there may be two different standards of success to apply to this experiment. One might be whether it would produce high activity and superficial prosperity until some month near the close of 1952. The other might be whether this inflationary course would produce sound underlying conditions. Would this course of public and the related private policies and practices promote price-income relations which would enable us to go on indefinitely at a high level of economic activity, something approaching the maximum production and corresponding consumption sought under the Employment Act of 1946?

"At the present time, any tinkering with the dollar would, in the midst of our delicate domestic and international adjustments, be one of the surest roads to economic demoralization. In my judgment, it would be a foolish and even suicidal course to be undertaken in the present situation. We have enough difficulties of adjustment and enough uncertainties for the businessman to cope with without injecting any further uncertainty as to the dollar.

"I am much gratified that President Truman recently made so clear and forthright a statement of his determination to resist any such proposals. Ultimate decision also rests with the Congress and I believe it too will resist the urgings of special groups who are looking for economic short-cuts.

"I still stick to my recent statement: '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.' The principles of good family management, of good company management, and good government management are basically similar.

"They call for thrift, the accumulation of savings, and the paying off of debts in periods of high prosperity so as to be fortified against trouble when things are bad. It would no doubt be impossible to avoid some deficit in the midst of a cold war. But there should be a vigorous and systematic program of reducing outgo and increasing income which will get us back to a balanced budget at the earliest practical time.

"The Congress will vote deficits as long as special groups demand special favors and business groups resist curtailment in any expenditure which channels money into their community. An excellent step towards solvency was taken recently by the U. S. Chamber of Commerce when it went out actively to support and reenforce the economy program of Secretary of Defense Johnson. There are some other departments that would profit from a drastic pruning. When and if it comes, farmers', businessmen's and labor's organizations should support rather than resist it."

Bendix, Luitweiler Co. To Admit Lester Talbot

Lester Talbot, member of the New York Stock Exchange, will be admitted to partnership in Bendix, Luitweiler & Co., 52 Wall Street, New York City, as of Jan. 2. He has recently been active as an individual dealer and prior thereto was a partner in Grimm & Co.

Carl M. Loeb to Admit Koyle and Lawshe

Carl M. Loeb, Rhoades & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will admit Frederick T. Koyle and Emmett Lawshe to partnership on Jan. 1. Mr. Lawshe is manager of the firm's domestic bond department.

Britain's Responsibility for Continued Dollar Gap

By PAUL EINZIG

Dr. Einzig, commenting on disappointment in British official circles over failure to remedy dollar gap, lays responsibility on British Government which has been releasing wartime sterling balances in soft currency areas and which has taken no action to divert goods from domestic market. Blames opposition party for apathy regarding British exchange crisis.

LONDON, ENGLAND — There are, unfortunately, indications that the devaluation of sterling has not helped so far the dollar drive to a sufficient extent to balance Great Britain's dollar deficit, or even to reduce it to an appreciable extent. It is true, it is stated in official quarters that the gold outflow, which was checked during the last days of September, has not been resumed. But this may be due to the covering of short positions in sterling, an essentially temporary factor. The trade returns for October are not encouraging, and some of the main exporting industries are anything but optimistic. For instance, automobile exporters are unable to approach the figures they attained prior to the trade recession in the United States during the first half of this year. It is now realized that American demand for British automobiles was mainly due to the delay in the delivery of American cars, delay which no long exists. In other lines, too, the prospects of British exports to the Dollar Areas do not seem to be encouraging.

Dr. Paul Einzig

Disappointment in official circles over the volume of exports to the Dollar Area is also indicated by various statements by Ministers, from Mr. Attlee downward, criticizing the inadequacy of the efforts of British industrialists to divert exports from soft currency markets to the United States and Canada. Yet in several known instances British firms have been exporting to the United States at a considerably reduced profit, and even without a profit, in order to satisfy the government that they are doing their best. But there is a strong feeling in British business circles that, unless and until the U. S. Customs regulations are revised and are applied in a less unfriendly spirit, any attempt at introducing new lines of British goods to the American market is sheer gamble, owing to the complete uncertainty of the rate which American Customs officials will choose to charge.

Admittedly, the Export Credits Guarantee Department is now prepared to insure part of the risk involved. Even so, the extent of uncovered risk is considered by many British exporters as an effective deterrent. Their attitude is explained in part by the prevailing high taxation which tends to discourage businessmen from taking risks. They feel that, since the greater part of their profit on their exports to the United States would be taken away by the Treasury, while all the loss (except part of the insurable outlays) has to be borne by them, it is something of a "heads you win, tails I lose" game to engage in exports to the American markets. In the circumstances they prefer to play for safety, and to that end they would prefer to sell to the soft currency area even if profits on such exports were smaller than on exports to the Dollar Area. And since, in fact, profits on exports to the Dollar Area are, generally speaking, smaller and the risk of a loss higher, the weight of commercial arguments is distinctly against diverting exports to the Dollar Area. Nothwithstanding this, many firms are making praiseworthy efforts in that direction, partly because they want to do their share in the dollar drive, and partly because they depend on the goodwill of the government in many respects.

There is a certain amount of resentment in business circles about the way in which the government is trying to shift on private firms the responsibility for the success of the dollar drive. It is considered absurd that Ministers should blame business firms for being fully booked with orders from the Sterling Area. If they are, whose fault is it? It is the government that has been releasing large amounts of wartime sterling balances which have thus been made available for financing the purchase of British goods. Having released this purchasing power, the government could not reasonably blame exporters for having failed to refuse to accept orders payable in such released sterling. Business firms feel they could not be expected to "re-block" the sterling balances "unblocked" by the government. If Britain cannot afford to divert so much of her exports to the Sterling Area, it is the government's job, and not the businessmen's, to check the unwanted flow.

Likewise, it is felt that business firms could not reasonably be blamed for selling too much in the domestic market instead of exporting to the United States. The government is well in a position to divert goods from the domestic market, through a curtailment of the purchasing power of the domestic buyer. Drastic cuts in public expenditure without corresponding custs in taxation would produce that result. If such steps were taken on an adequate scale there would be no need for the government to try to place on private individuals the burden of the responsibility for curtailing the sales at home in the interest of the dollar drive.

Once more the question of losses of dollars through the quotation of sterling at a substantial discount in overseas countries has been raised in Parliament. Replying to questions on that subject, Sir Stafford Cripps showed no inclination to intervene in order to elminate or reduce the discount. He treated the whole matter as one of no importance, and denied that any substantial losses of dollars could arise from it. Human memory is short, but it is not difficult to remember that, right to the eve of the devaluation, he denied or minimized in almost identical words the dollar leakage through trafficking in sterling at a discount, and that following on devaluation he readily admitted that, after all, these formerly denied losses had played a major part in inducing the government to decide in favor of devaluation.

Strangely enough, Sir Stafford Cripps and his government escaped with a minimum of criticism for such a display of gross inconsistency, and indeed for the inefficient handling of the whole problem of war-time balances and sterling exchange. Fortunately for the government, the opposition is even more incompetent and inefficient in such matters than Sir Stafford Cripps, which is saying a great deal. While always ready to exploit to the utmost any petty point of party politics, the Conservative "shadow cabinet" and the overwhelming majority of the rank and file of the party never takes the slightest interest in such matters, even though they involve billions of pounds.

Kidder, Peabody Co. Using Television

BOSTON, MASS. — More and more investment banking houses are coming to realize that today's great market for stocks and bonds is in the thousands of average Americans who make up the nation's middle income group, people who have a comparatively small amount of money to invest and who are looking for a steady income rather than the hope for quick profit.

Kidder, Peabody Co., 115 Devonshire Street, has embarked on a campaign to acquaint the small investor with the advantages of owning financially sound stocks. The company is currently sponsoring, through the Harry M. Frost Co., Boston, a television series entitled "Your Share in America" on WNAC-TV Boston. The series features industrial films from America's leading corporations and is beamed primarily in the small investor urging him to own his share in America through the purchase of stocks in companies which have outstanding management and are in a very strong financial position.

The majority of people, unless they are in the investment business, seem to feel that securities are mysterious and complicated. As a matter of fact, even children should know the names of the country's leading corporations. They must have heard for instance of such companies as American Telephone, Standard Oil, du Pont, General Motors, General Electric, Union Pacific, Sears Roebuck, United Fruit, Woolworth, etc.

Through its television series Kidder, Peabody & Co. hopes to interest a large segment of the middle income group in such stocks as those mentioned above.

Preceding the Christmas Holidays, the television audience is being informed of the advantages of securities as a Christmas gift. Common and preferred stocks and bonds in America's leading corporations make valuable and lasting presents since they enable the person receiving them to not only have a share in ownership but to attain additional income throughout the years.

Through the new medium of television Kidder, Peabody & Co. believes that it will reach a great many people who would otherwise not be acquainted with the facts about securities and how they can be made to provide the purchaser with extra income and future security.

C. L. Lawrence to Admit

Oliver D. Appleton and Alexander B. Johnson will become partners in Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 3. Mr. Appleton is office manager for the firm.

Mallory, Adee Partner

Mallory, Adee & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit John R. Westerfield to partnership on Jan. 1.

New Ungerleider Partner

Abner Lichtman will be admitted to partnership in Ungerleider & Co., 41 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

John M. Olin, President of Olin Industries, Inc., of East Alton, Ill., has been elected to the board of directors of **Bankers Trust Company of New York**, it was announced on Dec. 7 by S. Sloan Colt, President. Mr. Olin, a graduate of Cornell, is a director of the St. Louis Union Trust Company, Midwest Rubber Reclaiming Co., Illinois Terminal RR. Co., and is a member of the Board of Washington University.

Mr. Colt also announced the election of four officers and the promotion of five others. Those named Vice-Presidents are Frank Hamilton, Roy L. Reierson, and Joseph V. Sauter, all formerly Assistant Vice-Presidents; William H. Moore and Joseph C. Brennan, formerly Assistant Treasurers were elected Assistant Vice-Presidents. James Leo Craft, John Keat, Joseph R. McLees and Jean F. Robert were elected Assistant Treasurers.

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Senior officials of the **Chase National Bank of New York** arrived at San Juan, Puerto Rico on Dec. 9 for the formal opening of the bank's new branch quarters at 259 Cruz Street, in San Juan's financial district. In the party were Arthur W. McCain, Vice-Chairman of the Board of Directors; Edward L. Love, Senior Vice-President; Victor E. Rockhill, Vice-President, and David Rockefeller, Second Vice-President. On Dec. 10 they attended a luncheon at the new Caribe-Hilton Hotel given by Carl B. Brunner, Second Vice-President in charge of the branch. Other guests included officials of the Puerto Rican Government and prominent business people. Banking space of the brand now is twice as large as the former location which originally was opened in 1933.

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The directors of **Guaranty Trust Company of New York** on Dec. 7 declared a quarterly dividend of $3 per share on the capital stock of the company for the quarter ending Dec. 31, and an extra dividend of $2 per share, both payable on Jan. 3, to stockholders of record at the close of business Dec. 14.

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At a meeting of the board of directors of **Sterling National Bank & Trust Company of New York** held Dec. 8, the following appointments were made: Frank T. Porter, Assistant Vice-President; William P. Bernhard, George F. English, William L. McMillan and Eugene P. Wyndham, Assistant Cashiers.

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An exhibition of products of France, sponsored by the French Chamber of Commerce of the United States, Inc., has been placed on display in the windows of the principal offices of **Colonial Trust Company, of New York** on the Avenue of the Americas at 48th Street. In connection with the exhibition, the trust company has distributed another series of its international monographs, "World Recovery through Imports," these are entitled "Trade with France." The monographs are being mailed to more than 350 banks in the port cities of the United States and to a selected list of importers. The exhibition and monographs are results of visits to France in 1948 and 1949 by Arthur S. Kleeman, President of Colonial Trust Company. "It is impossible to conceive of European recovery without the economic upbuilding of France," Mr. Kleeman said. The exhibition includes perfumes, wines and spirits, textiles, gloves, handkerchiefs, neckties, food specialties, pharmaceuticals, prints and engravings, and transportation. It will remain on display until late December.

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Thomas G. Gorman, former sales director of the **New York State Insurance Fund**, a position he held for 30 years, has been appointed Vice-President of the **South Brooklyn Savings & Loan Association of Brooklyn, N. Y.**, Andrew S. Roscoe, President, announced on Dec. 12. In his new post, Mr. Gorman will be in charge of the new Queens County Office which will open Dec. 17, and he also will direct new business development in all four offices of the Association.

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Frederick Townsend, Chairman of the board of directors of the **Albany Savings Bank of Albany, N. Y.**, since 1941, died on Dec. 4 at the age of 78 years. Mr. Townsend had served as a trustee and attorney of the bank from 1898 to 1920, when he became President, continuing in that post until he was named Chairman. He had also been Vice-President of the former New York State National Bank, now the State Bank of Albany.

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Arthur M. R. Hughes, Vice-President of the **Marine Midland Trust Co. of New York**, was elected President of the **Union Trust Co. of Rochester, N. Y.**, on Dec. 8, effective Jan. 12, succeeding William W. Foster, who has been named Chairman of the board. Mr. Foster has been associated with the Union Trust since 1920; in 1927 he was named a Vice-President, and since 1930 he had been President. Both Marine Midland Trust and Union Trust, it was noted in the Rochester "Times Union" of Dec. 8, are parts of the Marine Midland Corp., a bank holding company formed in the late 1920s.

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Earle W. Stamm, President of the **National Bank of Commerce, New London, Conn.**, and Roy L. Patrick of Burlington, Vt., President of the Rock of Ages Corp., were re-elected directors of the **Federal Reserve Bank of Boston** on Nov. 17, it was stated in Associated Press advices from Boston on that date.

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The **Hurlbut National Bank** and the **First National Bank**, both of **Winsted, Conn.**, have been taken over, as of Dec. 13, by the **Hartford-Connecticut Trust Co. of Hartford, Conn.**, and are being operated as branches of the trust company. The offer of the latter, to acquire the assets of the Hurlbut National and First National was accepted by vote of the stockholders of both National banks on Dec. 9, according to the Hartford "Courant" of Dec. 10, which said:

"The Hurlbut National stockholders will receive $212 a share for each of the 2,000 shares of their stock. First National stockholders will receive $145 a share for each of the 1,000 shares.

"The Hurlbut will be designated as the Hurlbut branch and the First will be known as the Park branch. These acquisitions bring the number of Hartford-Connecticut Trust Co. branches up to 13."

"Courant" advices from Winsted Dec. 1 also stated that the Hurlbut National was organized in 1854 and the Phelps family had taken a leading role in its affairs since its organization. From the "Courant" we quote:

"William H. Phelps was the first President. His son, George W. Phelps, was a Cashier for many years. His grandson, William H. Phelps, has been employed by the bank for 59 years, first as clerk, then as Cashier, and in recent years as President. It is understood he will continue in charge of the bank with the title of a Vice-President of the Hartford-Connecticut Trust Co."

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The **National State Bank of Elizabeth, N. J.**, announces the election by the directors on Dec. 5 of W. Emlen Roosevelt as a director and President of the bank, effective Jan. 1, to fill the vacancy caused by the death of John Kean on Oct. 23. Mr. Kean's death was noted in these columns Oct. 27, page 1666.

Referring to Mr. Roosevelt's interests, special advices from Elizabeth to the New York "Times" Dec. 5, said in part:

"Mr. Roosevelt is a director of Fundamental Investors, the Investment Managers Fund and the Broadway Investment Co., all of New York. He was with the Central Hanover Bank and Trust Co. of New York after attending Princeton University, then he became a partner in Roosevelt & Son. After serving in the war, he was with the Chemical Bank and Trust Co. of New York, then became a partner in the investment firm of Dick & Merle-Smith of New York."

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Charles R. Miller, retired Chairman of the board of the **Fidelity & Deposit Co. of Maryland, at Baltimore**, and dean of the country's surety men, died suddenly on the evening of Dec. 7 after having spent the day at his office. Mr. Miller had been associated with the F&D for 58 years and was the last surviving member of its original staff. He was 89 years of age. Born in Westminster, Md., Mr. Miller graduated from Western Maryland College in 1881 and was admitted to the Maryland bar in 1884. In 1888 he went to Baltimore, taking a position in the office of Edwin Warfield, then Surveyor of the Port and subsequently founder of the Fidelity & Deposit Co. The F&D was established in 1890 and a year later Mr. Miller joined the company as a legal clerk. In 1903 he was elected a Vice-President and given administration over the F&D's legal and claim departments. Following the death of Mr. Warfield in the spring of 1920, Mr. Miller was named First Vice-President of the Fidelity & Deposit Co. to fill the vacancy created by the elevation of the late Thomas A. Whelan to the Presidency. Upon the latter's death four years later, Mr. Miller was elected Mr. Whelan's successor, thereby becoming the company's fifth President. He was elected Chairman of the board in June, 1941. Following his retirement in December, 1947, Mr. Miller continued to serve as a member of the F&D's board of directors, attending his office practically daily. Mr. Miller was for many years a trustee of Western Maryland College at Westminister and a director of the Central Savings Bank in Baltimore.

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A proposal to increase the capital of the **Security Savings & Commercial Bank of Washington, D. C.**, from $750,000 to $800,000 has been recommended by the directors to the stockholders who will act on the recommendation at their annual meeting on Jan. 10. It is learned from the Washington, D. C., "Post" of Dec. 9 that the capital would be enlarged through the declaration of a $50,000 stock dividend, which would be payable Feb. 6 to stockholders of record Jan. 16. Incident to the plans, $50,000 would be transferred from undivided profits to surplus, with a view to bringing both capital and surplus up to $800,000 each.

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Andrew A. Kramer has resigned as President of the **Annapolis Banking & Trust Co. of Annapolis, Md.**, his resignation, according to special advices Nov. 25 from Annapolis to the Baltimore "Sun," becoming effective on Jan. 1. The account in the "Sun" stated that Mr. Kramer started with the bank as a runner 34 years ago and has been continuously in its employ save for the period he spent in the military service during World War I, from which he emerged as a Captain. He worked his way up through the posts of Secretary, Treasurer, Vice-President and Executive Vice-President and was elected to the Presidency in 1939.

It is added that Mr. Kramer will be the first member of the bank's organization to receive benefit under its retirement plan.

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The directors of **The Bank of Virginia, at Richmond, Va.**, have declared a regular quarterly dividend of 30 cents per share and an additional year-end special dividend of 80 cents per share, Thomas C. Boushall, President of the bank, announced on Dec. 10. The dividends will be payable on Jan. 2 to stockholders of record on Dec. 19. These dividends bring to $2.00 per share the total declared by the bank for 1949. Three quarterly dividends of 30 cents per share previously have been paid this year.

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The sale of about a one-eighth interest in the **State Bank & Trust Co. of Evanston, Ill.**, to Ellsworth B. Buck, brother of Nelson L. Buck, a director of the bank, was made known in the Chicago "Journal of Commerce" of Dec. 3, which also said:

"Mr. Buck bought 1,016 shares from the estate of Conrad H. Poppenhusen, who died March 20. The price was $137 a share and the total cost was $139,192. The stock, of which 8,333⅓ shares are outstanding, is currently quoted at $135 bid, $145 asked. The purchase was for investment purposes, according to Nelson Buck. Ellsworth Buck lives in Staten Island and does not plan to move to Chicago or take an active interest in the bank's direction. He is Chairman of L. A. Dreyfus & Co., a subsidiary of Wm. Wrigley, Jr. Co. Nelson Buck has been a director of the bank since 1922 and holds 429⅔ shares. He is a former Vice-President and director of Wm. Wrigley, Jr. Co."

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Appointment of six new officers and promotion of three others by the directors of the **Federal Reserve Bank of Minneapolis** was announced on Dec. 6 New officers include Arthur W. Johnson, Christian Ries, Marcus O. Sather, George M. Rockwell and Clement Van Nice, all elected Assistant Cashiers, and Clayton E. Tillander named to the official post of Chief Examiner. Earl B. Larson was promoted from Assistant Vice-President to Vice-President; Harold C. Core from personnel officer to Vice-President in charge of personnel; and Maurice H. Strothman, Jr., from Assistant Counsel to Assistant Vice-President and Assistant Counsel.

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Irving W. Lonergan, Assistant Cashier of the **First National Bank in St. Louis, Mo.**, has become Cashier succeeding C. B. Schmidt who is withdrawing from the bank's service under its retirement plan. Mr. Schmidt who, said the St. Louis "Globe Democrat" of Dec. 1, was the oldest employee in the point of service in the bank, began his career 52 years ago as an office boy for one of the bank's predecessor institutions, the St. Louis Union Trust Co., and rose in 1938 to the post of Cashier.

"Mr. Lonergan," the same paper reports, "has been an Assistant Cashier at the bank, with which he became associated in 1919. The new Cashier has been in banking for 43 years, starting as a runner for the old National Bank of Commerce. Later he was associated with the former Mercantile National Bank and St. Louis Union Trust Co. Mr. Lonergan is a past President of the St. Louis Chapter, American Institute of Banking, and Vice-Chairman of the Foreign Trade Bureau of the Chamber of Commerce."

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The **Republic National Bank of Dallas, Texas**, announced on Dec. 7 plans for increasing its capital surplus to $27,500,000, which will result in the bank having capital, surplus and undivided profits of $30,000,000. Authorized at a meeting of the directors on Dec. 7, a special meeting of the stockholders will be held on Dec. 19 to vote on the plans. Under the proposal 75,000 shares of additional stock (par value of $20 per share) will be offered ratably to present stockholders at $40 per share. Of the proceeds, amounting to $3,000,000, capital will be allocated $1,500,000, giving a new capital of $13,500,000; surplus will be increased $1,000,000 to $14,000,000; the balance of $500,000 will be allocated to the capital of the Republic National Co., giving the company a new capital of $3,000,000. The Republic National Co. is the holding company affiliate of the Republic National Bank and the capital stock of the company is held in trust for the benefit of the stockholders of the bank. The Republic National Co. owns the controlling shares of seven banks having resources in excess of $80,000,000 and all located in Greater Dallas. The banks are the Fair Park National Bank, Greenville Avenue State Bank, Highland Park State Bank, Lakewood State Bank, National City Bank, Oak Cliff Bank and Trust Co. and Oak Lawn National Bank. With the approval of the stockholders, the plan, it is expected, will become effective after the first of the year. Announcement of the proposed capital increase was made by Fred F. Florence, President of the Republic National Bank, which as of Nov. 1 reported deposits of more than $305,000,000 and resources in excess of $340,000,000.

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On Nov. 16 the **First National Bank of McAllen, Texas**, increased its capital from $150,000 to $300,000 by a stock dividend of $150,000, according to the Nov. 21 Bulletin of the Office of the Comptroller of the Currency. An earlier Bulletin of the Comptroller's office stated that the First National Bank of McAllen represented a conversion to the National system on Nov. 1 of the **City-State Bank & Trust Co. of McAllen.**

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On Dec. 3 the 76-year-old **Anglo California National Bank of San Francisco** acquired the assets and assumed the liabilities of the **Capital National Bank of Sacramento.** The transaction was announced jointly by Allard A. Calkins, President of the Anglo Bank, and L. L. Madland, President of the Capital National. The Sacramento institution opened for business on Dec. 5 as the Capital office of the Anglo Bank, and its key Sacramento Valley unit, with the same management and staff that operated at Capital National Bank. The Anglo, it is noted, brings to the Sacramento area the benefits of its greater resources, now in excess of $600,000,000, its more than three-quarters of a century of banking experience in northern California, and its facilities. The Anglo, with the addition of the Capital office, has 28 offices and serves more than a quarter of a million depositors. All of the officers and members of the Capital's banking staff will continue in the employ of the Anglo. The directors of the former Capital National Bank constitute Anglo's Sacramento Advisory Board. L. L. Madland has been appointed Vice-President and Manager of the Capital office; N. S. Gayle, Vice-President and Assistant Manager; W. E. Holmes and J. S. Johns, Vice-Presidents; George V. Reynolds, D. R. Purcell, E. A. Kuechler and W. W. Funk, Assistant Cashiers; Allen Thomas, Trust Officer; and L. R. Taylor, Assistant Trust Officer. All were officers of the Capital National. George C. Bassett, Chairman of the board of the former Capital National, is one of the members of the Sacramento Advisory Board. The Capital name, which will continue in the designation of Anglo's Sacramento office, dates back to 1893, when the Capital Banking & Trust Co. of Sacramento was chartered; it operated as a private bank until 1906, when it was sold to a group headed by Alden Anderson. The bank was nationalized under its present title in 1911. Its original capital was $100,000. The proposed acquisition of the Capital National Bank by the Anglo California National was indicated in our issue of Nov. 3, page 1770.

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A new profit-sharing bonus plan for employees of the **Bank of America National Trust & Savings Association of San Francisco,** which combines all of the bank's benefit plans in one, has been approved by the directors, according to L. M. Giannini, President. It will be known as the Bankamerican Family Estate plan and is to become effective Jan. 1. A percentage of the bank's net profits before taxes is to be paid into a fund which will provide for the costs of all bank-provided benefit funds such as group insurance, hospital and surgical benefits and sickness compensation, and for most of the premiums on retirement plan benefits. By eliminating pay-check deductions for such benefits, it is stated, the plan will result immediately in higher pay checks for all employees, regardless of length of service. For employees with more than five years of service the remainder of the fund will be devoted to creating individual employee income-producing estates to provide substantial additional income after retirement. The plan is not a non-contributory one, Mr. Giannini pointed out, and is therefore of interest in today's discussion of pension plans. It is, it is said, directly related to the profit-producing efforts of staff members. If such efforts fail to produce sufficient funds, he said, the employees will be called upon to resume paying directly for their benefits. On the other hand, any increased profits they produce are shared, thus providing employees with incentive for extra effort in building the institution and their individual estates.

Adler, Coleman & Co. To Admit Two

Adler, Coleman & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Harry M. Jacobson and Harry J. Breen, both Exchange members, to partnership as of Jan. 1.

John H. Lewis Co. to Admit Fuller, Townsend

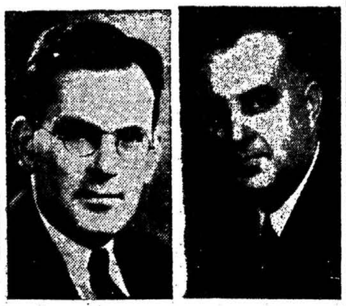
John H. Lewis & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, will admit Stephen D. Fuller and Wisner H. Townsend to partnership on Dec. 31. Mr. Fuller was formerly a partner in S. D. Fuller & Co.

Rejects Contention That Gold Standard Would Curb Govt. Spending and Stabilize Business

In bulletin entitled "The Role of Gold in the Modern Economy," Dr. Marcus Nadler and Dean G. Rowland Collins of New York University argue, since Congress has constitutional right to make appropriations, theory that a restricted gold-coin standard would give people again power over purse, is illusory.

The contentions that a return to the gold standard would curb extravagant government spending and stabilize business activity are of dubious validity, according to a bulletin entitled "The Role of Gold in the Modern Economy" issued yesterday by Dean G. Rowland Collins, Director, and Dr. Marcus Nadler, Research Director, of the Institute of International Finance of New York University.

Those who argue in favor of a return to free convertibility of



Dr. Marcus Nadler Geo. Rowland Collins

paper currency into gold, the bulletin states, maintain that this would impose limitations on the spending of the government since a large-scale withdrawal of gold by the general public, caused by constant budget deficits and a loss of confidence in the currency, would so narrow the credit base of the country as to raise interest rates and make it increasingly difficult to finance Treasury deficits. This, in turn, would force Congress to reduce expenditures or increase revenues to end the deficit.

This view is correct in theory only, the bulletin points out. In practice, and particularly under present conditions, when the government is committed to a policy of maintaining a high level of employment, its validity is dubious. In all probability, the effect on the policies of Congress would be negligible. The same Congress which appropriates the funds that create the deficits also has the power to change the gold-reserve requirements or to eliminate them entirely. The same Congress has the power to lower the minimum requirements regarding reserves of the member banks with the Reserve Banks. Hence, if Congress should find that because of deficit financing or other reasons the amount of gold certificates held by the Reserve Banks had decreased to a point where drastic credit restrictive measures were necessary, it would undoubtedly pass the necessary legislation to remove these restrictions. This has happened in the United States on several occasions.

Congress has the constitutional right, the Institute's study continues, to vote expenditures, and the movement of gold, particularly under present conditions, is not likely to influence its appropriations. Certainly, for example, it would not induce Congress to slash drastically military expenditures or those for veterans' benefits. Neither would the return to the gold-coin standard curtail the power of Congress to enact any laws deemed necessary. Hence, the argument that a return to the unrestricted gold-coin standard would again vest in the people the power over the public purse appears to be illusory.

Because of its encouragement to hoarding, the bulletin points out, a return to the gold-coin standard might have serious consequences. It is impossible to state how much of the $27.5 billion of currency in circulation is being hoarded. It is quite possible, however, that if the United States were to return to the gold-coin standard a considerable portion of the hoarded currency would be converted into gold. Part of it would undoubtedly find its way into the black markets of the world. Perhaps of greater importance is the fact that, because of the great economic and political uncertainties prevailing all over the world, many people might decide to convert their deposits into gold. This, in essence, would transfer the control over credit from the duly appointed monetary authorities to the general public which is often swayed by hysteria and rumors.

NASD District 8 Elects New Officers

CHICAGO, ILL.—The annual election in District No. 8 of the National Association of Securities Dealers, Inc., comprised by the States of Illinois, Iowa, Indiana, Michigan, Nebraska and Wisconsin, has resulted in one new governor and four new members of the District Committee.

Clarence A. Bickel, partner of Robert W. Baird & Co., Milwaukee, has been elected to the national Board of Governors. Mr. Bickel has served three years as a member of the District Committee, serving as Chairman in 1949. He succeeds Max J. Stringer of Detroit.

Vern S. Bell, President, Bell & Farrell, Inc., Madison, Wisconsin, Harry G. Williams, Vice-President, Quail & Co., Davenport, Iowa, Joseph E. Dempsey, President, Dempsey & Company, Chicago, Illinois and Edward C. George, Vice-President, Harriman, Ripley & Co., Incorporated, Chicago, Illinois, are the new members of District Committee No. 8. Those retiring are: Clarence A. Bickel, Milwaukee, Michael D. Dearth, Des Moines, Paul L. Mullaney, Chicago, and P. A. Walters, Chicago.

New members of the District Committee will assume office on Jan. 15.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes: John C. Stewart will retire from partnership in Hicks & Price on Dec. 15. Charles E. Crawley will retire from partnership in Merrill Lynch, Pierce, Fenner & Beane on Dec. 31. membership.

H. Cassel & Co. to Admit

H. Cassel & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will admit Francis Warren to partnership on Jan. 1. Mr. Warren is trader for the firm.

White, Weld Partners

Chandler Hovey, Jr. and L. Emery Katzenbach, II will become partners in White, Weld & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1.

Securities Salesman's Corner

By JOHN DUTTON

It takes strong backing from the home office to keep good men going out in the field. It also takes good men who appreciate and cooperate with what is being done for them to keep the sales up, and give those who are behind them the incentive to continue to back them up. It works both ways. If a sales organization is going to produce and accomplish something there must be teamwork and mutual willingness to understand the problems involved so that the most effective use of time, materials and coverage of the territory can be obtained. *Time* is the most valuable asset which a salesman can possess. If he wastes it he is wasting his efforts and his capital. His *materials* are the products which he is offering. Choice of the *right products* for his territory can boost sales and improve results where the wrong merchandise can bring about the opposite effect. *Coverage* is seeing qualified prospects who can use what you have to sell.

Time, materials, coverage—the only way you can do this job right is to get together. Office and men should both understand their jobs and do them. There is a dealer friend of ours who has a small organization—just four or five salesmen. But all of them are doing well. He does not hire men who won't work intelligently. And this dealer works too—with his head and his capital. He spends money to help his men, and he spends it where it will do the most good.

Here are a few examples of the way his office cooperates with the salesmen. Each man has a territory. Each man has a complete set of prospect cards in the home office with holdings listed of every prospect and client. All securities so listed are put on the firm's watching service. Whether a prospect or a client, all names listed in the salesman's protection file regularly receive notices pertaining to their holdings which may be of interest or value to them. In addition, at regular intervals the firm sends out a bulletin or letter which keeps their name before the salesman's prospects and accounts, and is helpful as a good-will builder.

Once a week, on a Saturday, the salesmen come in to the office. Otherwise they stay out in the territory unless an emergency arises. All other contact with the office is by telephone or letter. Saturday is devoted to mapping out the work for the following week. The most likely prospects are picked out—sales problems are discussed—the proper approach on individual cases is gone over with care. Deadwood is culled out of the prospect files. New situations are discussed. This takes almost the whole day on Saturday, but it works. When Monday morning comes these men know where they are going—they have plans for the entire week—and they know that their home office is right behind them on every situation that they must meet out in the field. They have organized their *time, materials*, and how to *cover their territory*.

A word or two about this idea of staying out in the field instead of coming into the office every morning. Some hold that it is best for a sales organization to show up every morning before going out to work. I hold differently. If you have men who are real salesmen—who are self-starters (and no man is a salesman who cannot start his own motor every day without having someone give him a push)—you don't need to waste time traveling to an office, sitting around until the market opens and then straggling out to make some calls in a half-hearted manner which you know quite well is what often happens as a result of TOO MUCH OFFICE. You rust out sitting, you get lazy sitting, you become satisfied sitting, and you can lose your pep and ambition sitting. I never saw a room full of sitters that could build very much of anything.

* * *

The happiest people are too busy to notice whether they are or not.

How Else Can It Be Done?

"Thus our future prosperity seems to depend very definitely upon our capacity to create additional buying power in the hands of the masses of consumers. This requires, of course, an intensification of technological progress, for increasing man-hour output constitutes the only foundation for higher standards of living.

Harold G. Moulton

"This increasing productivity must be accompanied by a constantly broadening distribution of national purchasing power through the medium of an ever-improving ratio of prices to wages.

"Unless the buying power of the masses, whose wants create markets, is progressively expanding, business management will have to be content with a virtually static situation. There is scant future in trying to sell more goods to the shrinking rich and middle classes; and net foreign outlets will shrink as export subsidies decline and imports increase."—Harold G. Moulton.

If "business management will have to be content" with such a generally unsatisfactory state of affairs, so will labor and all the rest of us.

But does the learned professor know of any better avenue of escape than that which has brought us along so well in the past—free enterprise, individual liberty, self-reliance and vigorous competition?

Railroad Securities

Chicago & North Western

For the first year since it emerged from reorganization, Chicago & North Western will pay no dividends on either its preferred or common stocks this year. Last year the full $5.00 was paid on the preferred and $2.00 a share was distributed to holders of the common. Announcement last week that directors had taken no action at their regular December meeting did not have any further appreciable unfavorable market influence on the stocks, nor was it reflected in any change in sentiment toward railroad securities generally. North Western securities had already sold off sharply and suspension of dividends had apparently been pretty well taken for granted.

North Western is having a particularly disappointing year in 1949. Early in the year operations were seriously disrupted by heavy winter storms and extremely low temperature. This was reflected not only in a serious loss of traffic but, also, it imposed a heavy expense burden for snow removal, etc. Traffic was unexpectedly slow in flowing back to the lines following the storms and last year's heavy corn crop did not move in as large volume as had been expected. Aggravating the difficulties of early 1949, the road in more recent months has been hard hit by the coal and steel strikes.

Gross revenues for the 10 months through October were off a little less than 11% from a year earlier which, under the circumstances, was not too bad a showing. However, expenses remained high—operating costs were off only 3.6% and the operating ratio jumped from 84.8% to 91.7%. For the period net operating income, without any deduction for Federal income taxes, amounted to only $296,317. A year ago net operating income before Federal income taxes was roundly $11,500,000. At the same time, non-operating income declined nearly half a million dollars and charges were nominally higher than they had been in the preceding year.

For the 10 months through October there was a net deficit of $2,966,938 after fixed charges and contingent interest, but before sinking fund deductions. A year earlier there had been a contrasting net income of $5,843,512 on the same basis. On the basis of the reported results so far there is obviously little chance of any earnings at all on the preferred stock this year. The dividend on the stock is cumulative only to the extent earned. It can not even be taken for granted that the full income bond interest will be covered by 1949 earnings. However, continued payment of interest thereon appears well assured. Whether earned or not this interest is cumulative up to 13½%.

The particularly poor showing this year may obviously be traced to a number of unusual and highly adverse developments. Barring their unlikely repetition, the 1950 showing should be appreciably better. Even granting this, however, there are a number of weaknesses inherent in the situation that militate against any great confidence in the ability of the company to show consistently high earning power during normal business cycles. Traditionally the road has been one of the highest cost operations in the industry. Its margin of profit over a long period of years has consistently run well below the industry average.

The road has a substantial proportion of low density mileage which is expensive to operate. This squeeze may be at least partially corrected by line abandonments, but this is a long drawn out process. It does a large volume of passenger business, particularly of the short-haul commuter type. This type of business is almost universally highly unprofitable. A level of fares sufficiently high to make it profitable does not appear feasible. Finally, the road has a large proportion of short-haul freight. Its average haul is among the shortest for the major railroads. Heavy terminal costs in the Chicago area impose an unduly heavy burden on road-haul revenues from short-haul traffic. This, also, appears to be inherent in the road's location and type of business and contributes importantly to the long-term earnings uncertainties.

Taxation and Foreign Investment

(Continued from page 27)

and that the earned income of an American resident abroad should be exempt from the time he becomes a bona fide resident abroad. The effect of this liberalization will be to extend tax benefits to Americans in the first year of their residence in foreign countries. It is hoped that this measure will afford encouragement to American technicians to bring their skills and know-how to bear on the solution of some of the economic and financial problems of war-disrupted and underdeveloped countries.

Elimination of Double Taxation

Another aspect of international taxation which deserves attention is the elimination of double taxation. Double taxation may readily result where two or more countries tax the same income, and if not eliminated, taxpayers find themselves paying two tax burdens instead of just one. Under our law there are quite extensive provisions for the elimination of such taxation and it can generally be said that the United States allows an extensive credit against its tax on foreign income for taxes of foreign governments on the same income. However, there are certain restrictions in these provisions which it would seem should be liberalized. One of these, for example, relates to the limitation on the extent of the credit for foreign taxes where a taxpayer incurs losses in one country and profits in another. Under our present law the losses of one country reduce the amount of credit allowable for foreign taxes paid to countries in which there are profitable operations. In the interest of stimulating foreign investment it would seem that the foreign tax credit provisions should be changed so as to give additional recognition to the overall result of foreign operations. Another area in which the foreign tax credit appears to be restrictive is with respect to foreign subsidiaries of domestic corporations. The present law requires that domestic corporations own more than a majority of the voting stock of their foreign subsidiaries before being allowed to take a credit for foreign taxes imposed on their profits when received as dividends. It has been brought to our attention that local requirements may forbid any one corporation owning the controlling interest in its foreign subsidiary. There is a tendency for some foreign governments to look with disfavor on local corporations being controlled by outside interests. In light of these developments, we believe that the majority ownership requirement is too restrictive and should be liberalized.

The Treasury Department is actively pursuing a tax treaty program whereby two countries get together to eliminate double taxation, and to set up agreed principles as to the method of taxing each other's enterprises. We have already consummated income tax treaties with the United Kingdom, Canada, Sweden, Denmark, The Netherlands and France. Negotiations are being carried on with numerous other countries, and it is hoped that more countries will become interested in concluding agreements with us. These treaties establish forums where taxpayers may obtain assistance in eliminating double taxation or in ironing out tax controversies with other countries. Principles as to allocation of income, recognition of foreign taxes for credit purposes, exemption for a reasonable period of businessmen going abroad from taxation by the other country, etc., are the subjects covered by these treaties. They tend to give taxpayers confidence that they will not be whipsawed between two divergent tax systems. From the increased interest which I have seen in this program, I feel sure that tax treaties will be a beneficial influence on increasing American business abroad.

The Treasury Department is continuously studying this whole subject. As I have indicated, the problem of international taxation is a vital one and must be coordinated with our foreign economic policy. The program outlined above will iron out some of the inequities in our present system which have accumulated over the years. We feel that these changes will contribute to the effective execution of our foreign policy.

Frank Voorheis to Be Partner in Goodbody

DETROIT, MICH. — Frank E. Voorheis, Resident Manager of the

Frank E. Voorheis

office of Goodbody & Co., in the Penobscot Building, will be admitted to partnership in the New York Stock Exchange firm on Jan. 1.

Wm. E. Pollock Co. Appoints Officers

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, announce the appointments of Henry Benson and Harold T. Marcus as assistant vice-presidents and Margaret Gundel as assistant secretary.

"The Price of the Business"

(Continued from page 4)

to the conclusion it's impossible and give up trying.

Well, gentlemen, I'll tell you something. It's a very funny thing about the impossible—most every worthwhile endeavor seems to be impossible the first time you look at it, but then, when you find a way to accomplish it you wonder what in the world you were worrying about. (At this point, Mr. Sharer demonstrated with a few tricks of magic that nothing was really "impossible.")

Well, I know those tricks are interesting but what is the point? Well, the point is this: anybody can do those tricks if they first have the right tools and, secondly, if they take the time to learn how to use those tools properly.

And so it is with product knowledge. In order to make your product knowledge "pay-off" you have to know more than just the sales features of your product; equally important you must know how to sell those sales features in terms of benefits to the consumer.

In other words, gentlemen, too many salesmen try to sell the product, instead of selling what the product will do. They forget or were not trained to know that people do not actually buy merchandise or a service, it's what that merchandise or service will do that they pay their money for.

For example: I did not buy this cigarette lighter. What I really bought was a dependable flame. I did not really buy these cigarettes. What I actually paid my money for was the smoke, and the satisfaction and pleasure it gives me.

You know, training men to sell the benefits instead of the product is one of the major training problems we have in the tire business. Maybe it's also a difficult problem in the securities business as well.

But anyway, if you want to properly analyze the problems of "How to sell tires," you have to look at the problem through the eyes of the consumer. Because the real problem is not "How to sell tires," it's "The reasons why people buy tires." If you know those reasons, and know how to solve them, you will sell tires. Now, when you analyze the question of "Why people buy tires" you come up with four undisputable facts:

First, people buy tires for the same reasons they buy false teeth, operations and coffins—when they have to, and not before.

Second, actually, it isn't the tires that people buy, it is what the tire will do, that they pay their money for.

Third, basically, there are three things that people want from tires: mileage, safety and comfort.

Fourth—and the most disturbing factor of all—the things that people want from the tires, they can not see.

The first three factors are easily understandable but the fourth one is something salesmen in many lines of industry, who face the same problem, fail to realize.

Let me show you what I mean. Look at this picture of a U. S. Royal air-ride tire. You can see the tread of this tire. But you can not see the mileage that the tread will deliver, and mileage is what you want. You can see the carcass of this tire, but you can not see the safety that is built into it, and safety is what you want. You can see the size and the design of this tire, but you can not see the comfort that it makes possible, and comfort is what you want.

In other words, gentlemen, the things you want from tires you can not see, and therefore, we are constantly trying to find ways and means of developing displays, demonstrators, manuals, charts, etc., that will illustrate and demonstrate to you, when you come in to buy tires, that those things which you want from tires and cannot see, are actually there, and, of course, if it's U. S. Royal tires you are looking at—you will be able to see a little more of those things you want than all other brands of tires selling at around the same price.

Overlooking the Obvious

But getting back to the principle—some of you men may be saying to yourself "So what, that's obvious." Well, gentlemen, that is one of the great troubles in this business of selling: Too often we overlook the obvious, and the obvious, in many cases, is a very important selling point.

A major problem with many tire salesmen is to make them realize that the things people want from tires they can't see, and that this being true, you can't sell tires with conversation alone. In fact I don't think you can sell securities with conversation alone, either. Since you can't see the value in securities, you have to prove to me that the value is there before I'll buy, and this requires more than just conversation!

In the tire business there are two big reasons why salesmen overlook this simple principle that "the things people want from tires they can't see."

One reason is this: The problem does not exist with all types of merchandise. Take television sets, for example. Go into a department store, an appliance store, or a tire store, sit down, look at the television set, and everything you want you can see. For example, you can see the size of the picture, can't you? You can see the design and the type of the cabinet, whether it is mahogany, walnut or maple. You can see whether it is a combination television-radio or phonograph, or whether it is just television. You can even turn it on and see what is on the air, and how clear the picture is.

In other words, everything you want from a television set you can see with your own eyes. Therefore, the methods you use to sell television need not be the same as in selling tires—you do not need a lot of demonstrators, illustrations, etc.

Here is another example—this suit I have on. Before I bought this suit, I could see the color of it, couldn't I? The salesman said this suit was 200% wool. I said, "How could it be 200% wool?" He said, "The sheep this suit came from led a double life." (Laughter.)

But, anyway, before I bought this suit I could see the color of it. I could see the style, I could see whether it was single or double-breasted, and I could see the tailoring. In fact, I could even try it on to see how it fit, and with all that information to go by —I know I should have known better. (Laughter.)

But with tires, the things you want cannot be seen, and therefore, "the salesman has to prove it to you"—and that requires more than just conversation, it means using the many sales promotion items we provide the tire salesman to demonstrate that the mileage, safety, and comfort you want from tires, and can't see, are actually there.

And here is another factor many salesmen fail to take into consideration—and that is that two people can look at a product and yet not see the same things.

For example: when a tire salesman looks at a tire on display he not only sees the features of the tire, but he also visualizes the benefits of those features in his mind, because he knows tires. But he often forgets that all the customer sees are the features. Let me give you an example of what

I mean. (At this point, Mr. Sharer demonstrated by drawing a picture on a large paper pad.) Now, every man in this room is looking at the same picture. I don't know what you see, but I see a giraffe passing a second story window. (Laughter.)

But seriously, gentlemen, did we all see the same thing, in this case? No. And so it is with tires and also securities. When you lay some securities in front of a prospect, and then just talk about them, remember all the prospect sees is a few pieces of paper, so you have to support your conversation with evidence that will prove to the prospect that the value he is looking for is actually there.

As a matter of fact, gentlemen, salesmen have five senses to appeal to. So analyze your product and ask yourself these questions: Can they see the benefits? Can they smell the benefits? Can they taste the benefits? Can they hear the benefits? And can they feel the benefits? The larger the number of senses you can find ways to appeal to in terms of benefits, the more chance you will have to make your sale.

With tires, the prospect cannot see, taste, hear, feel, or smell the benefits just by looking at a new tire on display and, therefore, we have to use demanstrators, cross-sections, mechanical devices, photographs, manuals, charts, etc., to help people visualze in their minds the benefits of the features which they want but can't see with their eyes, and let me repeat, gentlemen, it's the benefits that people buy—not the product.

Dramatize Your Product

Another point, very important in selling, is that when you are talking product, dramatize it. Salesmen many times have tremendous opportunities to dramatize their product story yet do not take advantage of it. Take the case, back during the war, when the rubber industry developed synthetic rubber for tires because of the shortage of natural rubber, it was soon the talk of the country. Everybody wanted to know about the new synthetic rubber called G.R.S. Tire salesmen talked about it but few tried to figure out a way to dramatize the story.

But you can dramatize it. For example, I'll make some synthetic rubber for you, right here before your eyes. Here I have some Latex synthetic rubber. Now I'll pour it into this glass bowl. Now, here, I have a special chemical which I am also going to pour into the glass bowl — now we mix the chemical and latex throughly, and, believe it or not, the first thing you know, we have rubber. (At this point, Mr. Sharer took the rubber from the bowl, squeezed out the liquid and bounced a rubber ball against the wall—then threw it to the audience for inspection.)

Gentlemen, I made that demonstration just to show there is a way of dramatizing any product.

The secret is to take the time to figure out a way to do it, gather up the right tools, and then practice your demonstration until you have it down perfectly. Then, and only then, are you ready to make a successful demonstration before a prospect. That is the way top-notch salesmen handle their product stories, which is one more reason why they are top-notch.

And so, gentlemen, let me say again, in closing: During the ten-session training course you just completed Mr. Sutton gave you all the priciples to follow in order to be a top-notch salesman, and he told you how to apply those rules successfully. I have given you a few of the rules to follow if you decide to be just a mediocre salesman. Therefore, I leave you with this one final thought: The choice, gentlemen, is in your hands. Thank you.

The State of Trade and Industry

(Continued from page 5)

mand for such luxury items as jewelry, perfume and high-priced garments was described as "poor" in most areas.

STEEL OUTPUT CLIMBS TO 94.1% IN CURRENT WEEK

The price of steelmaking scrap, normally a good barometer of future steel business, has softened enough during the past three weeks to give some observers the jitters. But indications are that scrap market weakness will have to last longer and be more pronounced than it has been before it can be called a sure sign of an early decline in steel production, according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

Several factors point toward excellent steel business during the first quarter of next year and reasonably good prospects for the entire first half, this trade paper notes. Most important, there has been no increase in steel order cancellations in the past month, as there was before the drop in steel output this spring. Mill schedules, particularly on flat-rolled products, are at least as heavy today as they were during the second quarter of 1949, when steelmaking operations averaged 91% of rated capacity.

"The Iron Age" scrap steel composite price, at $27.25 per gross ton this week, is still above the September average of $25.66 per gross ton. This figure (the average of No. 1 heavy melting steel scrap at Pittsburgh, Chicago and Philadelphia) began the year at $43 a ton, held above $30 through March and drifted down through the $20's until it hit the year's low of $19.33 at the end of June. After this drop, the steel ingot rate fell from 82% in June to 71% in July.

Scrap prices remained at or near the year's low until August when they—along with steel operations—moved up. The scrap composite softened during the steel strike, turned stronger in November and then began to slip late that month from a November peak of $29.92 a ton. On declines of $1.00 a ton in Chicago and Pittsburgh, this week's scrap composite dropped 67 cents a gross ton. Other markets were generally weaker too.

The steel mill order pattern is still good, this trade authority observes. Some companies are booked solidly through June on sheets; others have not opened second quarter sheet order books—but could fill them if they did.

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 94.1% of capacity for the week beginning Dec. 12, 1949, an increase of 2.4 points or 2.6% from the preceding week's rate of 91.7%.

The above rate is the same as that attained in the week beginning May 23; the previous high rate was 95.6% recorded in the week of May 16, last.

This week's operating rate is equivalent to 1,734,700 tons of steel ingots and castings compared to 1,690,500 tons one week ago. A month ago the rate was 57.4% and production amounted to 1,058,200 tons; a year ago it stood at 100% and 1,802,500 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT SURPASSES ALL-TIME HIGH RECORD SET IN WEEK ENDED JAN. 29

The amount of electrical energy distributed by the electric light and power industry for the week ended Dec. 10 was estimated at 5,881,360,000 kwh., according to the Edison Electric Institute.

This figure established a new all-time high record and exceeded the previous all-time high mark set on Jan. 29 of this year by 71,326,000 kwh.

It represents an increase of 138,445,000 kwh. above the preceding week.

It was 176,537,000 kwh. higher than the figure reported for the week ended Dec. 11, 1948, and 553,890,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS RISE 4.4% IN POST-HOLIDAY WEEK

Loadings of revenue freight for the week ended Dec. 3, 1949, totaled 693,923 cars, according to the Association of American Railroads. This was an increase of 29,368 cars, or 4.4% above the preceding week, which included Thanksgiving Day holiday.

It represented a decrease of 110,249 cars, or 13.7%, below the corresponding week in 1948, and a decrease of 184,665 cars, or 21%, under the similar period in 1947.

AUTO OUTPUT HITS LOWEST WEEKLY TOTAL SINCE JULY, 1946

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada declined to an estimated 53,982 units, the lowest weekly total since July, 1946, from a revised figure of 72,994 units in the previous period.

The total output for the current week was made up of 37,299 cars and 10,845 trucks built in the United States and 3,265 cars and 2,573 trucks built in Canada.

Model changeover delays and continuing steel strike effects were blamed by "Ward's" for the week's low production.

The week's total compares with 124,041 cars built in the U. S. and Canada a year ago and 95,990 units in the like week of 1941.

BUSINESS FAILURES LEVEL OFF

Commercial and industrial failures fell to 191 in the week ended Dec. 8 from 221 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were considerably more numerous than in the comparable weeks of 1948 and 1947 when 122 and 60 occurred respectively, they continued to be noticeably below the pre-war total of 297 in the similar week of 1939.

Manufacturing failures dipped to 53 from 65 and construction to 15 from 30, and hence accounted for most of the week's decrease. The only increase during the week occurred in commercial service where 15 concerns failed as compared with 12 in the previous week. An increase over 1948 prevailed in all lines of business; it was relatively slight, however, in wholesale trade and construction.

A marked weekly decrease in failures occurred in the Middle Atlantic, East North Central, South Atlantic, West South Central and in the Pacific states. Contrary to this general downward movement, New England casualties rose to 33 from 14. All areas had more concerns failing than a year ago.

WHOLESALE FOOD PRICE INDEX AGAIN SHOWS LOWER TREND

The Dun & Bradstreet wholesale food price index moved slightly lower the past week to stand at $5.76 on Dec. 6, from the revised index of $5.79 a week previous. It compared with $6.33 on the corresponding date a year ago, or a decrease of 9.0%.

The drop originally reported in the preceding week's index was attributed to a decline in tea prices. Actually there was no drop in tea prices. The temporary slump that occurred following devaluation of the pound was quickly recovered and current tea prices are at a level fully equal to those prior to devaluation.

WHOLESALE COMMODITY PRICE INDEX SHOWS EASIER TONE

The Dun & Bradstreet daily wholesale commodity price index moved irregularly lower last week to close at 247.47 on Dec. 6. This compared with 248.13 one week earlier and showed a drop of 8.7% from the 271.12 recorded at this time a year ago.

Grain markets as a rule were active and strong, supported largely by improved export business and scarcity of offerings in the cash markets.

Speculative buying increased and all deliveries of wheat and oats and the deferred contracts in corn sold at new high prices for the year.

Mill demand for wheat was fairly good. Marketings of corn continued in good volume but demand was active and prices held at a firm level. Farmers continued to show a disposition to withhold their corn from the market. Receipts of rye were light and the market strengthened materially. Flour prices closed slightly firmer. Export demand for flour was somewhat better and a moderate expansion in bookings of hard wheat bakery flours was noted.

Under scattered liquidation, coffee futures worked lower the past week, the S contract showing a decline of more than 2 cents for the period.

Spot coffee prices were slightly easier although Brazilian markets continued firm. The New York tea market was fairly active and strong with spot supplies rather scarce. Primary tea markets quickly recovered from the temporary slump which followed devaluation of the pound. Current tea prices are fully equal to those existing before devaluation and the trend appears to be toward firmer levels as supplies in producing countries continue to tighten.

Spot and future cocoa prices turned downward in the week, reflecting lagging demand and reports of increased supplies afloat from West Africa and Brazil.

Trading in lard was small and prices held in a narrow range. There was a broader demand for live hogs last week but prices continued easy as market receipts rose to the largest in over five years. Prices for choice fed steers continued to rise but shortfed steers were lower as the result of heavier marketings.

Domestic cotton prices moved steadily higher last week, the New York spot quotation showing a gain of 42 points during the period.

Strengthening influences included the announcement by the Secretary of Agriculture of a cut of 20% in the 1950 cotton acreage and the fact that the mid-November parity price for cotton was unchanged from the previous month's level at 29.76 cents per pound.

RETAIL TRADE SHOWS MODERATE RISE DUE TO HOLIDAY BUYING—WHOLESALING UNCHANGED

Holiday buying of gift merchandise was noticeable during the period ended on Wednesday of last week as total retail sales rose moderately; dollar volume in the corresponding 1948 week remained slightly above last week's figure, Dun & Bradstreet, Inc., states in its current review of trade.

Apparel was sold in increased amounts the past week; sustained winter weather spurred the demand for fur-trimmed coats and other seasonal wear. Hosiery and accessories were popular among shoppers as Christmas buying increased.

Housewives bought approximately the same quantity of food as in the previous week.

The retailing of major appliances continued at a high level; television sets and small radios were in increased demand and dollar volume remained above the level for the similar week last year.

The consumer demand for luxury items such as jewelry and cosmetics remained limited. Many large centers were experiencing a seasonal interest in toys.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 1 to 5% below last year's level. Regional estimates varied from the levels of a year ago by the following percentages:

New England +1 to +5; Midwest, Northwest, and Pacific Coast —1 to —5; East and South —2 to —6 and Southwest —5 to —9.

While wholesale buying throughout the country continued steady at last week's level, total dollar volume was moderately below that for the corresponding 1948 period. More retailers were reducing their current inventories this year than last year. The number of buyers present at the wholesale centers rose slightly this week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 3, 1949, decreased by 8% from the like period of last year. In the preceding week a decrease of 5% was registered below the like week of 1948. For the four weeks ended Dec. 3, 1949, sales registered a decrease of 7% from the corresponding period a year ago and for the year to date a decline of 6%.

Christmas buying in New York the past week spurted forward, but notwithstanding this, dollar volume held under that of last year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Dec. 3, 1949, decreased by 7% from the same period last year. In the preceding week a decrease of 2% was registered below the similar week of 1948. For the four weeks ended Dec. 3, 1949, a decrease of 5% was reported under that of last year. For the year to date volume decreased by 7%.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions, by referring to "Indications of Current Business Activity."

How to Stop Socialism

(Continued from page 29)

tem, in terms everyone can understand and accept.

Each of us must do this, out of his own experience, in his own way, in terms of how it affects the lives of his listeners. It is a compelling story we have to tell—a story we can be proud of. Some one has called it "the greatest untold story." The facts of this story we have all around us. What each of us has to do, is to weave these facts into a simple, straightforward, cohesive message.

One point is important. Communication in this field is abstract, difficult and largely undeveloped.

But let's tell this story to our employees, to our customers, our neighbors, our friends. Let's tell it to all who will listen. Let's reconvert those who have been proselyted by our enemies.

Numerous surveys have demonstrated the value of telling employees of business and industry the story of how the American business system benefits the nation. No other field is as fertile and productive. Many are sowing the good seed in this field. Everyone should.

Employees of business and industry want the truth. Once they have it, they can be extremely potent salesmen of free enterprise.

A recent survey by Opinion Research disclosed that 83% of employees who were uninformed about the benefits of the American economic system, were wholly or partially in favor of government domination of business and the national life. Only 17% believed in anything like what we call free enterprise.

But among well-informed employees, 75% upheld free enterprise. Only 25% could be classed as partial or extreme collectivists.

The media for getting "the word" to employees are familiar—employee publications, meetings, letters, foremen meetings, employee education programs, and various other avenues of communication. But the techniques of using these avenues are not easy, or well developed. This is not a criticism. Rather, it is a challenge to do a job as yet undone.

Other opportunities exist in our daily personal contacts with people who are not yet as steamed-up over the situation as they ought to be. Especially, let's tell it to the youth of the country. Then there are numerous organizations, from churches to luncheon clubs, where discussion of current problems is encouraged. Let's avail ourselves of every opportunity to tell them the story.

It may not be easy to bring yourself to do this. And many of your associates may feel unsure about taking on the task. But urge them to do it. They soon will find they enjoy telling people the story, and the listeners are grateful for the information they receive.

Telling the story is one kind of action we can take. There is another which can be summed up in my fifth suggestion:

We must take a more alert personal interest in government, and implement our interest by personal action.

It isn't enough to learn and spread the story of sound economics. To put an informed public opinion to work, we must impress our opinions on government at all levels, from the school board to the White House. It is usually not possible to participate in government to the extent of running for office, but we can appear before legislative committees and accept appointment to administrative jobs. Before Congress or any other legislative body votes on any measure affecting our American economic system, we can act singly and through organizations to let our representatives know how we think and where we stand on it.

Unfortunately, the phrase "write your Congressman" has been bandied about so much that too few people with our economic leanings take the trouble to write their Congressmen. But it's still a sound idea—and an important one.

Congressmen report that the bulk of their mail comprises letters asking for this, or protesting against that. Not many "thank you" notes come in. When a Congressman votes the way we think he ought to, let him know we appreciate it.

The No. 1 control of the philosophy of something-for-nothing is the control of governmental expenditures.

So, if there is one kind of legislation to which we all must pay the closest attention, it is that which makes possible the needless spending by the government.

American businessmen, who have demonstrated to the world that salesmanship is one of our higher arts, can find no better use for their talents than in selling the idea of economy and reduction of spending by government.

My sixth and final point overlays all the other suggestions and is partly dependent on them:

We must truly deserve the confidence of the people.

We are all aware of the decline in prestige of American business leaders. Gwilym A. Price, President of the Westinghouse Electric Corp., has said that "American business is now operating in a climate so hostile to enterprise that it is unable to obtain its capital requirements from the public." If we are to change this situation it will require a major effort on the part of all of us.

Of course there is no substitute for performance. Before we can expect that the people at large will have full faith in business, we must be sure that we are running our own businesses so well with proper regard for the public interest, that we deserve such confidence.

We also owe it to ourselves as businessmen to let the public know the value of our performance. This calls for alert and expert public relations. It means being a good neighbor—and letting the public know we are one.

To change metaphors, you can't polish a rotten apple, but you can take the wrapping off a sound one.

One of the most difficult aspects of this problem of deserving public confidence is the fact that some businessmen are guilty of the same derelictions they criticize in others. Some of them also have the "gimmies."

The moral is obvious. Businessmen must stop acquiescing in government intervention which doesn't seem to directly concern them. They will have to quit taking a handout from Uncle Sam with one hand while they take a *poke at bureaucrats* with the other.

These then are the essentials of the program which—as I've said—have been developed from the experience and suggestions of many.

Let me repeat them:

First, we have got to get informed. We must educate ourselves on the economics of the American system.

Second, we must recognize that many proposals for reforming the American economy stem from real problems.

Third, we must be for right things, not merely against wrong things.

Fourth, we must spread the story of the American system, in terms everyone can understand and accept.

Fifth, we must take a more alert personal interest in government and implement our interest by personal action.

And Sixth, we must truly deserve the confidence of the people.

You no doubt have further ideas. I will welcome them and I hope all of you will tell me here, or write me, any ideas I can add. I want to do the best job I can in carrying this story to others.

One thing above all others is vital. Any effort to preserve "Our Way," or "Free Enterprise," or "Freedom," is of no importance if its objective is only to save "our" business, or "our" jobs, from nationalization, whether "our" business is railroads, or steel, or medicine, or electric power. Saving a business—any business—from nationalization is important only because saving it helps to preserve freedom for every American citizen.

If we plead what seem to be our special interests, we will surely fail. This is true of the railroads, or doctors, or steelmakers, or bankers, or insurance men, or any other group whose particular field of business is being invaded by government and is being nationalized by stages.

We will get support from the man in the street only when we show him that after all it is he who is being hurt and unfairly treated. Not until we show him that it is his savings and his children's future savings that are today being taxed away from him will he be on "our" side—which is in reality "his" side—in this fight for a free America.

A quarter century ago the late Carl D. Thompson, organizer and leader of the Public Ownership League of America, issued this manifesto:

". . . The movement for public super-power becomes the most vital phase of the public ownership movement. The control of electric power . . . will obviously carry with it the control of the industries of the nation, the control of transportation, of mining and agriculture. . . . It will also dominate and determine very largely the domestic life of the people. . . . Electric power is the key to the coming civilization. . . ."

All who believe in preserving the American Way of Life and Freedom of Enterprise cannot let this key to freedom be wrested from them.

That would be bad—not because it is bad for those in the electric business—but because it is bad for the people who place dependence on our business, whether they be consumers, workers or investors. It is not "our" ox that is being gored—it is theirs. And it is up to us to make them see it.

The electric light and power business—large though it is—is small in the world scheme of things.

But we in this business know we have a far greater obligation than just to save our business from socialization. It is our obligation to devote the best we have in us to help save our customers our employees, our communities and our nation from the menace of expanding socialization.

And it will only be when we as individuals get the aid of a host of other individuals that we can win this struggle which seems to be our particular struggle, but which in reality is as importantly theirs.

Economic Factors Make a Severe Depression Unlikely!

(Continued from first page)

's after former wars, came from the replenishment of depleted stocks of consumer goods — in homes, in retail and wholesale trade channels, and in the inventories of producing corporations. This time, however, the void to be filled was much greater than after former wars because of the much greater enforced curtailment of normal peacetime production which this war had necessitated.

This first phase of the process is commonly referred to as filling up the pipelines. It may be recalled that the view was widely held that the slump would occur as soon as these pipelines had been filled. It turned out that they were not only filled but continuously refilled.

Replacement of Equipment—A vast replacement or rehabilitation program occurred in the realm of industry. The deterioration of plant and equipment, resulting both from the passage of time and intense use, had to be made good promptly. In addition, large business outlays were involved in the readaptation of plant and equipment as production was shifted from war goods to peace goods. Here again the situation was like that after other wars only more so.

Aid to Other Countries—The world-wide and devastating character of the conflict and the preeminent position of the United States made it imperative that foreign aid be expended on a much vaster scale than was the case in 1919. Moreover, economic and political conditions combined to make it necessary to continue such aid for many years.

Capital Expansion — Following hard upon the replacement of depreciated and obsolete industrial plant and equipment came a great expansion of new capital construction. This capital expansion movement marked what may be called the second stage in postwar business development. In nearly every line of American industry productive capacity was increased and in many lines very sharply, notably in the heavy industries. A substantial part of this increase in capacity represented the substitution of new and more efficient plant and equipment for old and obsolete types. This was especially true in the railroad industry, where the need for cost reduction was so exigent that rapid dieselization, for example, was regarded as an imperative necessity. Great expansion also occurred in such basic industries as iron and steel, the lighter metals, automobiles, electricity, and the electrical public utilities. New industries also came over the horizon and helped to crowd the industrial stage. Finally, residential construction, held in abeyance by the depression as well as the war, had to be rapidly expanded to provide living accommodations for a greatly increased number of families. In this field the financing of the expansion was facilitated by what amounted to government underwriting of home mortgages. Finally, the government expanded its program of public construction.

The Upthrust of Consumer Demand—The factor of paramount, and continuing, importance in the postwar situation has been the vast increase in the buying power of the masses of American families. During the war period and continuing into the postwar years there was an extraordinary increase in the real standards of living of the American people. Despite the persistent agitation over the high cost of living, the position of working class families has shown a remarkable improvement since 1939. This has been due in part to the increased number of workers per family, and in part to the extraordinary rise in wage rates. Aggregate wages have nearly tripled. The cost of living rose roughly 70% during the decade; but weekly wages increased more than 120%. As a result of these developments there has been a vast upthrust of families to successively higher levels of income.

In consequence of this upward movement, we find a marked increase in the percentage of total income received by the intermediate groups of from $2,000 up to $7,500. There is a corresponding decrease in the percentage received by those having incomes of less than $2,000; and there is also a decrease in the percentage received by those with incomes in excess of $7,500. In aggregate dollar terms the families in the $2,000 to $7,500 groups in 1929 received only $38 billion, as compared with $111 billion in 1946.

It was this rapidly rising level of family incomes which provided the basis for the expanded and sustained demand for consumer goods. The effects of this enhanced buying power in the hands of millions of families was felt all along the line—notably in better quality meats and other foods, in household furnishings and supplies, in textiles, in a wide range of luxury goods and services, and even in high-priced durable consumer goods. This in turn furnished the stimulus required for a great increase in plant capacity.

The industries themselves were surprised by the continued magnitude of consumer demands. A continuing stream of orders flowed through the pipe lines, calling forth continuous and expanding production. When one understands that the volume of consumer goods purchased in domestic markets rose between 1945 and 1948 by $50 billion and that meanwhile foreign demand was declining, the significance of expanding mass purchasing power becomes apparent.

The most intense phase of the postwar boom occurred from mid-1947 to mid-1948. During this period large consumer buying in domestic markets, increasing foreign demands incident to the Marshall Plan, a bulge in farm prices and farm incomes, and expansion of plant capacity combined to produce a super-level of business activity. Wages, farm incomes, and profits reached levels scarcely conceived possible.

The special combination of factors responsible for the superboom conditions of 1947-48 could not, of course, continue indefinitely. Before the end of 1948 there began an appreciable decline in business activity accompanied by greater sales resistance and weakening prices. This led shortly to a widespread fear of a general economic collapse in 1949.

As a basis for appraising the trends of 1949 and laying the essential foundation for a discussion of the outlook for 1950 it will be desirable to present very briefly my appraisal of the situation a year ago now. I noted, first, certain unfavorable symptoms as follows: (1) a readjustment in the relations between supply and demand in many consumer lines; (2) some tapering off of private capital expenditures; and (3) the possibility of further increases in taxes, especially on corporations.

On the other hand, I noted several favorable or sustaining factors: (1) the rearmament program—assuring a powerful demand in the highly important metallurgical industries; (2) an increase in the real buying power of the masses of urban consumers in consequence of declining prices of foodstuffs; (3) an assured high level of farm income — an 11% increase in physical volume of farm products going far toward offsetting the effects of price declines. I concluded my interpretation a year ago as follows: "If I had to strike a balance, I would say that so far as economic factors are concerned the prospect for a high level of business for some months to come appears reasonably good.

"The real danger in the immediate situation is that the accumulation of soft spots, accompanied by price declines, may—as aided and abetted by business prognosticators — create a psychology of waiting. If enough consumers and producers postpone buying in the expectation or hope that prices will be lower later, a genuine business slump could readily be precipitated. Experience has amply demonstrated that once a recession movement is substantially under way it can gain momentum rapidly. Certainly in my thinking I do not rule out the possibility of such a development in the months immediately ahead. However, I incline to the view that the sustaining factors to which I have referred will prove of decisive importance."

The Recession of 1949

The recession of 1949 did not, fortunately, degenerate into the full-fledged depression which had been expected or feared. Despite the unfavorable business psychology of the first half of the year and substantial reduction in output in many lines, the tide turned rather strongly in Midsummer. The following data best indicate the extent of the decline from October, 1948 to the Summer of 1949:

	Oct. 1948	July 1949
Industrial production index	195.0	161.0
Wages and salaries (in billions)	138.1	133.9
Employment (in millions)	51.5	49.7
Manufacturers' sales (in billions)	19.0	17.1
Wholesalers' sales	6.6	4.9
Retail sales (in billions)	11.5	10.2
Wholesale prices (raw materials)	305.0	247.6
Wholesale prices (manufactured products)	160.3	149.4
Cost of living index	173.6	165.0

A mere 12% decline in the industrial production index, less than 4% in employment, and less than 3% in wages and salaries is a very modest recession. The largest declines in the durable goods field were in the following lines: machinery, primary metal industries, furniture and fixtures, and lumber and wood products, running from 15% to 25%; in the non-durable goods, the largest declines were in textiles, chemicals and rubber products.

This recession was characterized by a heavy liquidation of inventories in many lines, which proceeded rapidly in consequence of the well-sustained level of sales at the retail end. The readjustments of 1949 resembled those which had occurred in previous years in special lines, notably textiles, and certain types of household utilities. The chief difference was in the much greater number of industries affected.

In sharp contrast to the declines noted was the expansion in two major sectors of the economy. Motor output increased from 110,000 per month in October, 1948 to 148,000 in August, 1949. Consumer expenditures for automobiles expanded from an annual rate of $8.7 billion in the third quarter of 1948 to $11 billion in the third quarter of 1949. Because of the ramifying importance of the automobile industry in the national economy it may, I think, safely be said that we cannot have a severe depression during a period when the automobile industry is operating at high capacity. This is certainly the case if at the same time the housing industry is prosperous. In my view the high level of activity in these basic industries served to arrest the general downward movement, to mitigate the prevailing pessimism, and to tide the economy as a whole over a precarious period.

The Late Summer and Autumn Recovery

The recovery movement which began in Midsummer has continued through the Autumn despite the handicaps of work stoppages in two of the country's major industries. The industrial production index rose from 161 in July to 174 in September and following a bad October, caused by strikes, is doubtless above that level now. Motor output reached a peak in September and is still high notwithstanding numerous readjustments incident to changes in models. Employment has increased and in October was almost as high as in the year preceding. Sales of manufacturers' goods have risen to last Autumn's level. The award of construction contracts has risen sharply, and the number of new dwellings begun in October was a third greater than in the same month of 1948. Department store sales are about 10% above the level of last year. Meanwhile, wholesale prices have changed but little, while hourly wages and weekly earnings have risen slightly.

The Near-Term Outlook

In view of the rapidity with which changes may tend to come in various sectors of the economy it is necessary to review the business outlook frequently. One may be fairly confident of trends for a period of six months or even a year and still be dubious about the longer-term situation.

As I appraise the factors that should prove of major importance in the first half of 1949 the outlook for the first half of 1950 is distinctly favorable. The important factors I would list as follows:

(1) The probable continuance of a fairly high level of production in the automobile industry.

(2) A comparatively high level of steel production and of activity in the metallurgical industry generally.

(3) A very high level of home construction.

4) A very large program of public works.

(5) Relatively stable costs of production and increasing efficiency resulting from improved industrial relations.

(6) Comparatively stable industrial prices.

(7) Expanding consumer demands in consequence of a high level of employment.

(8) A temporary bulge in consumer demands in consequence of the $2.8 billion of veterans' insurance refunds in January.

As against these favorable factors, mention should be made of the following adverse elements:

(1) Some decline in farm income in consequence of lower prices.

(2) A substantial falling off in private capital construction as the postwar expansion program is here and there completed. It is significant that current orders for new capital equipment have remained low.

(3) The possibility of higher corporate tax rates.

The favorable factors listed above should at the minimum ensure a high level of activity for a period of six months.

The Longer-Term Outlook

For the balance of 1950 and even beyond there are also a number of favorable factors. Among these mention should be made of (1) the probable continuance of a high level of construction, especially residential and governmental; (2) comparatively stable wages and a favorable wage-price ratio—favorable, that is, from the point of view of consumer buying power; and (3) a continuance of a high level of activity in the non-durable forms of consumer goods.

A general factor of importance is a real improvement in business psychology. This is the result of the fact that the well-advertised recessions of former years, and especially that for 1949, did not degenerate into thorough-going depressions or a collapse of the economic situation generally. The belief appears to be growing in business circles that we may escape more or less indefinitely a severe business debacle. This is helpful providing sentiment does not promptly swing to the opposite extreme and assume that the blue sky is always the only limit. Periodic recessions, if not acute depressions, still appear inevitable.

As we look farther ahead the unfavorable factors assume greater weight. The following are worthy of mention:

(1) An inevitable contraction in the volume of automobile production sooner or later;

(2) A progressive curtailment of new capital expenditures;

(3) An eventual curtailment of the housing boom — though here the decline may be postponed for a year or so;

(4) A probable reduction in the volume of exports, as the world situation improves, or grows worse;

(5) Mounting costs of pensions and other deductions which impinge upon the margin of profits; and

(6) Persistent and mounting government deficits, carrying the threat of ever-higher taxes and serving as a deterrent to future capital commitments.

As we look still farther forward three factors in the general situation, which suggest the unlikelihood of a cataclysmic depression, should be mentioned.

The first is the rapidly increasing population, which increases the need for a wide range of consumer products.

The second is the high levels of real income possessed by the masses of the people whose unfulfilled consumer desires are very great.

The third is the strong financial position of business enterprisers and of farmers. Except in the housing field there has been no over-extension of credit; on the contrary indebtedness is unusually low. The banking system is strong and reserve power abundant.

Finally, government supports, whatever their demerits from some points of view, should serve in a period of recession to check the kind of market demoralization which we have had in the past. There is no virtue in a liquidation which reaches the stage of demoralization and destroys real market values and undermines confidence in the future. A wisely administered support, coupled with unemployment insurance reserves and other savings, should tend to mitigate the severity of recesssions in the future.

Halle & Stieglitz Celebrates 60 Years

Halle & Stieglitz, members of the New York Stock Exchange and other leading securities and commodities exchanges, will add four new partners on Jan. 1, 1950, Stanley J. Halle, senior partner, announced at a banquet held at the Waldorf-Astoria celebrating the firm's 60th anniversary. Members of the firm and staff attended.

Stanley J. Halle

The new partners of the firm which has continuously operated under the same firm name since its formation on Dec. 15, 1889 and which is still managed by members of the founders' families, are Georges Lurcy; Louis G. Strasser; Ernst Radt; and William D. Prosnitz. Louis Strauss will retire as a general partner and become a limited partner as of Jan. 1, 1950. James J. Ryan, Arba C. Ballard and George W. Nubel, Jr. continue as general partners.

Mr. Halle also announced that the firm's New York office will be moved to 52 Wall Street from the present location at 25 Broad Street, effective Jan. 1, 1950. The firm also has an office in Newark, N. J. at 744 Broad Street.

Halle & Stieglitz was formed by Jacques S. Halle, father of the firm's present senior partner, and Albert Stieglitz, father-in-law of Mr. Strasser, one of the new partners. The elder Halle, a native New Yorker, started his Wall Street career as an errand boy with Leopold Cahn & Co. He worked his way up with that concern and in 1887 bought a seat on the New York Stock Exchange. In 1889 he formed Halle & Stieglitz with Mr. Stieglitz. At the time of his death in 1916, he was a Governor of the New York Stock Exchange and Senior Partner of his firm. His son became a partner in 1914.

Prior to the formation of Halle & Stieglitz, Mr. Stieglitz, a lifelong resident of New York City, was a partner in a textile business founded by his father, and spent considerable time abroad making purchases for this business. He was a member of the New York Produce Exchange from 1890 until his death on April 28, 1936.

Halle & Stieglitz became a New York Stock Exchange member firm on March 15, 1890. The firm was admitted to membership on the New York Cotton Exchange on Sept. 8, 1893; Chicago Board of Trade, Oct. 4, 1909; New York Curb Exchange Jan. 30, 1920; and Commodity Exchange, Inc. Jan. 5, 1934.

Brief biographies of the four new partners follow:

Georges Lurcy — of 813 fifth Avenue, New York City, formerly of Paris and now a citizen of the United States. A well-known international banker, he was senior partner in his own banking firm in Paris from 1920 to 1933. A graduate of the College Rollin in Paris, he came to the United States in 1940 and specialized in the study of economics, graduating from the University of North Carolina in 1943 with an M.S. degree. He attended Columbia University from 1943 to 1944, continuing this study, and was made a member of the honorary society of Beta Gamma Sigma.

Louis G. Strasser—Before joining Halle & Stieglitz in 1918, was a director and Assistant Treasurer of Steinhardt Bros. & Company.

Ernst Radt—Has been with the firm from 1933 to date, both abroad and in their New York office, with the exception of three years in the United States Army Air Force.

William D. Prosnitz — Started with the firm in 1932 and has been especially active in its trading and order department. He served in the Army for three years during World War II and received his discharge as a second lieutenant.

Halsey, Stuart Offers Pennsylvania El. Bonds

Halsey, Stuart & Co. Inc. and associated underwriters on Dec. 14 publicly offered $11,000,000 Pennsylvania Electric Co. first mortgage bonds, 2¾% series due Nov. 1, 1979 at 100.81% and accrued interest. The group won award of the bonds at competitive sale on a bid of 100.3191.

Proceeds from the bond sale, as well as funds from the sale of new preferred stock, will be used to reimburse the company's treasury for expenditures made since June 1, 1948 for new construction, to repay notes the proceeds of which were used for new construction since June 1, 1948, and for future construction.

Regular redemption prices for the Bonds range from 103.81% to 100% while special redemption prices are scaled from 100.81% to 100%.

The company's principal business is the production, purchase, transmission, distribution and sale of electricity. It provides electric service within a territory located in Western and South Central Pennsylvania extending from the Maryland-Pennsylvania state line northerly to Lake Erie, aggregating approximately 12,800 square miles, or about 28% of the area of the State, with a population in excess of 1,175,000, approximately 40% of which is concentrated in 10 cities and 11 boroughs, all with populations over 5,000.

N. Y. Inv. Associates Elect Blancke Noyes

The Investment Association of New York elected Blancke Noyes of Hemphill, Noyes, Graham, Parsons & Co. its President for the ensuing year to succeed Stanley A. Russell, Jr., of Blyth & Co., Inc. A graduate of Cornell University and a member of the buying department of his firm, Mr. Noyes is the four President of the group, which was formed in 1947 as the Junior Investment Bankers & Brokers Association of New York.

H. Grady Black, Jr., of Morgan Stanley & Co., program director of the group for the past year, was named Vice-President; Sydney G. Duffy of Blyth & Co., Inc., Secretary; and Dean Witter, Jr., of Dean Witter & Co., Treasurer. Joseph Allen Lee, Jr., of Union Securities Corp., H. Vernon Lee, Jr., of the New York Curb Exchange, Frank L. Mansell of Lee, Higginson Corp. and Edward F. Swenson, Jr., of Clark, Dodge & Co. were elected members of the Executive Board for one year.

The annual meeting and election of officers was held at the Lunch Club, 63 Wall Street, and was followed by the annual cocktail party at which the Association was host to its members.

Norman de Planque of W. E. Hutton & Co. was Chairman of the Nominating Committee which presented the slate of officers to the annual meeting for election.

Shields Opens Branch

Shields & Co., members of the New York Stock Exchange, announce today the opening of an office in the Hotel Biltmore, under the direction of George C. Schubert.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Current market stand-off may well be the beginning of awaited down-turn.

Last week's market churned around with some stocks going up fractionally and others going down. The sum total amounted to a stand-off with neither the bulls nor the bears gaining an advantage.

* * *

In last week's column, I indicated the direction of the next important trend. I've seen nothing in the recent market action to change that viewpoint. According to Dow theorists, the confirmation of one average by the other is an indication that the market will continue in the direction of the break-through.

* * *

I have no intention of quarreling with this interpretation. But I feel that somewhere under this market there is a lack of positive dynamics that points to at least a sharp sell-off before any continuation of strength will be resumed.

* * *

I realize this sounds like a watering down of my previous statements made here that the market was close to a top and prices would go down. I want to clarify such misunderstandings, if they do exist. Two, three weeks ago down signals began to appear all over the list. It is possible that my interpretation may be at fault. But I have yet to see a market with such signals that didn't live up to them. The question, of course, is when will these be confirmed.

* * *

The "when" is always, or practically always, a toss-up. The "what" is more easily answered. But when direction changes are indicated it is time to heed the signals and let the "when" happen when it will.

* * *

Sometimes, down indications are gradually dissipated by dull, irregular markets. These may sometimes take weeks. But even then the majority of stocks must hold above certain pre-determined levels, to be in a position to move again once the pressure is removed. If stocks even seep through support points the whole burden of proof shifts to the bulls.

* * *

As of this writing, many stocks have reached certain top objectives, subsequent declines run a little too deep for comfort and ex-dividends are now left hanging in mid-air. I'm quite aware that tax selling is a potent factor at this time of the year, and also aware that shorts with open positions are covering. But beneath this participation there continue disquieting actions that I interpret as bearish. When these disappear, it will be time to turn optimistic.

* * *

Meanwhile last week's advice on the handling of stocks held continues in force.

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.]

Wm. McCandless Now With Wm. H. Jones Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William W. McCandless has become associated with William H. Jones & Co., 215 West Sixth Street, members of the Los Angeles Stock Exchange. He was formerly trading manager for the Los Angeles office of Sutro & Co.

Wm. W. McCandless

Harley Rankin With Goldman, Sachs & Co.

Goldman, Sachs & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, announce that Harley L. Rankin has become associated with the firm's Philadelphia office as manager of the securities department. Mr. Rankin previously had been with Girard Trust Co. as trust investment officer and prior to that he was with The First Boston Corp. as assistant vice-president.

Herbert Anderson Dead

Herbert Edgar Anderson, partner in Green, Ellis & Anderson of Pittsburgh, died Dec. 11 at the age of 83.

The Security I Like Best

(Continued from page 2)

able to those who purchased even at 1929 highs?

Investors still tremble at the thought of the high prices of stocks in 1929 and the following panic. Few indeed are the stocks which have again reached the 1929 highs, even after 20 years, and many are selling today at but fractions of those prices.

Looking back 20 years, conservative investors were attracted by such stocks as du Pont, General Electric, General Motors, International Harvester and Procter & Gamble. One thousand dollars invested in each of them at the highest price in 1929 would have been worth, at the highest prices of each succeeding five-year period, the dollar value shown below:

	1929	1934	1939	1944	1949
General Motors	$1,000	$460	$620	$720	$790
General Electric	1,000	250	440	400	400
du Pont	1,000	460	840	720	1,140
International Harvester	1,000	330	500	580	600
Procter & Gamble	1,000	450	670	600	860

Other conservative investors, at the same time, purchased insurance company stocks, such as those shown in the following list. For comparative purposes I show what happened to $1,000 invested in each of these eight stocks at the high price of 1929 and their value at the high prices of each succeeding five-year period.

	1929	1934	1939	1944	1949
American Reinsurance	$1,000	$520	$887	$1,074	$1,245
*Continental Casualty	1,000	225	650	884	1,448
Federal Insurance	1,000	576	744	788	1,040
*Fireman's Fund	1,000	608	800	1,138	1,814
*Hartford Fire	1,000	604	885	1,073	1,737
*Insurance Co. of N. A.	1,000	657	859	1,076	1,810
St. Paul Fire & Marine	1,000	603	834	1,254	1,741
U. S. Guarantee	1,000	589	1,795	2,034	2,247

*Values shown for 1949 have been reduced by the additional investment required to exercise rights, as have values for any prior periods subsequent to such rights.

Of course, this comparison does not apply to all industrial vs. all insurance stocks. There are some industrials which are selling higher today than in 1929, but by and large the comparison is heavily in favor of insurance stocks and our experience has been that well selected insurance stocks under intelligent supervision have been the most satisfactory medium of investment for both our individual and institutional clients and at this time we prefer them to any other industry for a true investor.

the total voting power, whether or not there are arrears.

LOUIS C. LERNER
Lerner & Co., Boston

I feel that the outlook for the cement industry is exceptionally good for many years to come. In particular I like the class B stock of the Riverside Cement Co. A customarily cautious cement executive recently told us that he anticipates at least four years of prosperity for the industry in Southern California. These expectations are based upon the large amount of deferred road building, housing construction, public works, etc., etc. Even if we encounter a recession, the demand for cement should stand up well because of a large backlog of public works.

Louis C. Lerner

Cement is probably the cheapest fabricated material known. It has risen in price since 1939 by less than 50% while the average of all building materials has risen by more than 125%. The low labor costs involved in the use of concrete and the low up-keep costs which follow are giving cement a great competitive advantage.

Riverside's Area is Outstanding

Riverside's natural market is in Southern California. It is the largest manufacturer of Portland Cement in that area.

The population of Southern California has increased more than 40% since 1940, four times as fast as the population of the country as a whole. It is expected that California will continue to grow more rapidly than the rest of the country.

There is certainly room for such a growth because its population density is about one-third as great as that of the Northeastern States.

It is axiomatic that population growth results in a demand for all kinds of construction. The cement industry and therefore Riverside Cement Company will benefit from this growth.

Efficiently Managed, Low Cost Producer

Riverside Cement Company has shown a profit in every year since its organization in 1929, an unusual and perhaps unique record in the cement industry.

Its management is highly regarded within the cement industry itself. It owns abundant sources of high grade raw materials. Its recently modernized plant at Oro Grande (which accounts for more than half its 7,000,000 barrel annual capacity) is among the most efficient in the industry.

Very Low Price-Earnings Ratio

The Class B stock is selling for about twice its average 1947 and 1948 earnings. I believe that 1949 earnings are running ahead of either of those years.

In studying Riverside's past earnings, it should be remembered that while those earnings were relatively good, they were applied to a larger capitalization and were developed from a plant smaller and less efficient than at present.

Asset Value

The present net asset value of the Class B stock is not shown by the company's balance sheet, since its fixed assets are carried at about one-sixth of present reproduction costs of $6.00 per barrel of annual capacity. If we value its fixed assets at only $3.00 per barrel of capacity, we find that a fair asset value would exceed $30.00 per share. This is after giving effect to all obligations, senior securities and their claims at face value.

Voting Power Strong

Ahead of the Class B are 9,000 shares of a $5.00 Preferred, callable at $102.50, and 240,000 shares of Class A stock, callable at $26.00 per share. The 345,000 shares of Class B stock represent 58% of the total voting power, whether or not there are arrears.

Class "A" Arrears Could Be Quickly Cleared

There are unpaid dividend arrears of about $19.00 per share on the Class A stock. These accumulated because, for a number of years, earnings have been applied to the retirement of Preferred Stock and, since the war, to the modernization of the Oro Grande plant. At first glance, these arrears may sound high. **But, if earnings are maintained at the 1948 rate—and we believe they will be—all debt and Class A arrears could be retired in less than 2 years.** Payment of Class A arrears commenced within the last few months.

Recapitalization Possible

If a recapitalization plan should be adopted, the way could be cleared for almost immediate payment of dividends on the Class B stock. By giving Class A 4% notes for arrears, resultant earnings per share of Class B would be $4.91 at the 1948 rate. If settlement were made with a 6% Preferred or with additional Class A, resultant earnings for Class B would be about $4.44 per share. In either case, a $2.50 dividend rate would be reasonable and leave substantial funds for retirement of such notes or new stock.

Potential Appreciation Even Greater With No Recapitalization

Another possible disposition of the large earnings which are piling up would be to buy in the Class A. Assuming earnings at the 1948 rate and repurchase of the Class A at an average cost of $35.00, all the Class A could be retired by the spring of 1953. **This program would make the Class B stock sole owner of the company with an earning power of $5.00 to $7.00 per share and possible market value of $50.00 to $70.00 per share!**

Riverside Cement Class "B" (Common) offers a striking opportunity for those interested in large appreciation. This stock, now selling around $7, earned $5.22 in 1948. After careful study, I am convinced that earnings will be sustained at a high level for some time to come.

WILLIAM L. REIMAN
Edward D. Jones & Co. of St. Louis

The stock I like best for the future is Griesdieck Western Brewery Co. common. The business has been in operation for over 90 years. Its principal business is the sale of packaged beer under the "Stag" and "Hyde Park" labels. Beer in returnable and non-returnable bottles, flat top and crown type cans, and draught beer under the "Stag" and "Hyde Park" brands is produced.

William L. Reiman

Two complete and modern plants are operated, one in Belleville, Illinois, across the river from St. Louis and the other within the city itself. Distribution is made locally directly by the company; in more distant areas by distributors who are assigned a definite territory. Six states, south, southwest and west of Illinois and Missouri are served by the company.

Capitalization is simple, consisting of 50,000 shares of 5% cumulative convertible preferred, $30 par, and 640,017 shares of common, $2 par, held by approximately 2400 shareholders. The preferred is convertible, share for share, into the common and is redeemable at $31 a share and accrued dividends.

Earnings for the 10 months ended Oct. 31, 1949 have been the highest in the history of the brewery, amounting to $4.10 a share on the common stock after preferred dividends for the period. With the payment of 80c a share on Dec. 19, dividends of $2 a share will have been paid for 1949. The common is listed on the Midwest Stock Exchange and the New York Curb. It has ranged from a high of 29½ and a low of 19½ for the year, recently trading at 27. The preferred is traded over the counter, the last quotation being 30½ bid, offered at 31. The common yields over 7%, based on 1949 dividends.

Financial condition is excellent, as of Oct. 31, 1949, cash and equivalent amounting to $3,652,785.23. Total current assets were $6,256,112.63 against current liabilities of only $465,224.98, a ratio of 13 to 1. The company's growth has been rapid; from a very small plant in the 1930's, it has grown to 9th or 10th in the industry. From 1939 to 1948 sales increased 450% from $4¼ million to $23¼ million and for the nine months ended Sept. 30, 1949, sales were over $24 million.

The beer industry is a consumers' goods type of industry. Inventories of raw materials are now readily obtainable and are rapidly converted into the finished product. Bottles and cases are in plentiful supply and cans are available in increasing amounts. As a beverage of moderation, beer is becoming more and more used in home consumption. It is popular at picnics, outings and at ball parks.

I base my conclusions that Griesedieck Western Brewery common is my favorite stock on these reasons: (a) as employment figures are large and wage rates of the working people are the highest in the history of the country, consumption of beer will be high; (b) if less favorable times are ahead, beer is cheaper in comparison to other types of alcoholic drinks. I consider the beer industry in a favorable position among consumers goods depression-proof type of industries.

JOHN B. SHOBER
Shober & Woolfolk, New Orleans

Your title "The Security I Like Best" is a poser. Best for what? Best for who? Best for what objective? And do you mean for me, if I had $000 to invest, or best for a client who seeks my advice? And the latter brings on more subquestions. What relation to the client's other resources is the amount in view? Can a modest business risk be assumed or an irregular dividend prospect, or should it be a seasoned, established security with a dependable income? It is comparatively simple to suggest a few pets. We all have them. It is easy to paint an alluring picture, to be carried away by rosy prospects, but unhappily equally easy to recall that several of these pets have not done too well for those to whom I have recommended them in the past, including myself.


John B. Shober

It has been said that one of the smartest ways to avoid answering a difficult question is to ask another, as I have done. But with an honest effort to say something, I shall assume the question comes from an investor who has other means, who does not wish to assume a business hazard, but desires a fair income, not excessive, but dependable, and growth in value over a cycle, not in a matter of months, and who will ignore intermediate market swings and who is investing for the horizon with prudence and care.

Such being the case, my suggestion will not be bonds, either Treasury or Corporation, nor will it be preferred stock, nor insurance: nothing of the fixed interest classification. Inflation, devaluation, reclassification—call it what you will—is on the way, although perhaps by imperceptible degrees. There will be ups and downs in the trend. There will be similar hills and valleys in the graph. The graph line is never ruler straight—but the direction is always upward. The buying power of money declines and the cost level of living rises, perhaps not from year to year but from cycle to cycle.

So I shall suggest that my client place his funds in one of the better grade utility common stocks, those serving a prosperous, growing, and developing area. I shall avoid those which serve an area which has reached maturity, even though their statistical records may be better. I shall pay more attention to this than I shall to balance sheets and ratio of bonds to stock though these will be considered. I concede that the matter of regulation and rate control is not to be ignored, but I feel that whatever the story may have been in the past nearly all state and municipal regulatory bodies of today recognize that their local utilities must be allowed to earn sufficient profits to insure a high credit rating for their senior obligations. The power companies cannot keep pace with the growth of their communities unless they can raise capital. To raise capital they need credit, and good credit.

Many of the newly created utility operating companies seem good to me, particularly those which have become available for public ownership only recently because of the dissolution of the holding companies. There are many from which to select: in my area—Middle South, Southern Company, others in Texas, elsewhere, too. I think they are sound and good, capably operated, aggressively managed, paying a good and dependable return which will be increased in time. Not seasoned in the sense of long time public ownership, as the New England or eastern companies are seasoned, but more attractive because their investment merit has not yet been recognized and because for that reason they can still be bought, to keep, at prices which should seem cheap indeed in time to come. Patience will bring a good reward, with a fair return in the meantime.

WM. HAMILTON SWARTZ
Goodbody & Co.
New York City

We would like to change the title to "One of the Stocks We Now Like Best." Everyone of the industry specialists on our research staff had stocks to recommend, certain of which would suit some investors better than the shares of Sinclair Oil Corp. discussed herewith.


W. Hamilton Swartz

We are presenting Sinclair, however, because we tend to like stocks that can be bought "ex popularity" in the hopes that some day they can be sold "cum popularity." Any company which covers all of our nation except the West Coast, which has substantial proven oil reserves estimated around 700 million barrels, with leases on nearly 5 million acres, which has the largest crude gathering pipeline of any oil company in the country, which has paid a dividend continuously for 15 years but whose stock is selling to yield nearly 9%, would hardly seem overburdened with popularity.

High yields are not quite as frequent in the market as they were last Summer. In our view, the overall market's rise of late 1949 had its stimulus in the wide disparity in yield between common stocks and fixed income securities. If depositors in savings banks occasionally move to another bank just for the difference of ¼ of 1% interest it was logical that many investors would finally begin to eye securities offering liberal return. Most of the latter have now moved up. However, Sinclair, whose $2 dividend is more than twice covered by estimated 1949 earnings of $4.40 per share (they were $6.77 in 1948 and $4.38 in 1947) has participated little in the market's strength this Fall. This adds to one's feeling the issue would not be too vulnerable in event of market reaction yet in a trading market might gradually pull itself up by its bootstraps until its yield becomes more comparable with other oils. Note too that its dividend is paid 50c quarterly and does not depend on any year-end extra as in some other cases.

Internal changes in Sinclair are favorable. The new president is able and active and considerable betterment of this company seems possible over the next few years. This year's good drilling record reflects plans to develop oil acreage holdings more aggressively. The company's large lease holdings and many potential drilling sites would prove of interest if crude prices hold, while if crude becomes cheaper, Sinclair could benefit—once refined prices stabilize—because it is a large buyer on balance. Also, the company's 30% interest in Richfield — carried on 1948 balance sheet at $12.5 million and worth about $47.0 million — gives Sinclair an indirect share in the important Cuyama Valley development in California where much needed good gravity oil was discovered in quantity.

Finances are ample with a satisfactory insurance loan available for its objective of more than doubling its domestic crude production in the next five years. If the foregoing factors improve this stock's investment rating only moderately, then along with the present high yield and longer-term prospects it could prove an attractive businessman's type issue.

IMRIE de VEGH
Pell, de Vegh & Co., Inc.
New York City

The security I like best for the future does not exist. The share of stockholders in the national income is certain to decline in the long run. Only special situations can hope to beat the erosion from time to time. Any special situations are, by their very nature, temporary holdings.


Imrie de Vegh

At present the blue chips benefit from the spectacular boom in the distribution of mutual investment company shares to the public. Each new subscription absorbs another batch of suitable blue chips.

As long as heavy deficit-spending continues, the liquidity of the public will remain at a high level and mutual investment company shares will be easy to sell. During this period blue chips are bound to do marketwise very well.

As they pull out of reach and people start looking for bargains, the secondary issues are likely to bask briefly in their reflected glory.

The boom is, however, far from young. The gap between bond yields and dividend yields can be narrowed by a decline in earnings and dividends just as effectively as by a further rise in equity prices. One cannot rest easy with stocks bought at Dow-Jones 196, even though over the next few months they might show substantial short-term capital gains.

Investing is a continuous process. We have to assume that any well managed portfolio already includes its Goodrich, International Paper, Minneapolis Honeywell, or their equivalents. The question is one of finding equities that will do better than the averages from here on, come what may, not what would look nice if one had it.

Youngstown Sheet and Tube one can buy for its net quick assets, with the entire steel business and $17 a share current earning power thrown in free of charge. Though *Wheeling Steel* has a heavy pyramid and therefore does not qualify, the stock is currently selling at a price approximately equal to the undistributed part of the last two years' earnings. The entire pre-1947 company is thrown in free.

The whisky industry as a group offers big assets and big earning power at a low price. *Distillers-Seagrams* has outpaced all its competitors in the rate of growth of its sales. It is selling at about net quick assets and four and a half times earnings.

Oils and metals are very vulnerable to a decline. There are, however, some that are very cheap in relation to the rest of their industry.

Amerada Petroleum is a crude oil and natural gas producer with a small capitalization and an impressive growth record. Production per share of stock has risen in the past 12 years from 5.6 barrels per annum to 14.3 barrels per annum. There is nothing to suggest that the limits of its growth have been reached. The company has no debt. It does not have any investment in the expensive and highly competitive business of refining and distributing petroleum products.

The *American Metal Company* is an excellently managed and highly diversified accumulation of metal interests. It was put together under different tax laws than are prevailing today, which is largely to blame for the result that its common stock is selling at a 40% discount from its break-up value. This discount is not likely to survive a simplification of the capital structure and of the holding structure that are long overdue.

The list could be lengthened. *Newmont Mining*, with a superb record of new development during the past 20 years, is an oil and metal holding company also selling at a discount below asset value that is unreasonable.

The *Sheraton Corporation* is in a business that is unpopular for no other reason than that in the decade before the war it did not do well. Since then, demand has increased many times and the supply remained constant. It has a pyramid, but it is selling at only three times earnings.

In *Solar Aircraft* one has a direct means of participating in jet propulsion. To go still further afield, *British industrials* have become very cheap in dollars.

These are the types of situations among which the forward-looking professional investor will distribute his purchases, if he is forced to spend cash at present prices. The selection will be unorthodox, but orthodoxy is merely a concise term for losing money in a respectable way.

Meeting the Demand for Security

(Continued from page 13)

gaining and also non-union white collar workers.

Conclusions

To sum up, the demand for welfare protection does thrust very serious and very complicated problems upon you. At the same time, it presents an opportunity for your industry and your association as an instrument of the industry to keep the situation within manageable bounds by making these contributions:

(1) Creating and establishing a framework for welfare coverage which will rule out hairbrain demands, promise a stable and permanent solution and yet leave room for collective bargaining to establish the basic character of welfare commitments to be incurred by each company and in each local area.

(2) Achieve a spreading of risk which will reduce cost.

(3) Make possible an economy of administration which no one company dealing with a number of unions can possibly achieve for itself.

(4) Make any welfare commitments sufficiently flexible to be sustained. This requires the technical skill to build in protective features which will protect each company and the entire fund against malingering, hard times and other such hazards.

(5) Exercise leadership in meeting this problem in a way which will give the industry credit for doing the job, and give the individual employers value for the money cost incurred. You can strengthen the enterprise system as well as your own industry and its association and ward off political intervention by demonstrating that there can be a voluntary solution to legitimate welfare demands. With the growing power and strength of labor organizations, one of the critical unknowns we face is whether this strength will be led in the direction of ever greater conflict or in a direction of constructive collaboration in serving the general public. There are labor leaders who want to fight a class war, and there are labor leaders who are genuinely seeking a constructive sphere of activity. You may be able to check the labor leaders bent on class war by showing the rank and file the way to constructive collaboration. We must have faith that the common sense of the rank and file will curb labor leaders who are bent on class war. By taking leadership in developing and offering to unions a partnership in soundly conceived and lasting welfare programs, you can show a path to fruitful and constructive collaboration to those union leaders and members who are looking to move in that direction.

Lindgren With Slayton

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Axel W. Lindgren has rejoined Slayton & Company, Inc. of St. Louis. He was formerly with B. C. Christopher & Co. and A. H. Bennett & Co. In the past he was manager of the Kansas City office of Slayton & Company, Inc.

With V. C. Weber Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Joseph J. Motherway is now affiliated with V. C. Weber & Co., 411 North Seventh Street.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 18	94.1	91.7	57.4	100.0
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 18	1,734,700	1,690,500	1,058,200	1,802,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 3	5,105,950	5,191,850	5,135,600	5,665,250
Crude runs to stills—daily average (bbls.)	Dec. 3	¶5,329,000	5,331,000	5,314,000	5,763,000
Gasoline output (bbls.)	Dec. 3	18,128,000	18,204,000	18,460,000	18,216,000
Kerosene output (bbls.)	Dec. 3	2,209,000	2,033,000	2,114,000	2,490,000
Gas, oil, and distillate fuel oil output (bbls.)	Dec. 3	6,766,000	6,971,000	7,196,000	7,255,000
Residual fuel oil output (bbls.)	Dec. 3	8,342,000	8,104,000	7,728,000	9,338,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 3	105,264,000	104,917,000	104,257,000	95,235,000
Kerosene (bbls.) at	Dec. 3	25,151,000	26,069,000	28,399,000	26,422,000
Gas, oil, and distillate fuel oil (bbls.) at	Dec. 3	89,448,000	91,795,000	92,038,000	79,203,000
Residual fuel oil (bbls.) at	Dec. 3	66,271,000	67,087,000	69,192,000	63,912,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 3	§693,923	§664,555	§578,981	804,172
Revenue freight received from connections (number of cars)	Dec. 3	§599,183	§613,494	§518,055	645,047
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 8	$302,115,000	$219,647,000	$111,289,000	$83,693,000
Private construction	Dec. 8	78,490,000	115,496,000	47,002,000	30,500,000
Public construction	Dec. 8	223,625,000	104,151,000	64,287,000	53,193,000
State and municipal	Dec. 8	52,942,000	53,684,000	54,745,000	46,968,000
Federal	Dec. 8	170,683,000	50,467,000	9,542,000	6,225,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 3	9,250,000	12,650,000	2,680,000	11,812,000
Pennsylvania anthracite (tons)	Dec. 3	1,017,000	780,000	1,130,000	1,139,000
Beehive coke (tons)	Dec. 3	6,000	*9,700	2,400	154,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Dec. 3	448	330	315	485
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 10	5,281,360	5,742,915	5,434,555	5,704,823
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Dec. 8	191	221	222	122
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 6	‡3.705c	3.705c	3.705c	3.720c
Pig iron (per gross ton)	Dec. 6	$45.88	$45.88	$45.88	$46.91
Scrap steel (per gross ton)	Dec. 6	$27.92	$28.92	$28.92	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 7	18.200c	18.200c	18.200c	23.200c
Export refinery at	Dec. 7	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	Dec. 7	81.000c	85.000c	95.000c	103.000c
Lead (New York) at	Dec. 7	12.000c	12.000c	13.000c	21.500c
Lead (St. Louis) at	Dec. 7	11.800c	11.800c	12.800c	21.300c
Zinc (East St. Louis) at	Dec. 7	9.750c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 13	104.32	104.24	104.25	100.82
Average corporate	Dec. 13	115.63	115.43	115.04	111.07
Aaa	Dec. 13	121.25	121.25	121.04	117.00
Aa	Dec. 13	119.61	119.61	119.20	115.04
A	Dec. 13	115.24	114.85	114.46	109.97
Baa	Dec. 13	107.27	106.92	106.56	203.30
Railroad Group	Dec. 13	110.34	109.79	109.42	105.39
Public Utilities Group	Dec. 13	117.00	117.00	116.80	111.62
Industrials Group	Dec. 13	119.82	119.82	119.41	115.63
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 13	2.18	2.19	2.19	2.44
Average corporate	Dec. 13	2.87	2.88	2.90	3.11
Aaa	Dec. 13	2.59	2.59	2.60	2.80
Aa	Dec. 13	2.67	2.67	2.69	2.90
A	Dec. 13	2.89	2.91	2.93	3.17
Baa	Dec. 13	3.32	3.34	3.36	3.55
Railroad Group	Dec. 13	3.15	3.18	3.20	3.37
Public Utilities Group	Dec. 13	2.80	2.80	2.81	3.08
Industrials Group	Dec. 13	2.66	2.66	2.68	2.87
MOODY'S COMMODITY INDEX	Dec. 13	345.6	344.7	344.9	394.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 3	259,736	164,709	275,815	218,071
Production (tons)	Dec. 3	201,766	199,368	203,035	190,868
Percentage of activity	Dec. 3	93	90	92	93
Unfilled orders (tons) at	Dec. 3	429,785	374,086	469,423	362,854
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Dec. 9	124.9	124.5	125.5	144.3
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. 26	19,299	25,417	25,158	20,450
Number of shares	Nov. 26	579,308	755,910	769,079	586,166
Dollar value	Nov. 26	$23,143,575	$30,614,497	$29,985,726	$21,333,652
Odd-lot purchases by dealers (customers' sales).					
Number of orders—Customers' total sales	Nov. 26	22,436	28,507	27,460	16,112
Customers' short sales	Nov. 26	203	269	190	181
Customers' other sales	Nov. 26	22,233	28,238	27,270	15.931
Number of shares—Customers' total sales	Nov. 26	613,731	782,893	776,194	458,253
Customers' short sales	Nov. 26	7,829	9,615	6,741	7,467
Customers' other sales	Nov. 26	605,902	773,278	769,453	450,786
Dollar value	Nov. 26	$21,968,358	$28,598,905	$26,597,740	$15,561,038
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 26	244,110	278,910	263,590	120,450
Short sales	Nov. 26	------	------	------	------
Other sales	Nov. 26	244,110	278,910	263,590	120,450
Round-lot purchases by dealers—					
Number of shares	Nov. 26	180,340	284,410	253,810	223,150
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities					
Farm products	Dec. 6	151.0	151.4	151.5	163.1
Foods	Dec. 6	154.0	155.3	156.7	177.8
All commodities other than farm and foods	Dec. 6	156.6	157.9	159.3	171.2
Textile products	Dec. 6	145.1	145.1	144.8	153.3
Fuel and lighting materials	Dec. 6	137.5	137.6	136.7	146.7
Metals and metal products	Dec. 6	130.3	130.4	130.3	137.4
Building materials	Dec. 6	168.9	169.2	169.3	173.7
All other	Dec. 6	189.6	189.2	189.3	202.8
	Dec. 6	115.8	116.5	115.7	132.8
Special indexes—					
Grains					
Livestock	Dec. 6	161.3	162.3	154.1	173.3
Meats	Dec. 6	186.5	187.8	191.8	227.6
Hides and skins	Dec. 6	209.1	211.2	212.0	235.4
	Dec. 6	203.3	202.9	204.3	206.3

*Revised figure. ¶Includes 493,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. §Reflects effect of five-day week effective Sept. 1, 1949.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of September	49,742	*52,001	53,255
Stocks of aluminum—short tons—end of Sept.	53,597	*48,407	10,455
AMERICAN PETROLEUM INSTITUTE—Month of September:			
Total domestic production (bbls. of 42-gallons each)	161,476,000	161,246,000	174,580,000
Domestic crude oil output (bbls.)	148,206,000	148,192,000	163,037,000
Natural gasoline output (bbls.)	13,259,000	13,043,000	11,515,000
Benzol output (bbls.)	11,000	11,000	28,000
Crude oil imports (bbls.)	11,228,000	12,795,000	11,428,000
Refined products imports (bbls.)	7,460,000	6,249,000	4,402,000
Indicated consumption—domestic and export (bbls.)	185,104,000	191,089,000	175,120,000
Decrease—all stocks (bbls.)	4,940,000	10,749,000	‡‡15,290,000
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of October:			
Manufacturing number	181	183	112
Wholesale number	109	82	69
Retail number	364	329	188
Construction number	90	71	40
Commercial service number	58	67	52
Total number	802	732	461
Manufacturing liabilities	$11,897,000	$9,379,000	$14,160,000
Wholesale liabilities	2,927,000	2,853,000	2,139,000
Retail liabilities	5,833,000	4,929,000	5,917,000
Construction liabilities	1,989,000	2,148,000	1,135,000
Commercial service liabilities	1,248,000	1,289,000	77,709,000
Total liabilities	$23,894,000	$20,598,000	$101,060,000
COPPER INSTITUTE—For month of Oct.:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	69,061	*64,870	81,474
Refined (tons of 2,000 lbs.)	86,882	79,949	101,436
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	108,192	103,192	112,580
Refined copper stocks at end of period (tons of 2,000 lbs.)	164,464	193,890	76,371
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Oct. 31	23,315,000	23,425,000	23,811,000
Spinning spindles active on Oct. 31	20,215,000	19,975,000	21,157,000
Active spindle hours (000's omitted) Oct.	8,978,000	8,725,000	8,889,000
Active spindle hrs. per spindle in place, Oct.	409	396	400
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-39 AVERAGE = 100—Month of October:			
Sales (average monthly), unadjusted	248	238	*287
Sales (average daily), unadjusted	243	243	*281
Sales (average daily), seasonally adjusted	219	241	*253
Stocks, unadjusted as of Oct. 31	244	225	*268
Stocks seasonally adjusted as of Oct. 31	216	213	*237
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of September:			
All manufacturing (production workers)	11,760,000	*11,561,000	------
Durable goods	6,057,000	*5,948,000	------
Nondurable goods*	5,703,000	*5,613,000	------
Employment indexes—			
All manufacturing	143.6	*141.1	158.9
Payroll indexes—			
All manufacturing	334.7	*322.8	366.8
Estimated number of employees in manufacturing industries—			
All manufacturing	14,307,000	*14,115,000	15,617,000
Durable goods	7,413,000	*7,305,000	8,360,000
Nondurable goods	6,894,000	*6,810,000	7,257,000
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of Oct.:			
Factory sales (number of units)	272,520	*250,036	281,573
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of October:			
Factory sales of washers (units)	333,728	357,281	382,400
Factory sales of ironers (units)	36,045	27,700	38,517
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of October (1935-39 average = 100)	††103.3	††111.5	127.6
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE) — Month of September:			
Shipments (in pounds)	724,000	671,000	707,000
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of November:			
Copper (per pound)—			
Electrolytic, domestic refinery	18.062c	17.325c	23.200c
Electrolytic, export refinery	18.290c	17.550c	23.425c
Lead (per pound)—			
Common, New York	12.522c	13.420c	21.500c
Common, St. Louis	12.326c	13.230c	21.300c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	73.250c	73.250c	73.566c
Silver, London (pence per ounce)	64.000d	63.887d	45.023d
Sterling Exchange (Check)	$2.79750	$2.79600	$4.02750
Zinc (per pound)—East St. Louis	9.750c	9.320c	16.786c
Tin (per pound)—			
New York Straits	91.191c	95.720c	103.000c
New York, 99% min. (§§)	90.191c	94.720c	102.400c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$71.870	$73.000	$77.913
¶Antimony (per pound), (E. & M. J.)	35.280c	36.580c	41.670c
Antimony (per pound), bulk, Laredo	32.000c	33.300c	38.500c
Antimony (per pound), in cases, Laredo	32.500c	33.800c	39.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$69.000	$69.000	$93.000
†Cadmium (per pound)	$2.00000	$2.00000	$1.95652
‡Cadmium (per pound)	$2.07500	$2.07500	$2.00652
§Cadmium (per pound)	$2.15000	$2.15000	$2.05652
Cobalt, 97%	$1.800	$1.800	Not avail.
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	17.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	40.000c
STEEL CASTINGS (DEPT. OF COMMERCE)—			
Month of September:			
Shipments (short tons)	86,502	89,964	149,222
For sale (short tons)	55,853	59,412	112,551
For producers own use (short tons)	30,649	30,552	36,671
Unfilled orders for sale at end of month (short tons)	127,664	143,566	447,972

*Revised figure. †Based on the producer's quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained. ‡‡Increase — all stocks. ††Preliminary figures.

As We See It

(Continued from first page)

ment finances as the President himself, and indeed as much as any other man, for that matter, has been occupying his time giving definite form to his own ideas about expenditures during the coming fiscal year. He has now "beaten the President to it" by publishing what is becoming known as the Byrd Budget Message. It is a relatively detailed document constituting a specific answer to those advocates of reckless public finance who are so fond of asking critics to state precisely what outlays they would eliminate and how they would reduce others.

Footing up Senator Byrd's columns it is found that total outlays as he would set them out come to some $36,000,000,000 against upwards of $43,500,000,000 this year, and in contrast to a total as large as that the President is expected to ask for the next fiscal year. In presenting his "Budget Message" the Senator explains its *raison d'etre* and its rationale in these sentences quoted in the New York "Times" by Arthur Krock:

"When Congress meets in January it must make the vital decision of whether to increase taxes by more than $7 billion, retrench . . . or authorize expenditures totaling more than $7 billion in excess of revenue and go gayly along the economic primrose path of indefinite deficit financing. Deliberate adoption by Congress of the [latter] course in an era of peace and high prosperity will shatter public confidence in Federal securities at a time when the [national] debt is more than a quarter of a trillion dollars.

"If $7 billion additional taxes were levied on corporations it would be an increase of around 60% . . . and a 40% increase on individuals.

"I submit that such a budget [Mr. Byrd's] would be one of progress which would return the Federal Government to its traditional role of fostering and stimulating our system of free enterprise . . . and that adoption of a policy of indefinite deficit financing . . . will irrevocably commit this nation to ultimate socialism."

A "Head-on" in the Making

Obviously, a head-on collision is in the making not merely between two politicians, or two political groups or parties, but between two schools of fiscal thought, as it were. Indeed it is possible to go even further, and assert that the conflict is between two notions or concepts of economics and public welfare. One would not be overstating the case, as a matter of fact, if one asserted that two basic philosophies of life are about to face one another in the halls of Congress. In view of the fundamental nature of all this it is well to look into what the Senator has to say with greater care than might otherwise be the case. His budget is as follows:

Expenditures in Billions	1949-50	1950-51
Foreign	$6.3	$4.8
Domestic—Civilian	11.9	8.9
Veterans	6.8	5.3
Defense	13.3	11.3
Interest on debt	5.6	5.7
Total	$43.9	$36.0

Here in summary form is the Senator's answer to those who wish to embarrass him by obliging him to say whose pay is to be discontinued or reduced, or who must take his snout from the public trough. It is obvious that except for charges on the debt, which are not under the control (except by interest rate manipulation) of the Government, each and every main category is reduced in the Byrd budget. It is a courageous document. It errs, if it errs at all, on the side of conservatism in the needed treatment of the extravagance and fiscal recklessness now rampant in Washington. For the first year of such reform, however, it presents a definite step in the right direction. If followed in due course by further effort to reach the ultimate in prudent management of the financial affairs of the nation in the years ahead, it would mark the beginning of a movement which future historians would acclaim as the salvation of this nation and of the private enterprise system throughout the world.

A Breath of Fresh Air

There is, of course, not room enough here to detail the plans of this real fiscal expert in Congress. Suffice it to say that he shows convincingly that what he proposes can be achieved without reducing either the current strength or the contractual obligations of national defense. Veterans' hospitals, pensions and the like would remain much as before. Essential public works—and, of course, one must concede that there are some public works which are essential despite the fact that the profligacy of the past decade or two has obscured the fact—would be provided for.

The proposed saving would be effected by the elimination of waste, extravagence and inefficiency in administration, for one thing. The Hoover suggestions are cited to show how much in this direction could be done, if there was really a mind for such a thing in the national capital. The operations of the Reconstruction Finance Corporation and the Commodity Credit Corporation would be brought within reason. The Post Office would be put on a real business basis, causing the deficit to disappear. What a breath of fresh air, after all the smoke-filled rooms of economic nonsense and political balderdash about the role of government in the economic life of the nation.

We Can't? We Must!

Political correspondents and others in close touch with the political side of the nation in general, and in the Democratic party in particular, are quoted as quite convinced that such ideas as these will not make much progress. Such may be the case. For our part, we wish we could feel more confidence that they will. But the fact remains nonetheless that these basic ideas, plus a determination to cut back much further in government outlay by abandonment of much of the paternalism and socialism of the day, are about our only hope of staying out of the collective poor house in the years to come.

The people themselves sooner or later will have to make a decision as to what they want to do in the premises. To continue to neglect the matter is to court disaster.

Devaluation and European Recovery

(Continued from page 3)

bitrarily scales down all foreign debts, whether puplic or private, expressed in the devalued currencies and not entitled to exchange guaranties. It tends to domestic inflation and the consequent depreciation in value of domestic money contracts, wages, insurance policies, annuities, pensions, savings and bonded debt. Inflation is a capital tax and an income tax, indiscriminately burdening the rich, the well-to-do, the thrifty, and the poor and helpless. It is the worst and cruelest of all taxes.

Devaluation a Symptom

Currency devaluation, moreover, is the symptom of a disease; it is not a cure. For a time, it may stimulate exports, and it will retard imports, of the devaluing countries, and so reduce their trade deficits; but if costs and prices are permitted to reflect the devaluations, as they most probably will after a time, these advantages will wear away and dwindle to nothingness, and the essential maladjustments will reassert themselves unless something effective is done to correct them. These maladjustments have been staring us in the face ever since the First World War.

Since the industrial revolution a great part of Europe's business had been to buy food and raw materials, to feed her men and her machines, from less industrialized countries to the east and west, and to sell back to them the products of her factories. But even before the First World War many European countries had a deficit of goods, a deficit in their trade balances, which they covered by their so-called invisible income, from foreign investments, shipping, insurance and banking services, emigrants' remittances and tourists' expenditures. The First World War left the world topsy-turvy. America, previously Europe's debtor, suddenly had become her creditor; and Europe's invisible income, her external wealth, had been impaired. In 1918 it had already become a difficult question whether the great populations of industrial and urban Europe could reduce their consumption and increase their production, and whether America, with her great natural resources and relatively small population, could readjust her production and increase her consumption to such an extent as to bring the world's trade into balance. The Second World War further shattered the European economy and shrunk Europe's invisible income. Her foreign and colonial wealth, except Belgium's has been further impaired, and foreign debts and demands for help from dependent areas have taken the place of income.

Britain's Second World War debts to the sterling area, the so-called sterling balances, at the old rate of $4.03 to the pound, were some three times her First World War debt to the United States, which proved unbearable; and some of her present creditors are more intractable and exigent in their demands than we were. The inability of Britain to maintain the value of sterling was in large measure due to her creditable, if imprudent, effort to pay these war debts—an effort which required her to make exports without being paid for them, the so-called unrequited exports. The invisible income of Britain included the earnings of British bankers, brokers, insurance men, merchants and traders from their innumerable services in the conduct of the business of the world throughout the world. British skill and experience, and British character, with the support the British Government gave to Britons as they went about the world on their business, made these earnings an important factor in the balance of payments. This source of income has been impaired by the war and postwar unsettlement, by the loosening of the bonds of Empire, by the inconvertibility of sterling, and by nationalization, bulk buying and other policies which tend to make the services of these merchants and traders and brokers and bankers less necessary and less profitable.

Europe's monopoly of the manufacturing business of the world, which was fairly complete in the early days of the industrial revolution, and through much of the nineteenth century, has disappeared. Every nation everywhere to a greater or less extent has gone into the manufacturing business or wants to, and wants to become independent as far as possible of imports from Europe. President Truman's Point Four will, if implemented, advance this trend. The wars not only impaired Europe's manpower and plant, but greatly stimulated the technological development of American factories, mines and farms; and diverted to us much of Western Europe's purchases which had formerly been made in Eastern Europe and the Far East. The iron curtain and the military occupation of Germany have bisected Europe's trade. Trade with the Orient has been disrupted by war and revolution in Asia.

For these among other good reasons Europe has a deficit in her balance of payments. Her foreign wealth and income are lost or impaired and her imports exceed her exports. This is the fundamental disequilibrium. No export drive, no directed exports, no export bonus, no devaluation, no import restriction, can, with the best will in the world, produce net exports, if the people consume more goods than they produce. Only out of the surplus production can net exports be made. So it is that Europe is living beyond her means; and small blame to her under all the circumstances.

Spending more than her income abroad has involved inflation for Europe. Less blameless inflationary forces have been powerful, too, and cumulative. Overspending at home and inflation lead to the distrust of paper money, which the devaluations will aggravate, and to difficulty in capturing, in taxes and loans from savings, money enough to pay the governments' bills. Domestic deficits have to be paid by printing more money, foreign deficits by sacrifice of reserves and borrowing and gifts.

Great capital expenditure was necessary to repair war damage; but the immense capital expenditure in Europe since the war on public improvements, and on plant and machinery, under five-year plans or in a race to achieve greatly improved methods of production by 1952, has been inflationary. It has diverted labor and material from production to construction. It has increased the peoples' spending power without increasing the present supply of consumers' goods, thus giving the people too much money to spend and too few things to buy with it. It is doubtful that all of these capital expenditures will in the end fully justify themselves. When war shortages are satisfied and the sellers' market is past and all the new plants are in production everywhere, who will buy their product?

Ordinarily we associate inflation with an unbalanced budget, and with printing paper money and creating bank credit to fill the gap between a government's receipts and its expenditures. That has been part of the trouble in France. But England has had a balanced budget or an approximately balanced budget; and one must pay deference to the British people who have carried the heavy load of taxation necessary to balance the immense expenditures of the government. But too much taxation is part of Britain's trouble. It adds to costs and destroys incentive. Inflation in Britain has been due also to the fact that not only excessive capital expenditures but also subsidies, social services and civil and military expenditures, however necessary or desirable, add to the people's incomes and spending power without adding currently to the supply of consumers' goods for their use. Meanwhile the controls imposed by the British Government on prices have enhanced the buying power of the people by preventing prices from reflecting the inflation which has taken place.

It is sometimes said that Europe

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Devaluation and European Recovery

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will have to accept a lower standard of living. Perhaps it is not the peoples' standard of living that is too high. It may be the governments' standard of living that is too high—just as it is here at home. Governments spend too much money. There are too many civil servants, performing too many useless, or obstructive, tasks. There is too much government. What is needed in Europe, I suspect, is even better pay, incentive pay, for the workers who really work, and greater mobility of labor; and that the workers be able to buy the things they want, or their wives and children want, with their pay. This is the incentive that gets results.

Evidently a fundamental imbalance in the world's trade was the underlying cause of the devaluations, and inflation the secondary cause, while world opinion was the proximate cause that precipitated them.

To what extent will devaluation relieve the problem? The 30.5% depreciation of sterling makes possible a considerable cut in British selling prices, and should increase the quantity of their dollar sales; but whether Britain's sales for dollars can be increased enough in quantity to much more than make up for any reduction in prices is doubtful. Britain's facilities, both in plant and manpower, are pretty fully employed, and she has been enjoying profitable sellers' markets at home and in the sterling area for what she can produce. Where then are the goods to be found that are to be sold in the difficult dollar markets? American competition will not long be idle; and the American consumer may be the chief beneficiary of cut prices. On the whole it is not probable that Britain will gain much from increased exports to the United States. On the other hand, the 30.5% depreciation of sterling results in a 43.9% increase in the sterling equivalent of our dollar prices for British and sterling area purchases here. This will help balance Britain's trade, for it imposes an obstacle to our exports, in addition to existing and proposed British quantitative restrictions on imports, and the dollar scarcity. Nobody ought to object to these British restrictions, for there is nothing discreditable or unfriendly about not buying goods one can't pay for.

The deflations initiated by the dear money policy—the 6% and 7% bank rates of the Bank of England and the Federal Reserve Bank—in 1920 and 1929 turned the terms of trade in Britain's favor. That is to say, the prices of food and raw materials, which she imported, came down faster and farther than the prices of manufactures, which she exported. Now, however, instead of dear money, the central banks are keeping money cheap, and the United States Government is supporting farm prices and stock-piling raw materials and doing some deficit financing. All this will tend to keep up the prices of what Britain has to buy. But the outer sterling area, which is normally an exporter of food and raw materials, should benefit by the higher prices. It is hard to tell where the advantage of the terms of trade will lie.

There is not much reason to expect any great flow of money toward sterling now, such as occurred after 1919 and again after 1931. Then the pound was depreciated; it was not devalued, but allowed to float or drift downward. The gold or dollar rate was established in a free market, by the process of trial and error. After falling as low as $3.19 in 1920, the pound came back to its old parity $4.86 in 1925; and after falling as low as $3.14 in 1932 the pound rose as high as $5.53 in 1933. As soon as the world became convinced after 1919, and again after 1931, that the free pound was undervalued, sterling attracted flight money, the money of speculators and investors all over the world, who bought the free pound cheap for a profit. So the depreciation of the pound influenced the movement of money, as well as the balance of trade, in favor of Britain. Now, however, the pound is not free, but is an inconvertible pegged currency, and foreign investors who hold sterling and sterling securities have had their investments frozen for years, and now devalued, and still they can't get their money out. On the whole the present sterling devaluation can scarcely be expected to have the consequences here or abroad which sterling depreciation had after 1919 and 1931.

Some persons propose the homeopathic cure, *similia similibus curantur*, or a hair of the dog that bit me. It has been suggested, in the interest of the gold producers, or in a spirit of good clean fun, that the United States should devalue the dollar too, that is, pay more than $35 an ounce for gold. Let's make devaluation unanimous, they seem to say. Thirty-five dollars an ounce was the price fixed in 1934. That price was too high then, and it has remained high enough ever since to make the United States the chief market for the world's gold production. The Federal Reserve has more than 55% gold cover for its currency and deposits. The legal requirement is only 25%. It is unthinkable that the United States should set to work to defeat the foreign currency devaluations, by devaluation of the dollar, and thus restore the overvaluation of foreign currencies which their devaluation was meant to correct. It would be deplorable for the United States, whose position as a creditor nation is so strongly entrenched, to engage again in the futile race of competitive depreciation which contributed to the world catastrophe in the '30s. If there is to be peace and reconstruction there must be faith in somebody's money, some nation's money. If there is to be a solid rock on which to build our own welfare and European and world reconstruction, it must be the honor and impregnability of the United States dollar and its redeemability for settling international balances at the gold price fixed in 1934. We should not raise the gold price, and we shall not. The Secretary of the Treasury has again and again denied any intention to do so and the President himself has spoken wisely and decisively on this question. Let us hope that will end this nonsense. Nor should we put gold coin in circulation; we should keep it in reserve to settle international balances. Do let's let our money be.

What other remedies may there be? Freer trade in Europe, lower tariffs, the removal of embargoes and quotas, and convertible currencies, are most desirable. But let us not exaggerate what free trade within Europe can do, nor forget that it is free trade with us that Europe needs to close the dollar gap. Europe is densely populated and highly industrialized, and her problem essentially is to make exports to the dollar area to pay for the food and raw materials which she must import from the outer world. Indeed too much intra-European trade may divert needed labor and materials from the necessary task of making exports to the outer world, and leave a yawning dollar gap. A stronger and better integrated Europe is greatly to be desired, but the solution of the European economic problem is not intra-European trade, but extra-European trade. It is hard to see how the consolidation of the dollar deficits of the deficit countries can reduce the dollar deficit.

Some go further and demand a Western European political or economic union. That seems hardly feasible in time to solve Europe's problem. The analogy to our Federal union, our great free trade area, is imperfect. Our people had one language, one literature, one common law and one King, when they rebelled and formed a confederation which later became a union. Even so it took 90 years and a civil war to confirm the union. Free trade within the United States has been a great blessing to us. But we had no established manufactures to be displaced when we adopted that great principle. Europe, however, has an economic history; it has been a going concern for a long time. The removal of quantitative barriers and lowering of tariffs seems feasible, but free trade as we have it within the United States might mean that some protected industries would collapse in Europe. How then are the necessary migration and resettlement of laborers from the abandoned inefficient plants to be arranged? Must these newly displaced persons learn a new language, a new patriotism? If nationalism is discarded, what substitute is there for patriotism, for the love of country? Can the whole of Europe be of one language, and of one speech? Or can a polyglot European Union maintain democracy and freedom and quicken the peoples' blood and warm their hearts? It seems that a too hurried union would involve a great upheaval, and this at a time of trouble, when every minute counts and every disturbance should be avoided. European union may come by evolution. It can't come by fiat. No shotgun wedding will do the job.

Political Union Needed

Monetary union without political union is impossible. There cannot be a common currency without common sovereignty and a common parliament and common taxes and common expenditures. The very life of the government of any nation, and the welfare of its citizens, depend on its control of money and credit within its borders; and the value of its money depends upon the way that control is exercised. To put these at the disposal of a foreign nation or committee of foreign nations would be suicidal.

If neither devaluation, nor intra-European trade, nor union now, will solve the problem, what then can be done? First and foremost, for our own sake and Europe's sake we should manage our own economy so that it will continue to grow and prosper, but without inflation. Nothing more certainly will precipitate disaster in Europe than a depression here, or a boom and bust here. Our fiscal and monetary policy must be a middle-of-the-road policy, avoiding rigorously both inflation and deflation.

We should be more liberal in regard to the movement across our frontiers of men and of trade and of money. We should open our doors a little wider to desirable immigration. We should let Europeans earn dollars from their shipping, banking, insurance and trading services, if they can, in free and fair competition. We should eliminate our own subsidies and quotas. We should further reduce our tariffs, all across the board, unilaterally, to the point where they let more goods in. As a creditor nation, our tariffs should be for revenue only, except where needed to protect industries essential for the national defense. Merely reciprocal reduction of tariffs is inadequate to the present situation, for it means we hope to increase our exports as much as our imports. What we need to do is to increase our imports more than we increase our exports, if we are to reduce the dollar gap.

Private American foreign investment would help. Indeed, the fundamental trade disequilibrium is so great that the international accounts can scarcely be balanced without great American investment overseas, both public and private. There has been some direct investment by American companies and will be more no doubt. The more the better. But private American investors whose foreign investments have been frozen for years, and are now devalued, and are still frozen, will be slow to make much more such investments. Surely in vain the net is spread in the sight of any bird. We are told foreign countries must not be exploited for profit. In the experience of American investors it has been too often the case that American capital sent abroad has been not the exploiter but the exploited. It has been subject to excessive taxation, to default, confiscation and repudiation, and now to inconvertibility and devaluation. If American foreign investment is to be encouraged, our government and foreign governments must reverse their policies and give firm assurance to American investors that their investments will be respected and protected, and that they may hope to profit by them, and collect their profits. Otherwise, indeed, our government should discourage American foreign investments, whether in developed or underdeveloped areas.

Our Help Needed

Until currencies are convertible and government policies are more helpful to private foreign investment, our government will have to continue to help to fill the dollar gap. Our postwar loans to Britain and France and other European countries, whether made by our government or by our wholly owned governmental agencies, should be extended, principal and interest, or cancelled. Let us follow the precedent of lend-lease and Marshall aid rather than the less happy precedent of the First World War debts.

Marshall aid must continue at least until 1952. The problems of each country should be dealt with practically, in the light of its own peculiar requirements and our own national interest. Britain has problems quite different from those of any other country. Her currency is a key currency. She is banker for the dollar pool. She alone incurred a great external war debt, the sterling balances. These should be scaled down and funded; and we should help arrange it. If that results in hardship in special cases the United States should lend or grant money direct to the sterling area countries concerned for urgent needs. France has no foreign war debt but a heavy postwar debt to the United States. She lives in the memory and under the shadow of invasion and occupation. She has no permanent problem of balancing her international accounts. But France has failed for a long time to balance her internal budget and to maintain the soundness of her currency, and still needs our help. Italy has recently pursued a classically sound fiscal and monetary policy, but has a chronic unemployment problem. Holland suffers from the burden of her losses in Indonesia.

Capital Expenditures Must Be Curtailed

Capital expenditures of most European countries, and their imports of capital goods, should be drastically curtailed. Our aid should be increasingly restricted to necessary purchases of food and raw materials and, where adequate measures are being taken to achieve balanced budgets and balanced international accounts, to support currency convertibility. Some continental countries should be nearly self-supporting by now. They will not be fully self-supporting until compelled to be by shrinking our aid, which has tended to continue after the war the undue concentration on the United States of European purchases.

In view of all these considerations, it would seem well to allow the able administrator of Marshall aid great latitude in allocating to the European countries what money Congress decides to grant, to be spent pretty much as he may deem best. Too great specification about what European countries may buy must lead to waste and inefficiency. Indeed, it would be much better if the money granted were not spent at all but were added to the European countries' gold or dollar reserves, and used to support their currencies in foreign exchange when the need arises.

We might well take a further step toward currency stability and offer continuing aid specifically for exchange support at approved rates to those nations which stop inflationary expenditures, balance their budgets and their current international accounts, and (while restricting export or flight of capital) make their currencies freely convertible for current transactions. Such a plan would offer a strong incentive to the nations to achieve convertibility. With nations as with men, the incentive system is more effective than the lecture system. Nobody disputes the desirability of restoring a system of multilateral trade and payments, but many experts doubt that the world will have the economic strength and flexibility to restore such a system in the near future. I, on the other hand, doubt that the world can recover economic strength and flexibility until a system of multilateral trade and payments is restored.

Though the Economic Cooperation Administration is to end in 1952, it is unduly optimistic to suppose that all aid to Europe can stop short then. The aid we give should be reduced gradually from year to year and be spread over a greater number of years. Abrupt termination would mean that all the $30 billion or thereabouts we have spent or promised postwar, through UNRRA, direct government loans, World Bank, World Fund, Export-Import Bank, Marshall aid and military aid, might be wasted and we might lose the cold war. Our aid must taper off, not just stop. In spite of war's dreadful losses and war-weariness, Europe has made immense strides since the war. American aid, and notably, the brilliant and nobly conceived Marshall Plan, have contributed greatly to this progress.

Though we must help her on the way, Europe must save herself in the end. Her chief contributions to recovery must be balanced budgets, greater production, greater savings, greater freedom and greater enterprise. Europe cannot recover without stopping inflation and establishing monetary order. Europe cannot recover until mobility is restored to capital and labor, nor until the direction of the effort of both is determined by prices and wages instead of by politicians and civil servants. Europe cannot recover until the price system, the profit and loss system, the incentive system, are restored, and competitive enterprise and risk-taking replace controls by governments, by cartels and by trade unions. We can help Europe to survive, but only she herself can do what is necessary to recovery. The mistakes being made in Europe, however great they may be, are, like our own, still the mistakes of free peoples, made by their own choice, and, above all else, they remain free and free to change again. It is in our interest to defend their survival with our resources and our might.

How to Obtain Equitable, Efficient Social Security

(Continued from page 6)

States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes."

As you are familiar with the details of the measure and the principal features of its operation, it is not my purpose to mention them in a comprehensive manner here. The Act does not apply to all persons in the United States; the coverage is strictly limited to those mentioned in its provisions. Funds for the payments to beneficiaries, who qualify for old-age assistance, as set forth in the plan, are raised by taxes levied, in like amount, upon employees and employers. Significantly, with respect to old-age benefits, this is a contributory pension plan, in which the equal participation of the individual is provided by deduction from earnings and sent to the United States Treasury by the employer, along with his matching payment. Thus there is invoked, by the Federal Social Security Act, an element of personal thrift, and some degree of individual responsibility in providing for one's own needs beyond the age of retirement.

There are proposals to extend the activity of the Federal Government in the field of social security. At present the movement to change the provisions of the Act of 1935 and enlarge the scope of its coverage has carried the pertinent legislative phase a part of the way through Congress. This matter will be on the calendar for further attention early next year. Over and beyond that measure, there are appearing, from time to time, various pronouncements, mostly from political sources, which with characteristic restraint would promise more and more benefits to all of our population, throughout the span of life. Quite recently a prominent Washington official advocated the adoption of plans by the government whereby substantial pensions would be paid to everyone in the land beyond the age of 65 years. One of our more conservative public servants, a Senator, has pointed out that such a proposition would require the expenditure of an estimated additional $12 billion dollars per year, and that with our tremendous tax burden, national debt, and current annual deficit, we might not be able to afford it. There is apparently no limit to the generous things which might be done by government, with lavish hand, as long as the wherewithal to pay for them is available. At least there is no apparent limit to the proposals for ever higher disbursements. But with the camel's back already sagging, and the spectre of deficit financing presently in view during a period of comparatively high national prosperity, many persons are naturally nonplussed at the prospect, or even the suggestion, of greatly increased expenditures, because of their effect upon both the economic stability of the nation and the financial affairs of its citizens. Social benefits will be dearly bought if the prices paid for them is general economic stringency. We wonder whether, under any such eventuality, social security could be called security at all. There are certainly limits beyond which even a powerful government cannot safely go.

American Industry Not Newcomer In Social Security

American industry is not a newcomer in the field of social security. For many years, numerous industrial organizations in this country have sponsored and operated pension plans and other programs of social benefits. Some of these plans have been financed wholly by the employers, others have made provision for participation by the employees, in which case the contributor maintained a vested right in his contributions. In different companies the terms and conditions, as well as the amounts and adequacy of the various benefits have differed; the pattern was not uniform. Most, if not all of the industrial plans were adopted voluntarily, and there was a disposition to look upon pensions both as an incentive to continuous service, and as deferred compensation earned by faithful employees.

Recently, the matter of social welfare for employees of industry who are members of labor organizations has become an important factor in the demands of the unions. During the summer of 1949, the United Steel workers of America, CIO, in connection with wage negotiations, included demands for a non-contributory pension plan and a program of life, accident, health, medical, and hospital insurance benefits. Collective bargaining failed to bring the parties to agreement on the issues involved. There followed, in turn, the appointment of the Presidential Fact Finding Board, several postponements of the threatened strike in the steel industry, the appearance of the report of the Board in early September, an ultimatum by the President of the Union that contrary to the stipulations under which the Fact Finding Board functioned, its findings be accepted as binding, prior to further negotiations; then the breakdown of further collective bargaining negotiations, and on Oct. 1st the strike, with cessation of operations at all plants where the United Steelworkers organization was the certified bargaining agent.

United States Steel had offered to pay as much as 10 cents per hour per employee as its part of the cost of a contributory pension and insurance program, this being the amount recommended by the Fact Finding Board, but on the basis of a non-contributory plan. The Union, because of its demand for a non-contributory arrangement, chose to reject the offer and proceed with the strike.

Steel Strike Regrettable

The strike, in our opinion a regrettable and unnecessary measure, lasted approximately from five to six weeks. It cost the employees of the steel industry a loss of wages amounting to hundreds of millions of dollars, and the industry the loss of finished steel shipments estimated at around seven million tons.

A break in the situation came on the last day of October, when one of the larger units of the steel industry arrived at an agreement with the United Steelworkers of America. Agreements with other steel producers followed within a few days, and on Nov. 12, United States Steel signed with the Union. It is our understanding that all of the settlements are much alike in their main provisions. I shall speak a little further in regard to the one with which I am most familiar.

The settlement negotiated between United States Steel and the Union represents a compromise of the principal issue in dispute, namely, whether the employer shall pay the entire cost of pensions and insurance for employees. The new arrangement, subject to approval by stockholders of the Corporation, is to continue in effect for five years, with the right reserved by United States Steel, at its option, to terminate the pension plan at the end of two years. As to the insurance program which is to provide death, sickness, accident and hospitalization benefits, the employees and United States Steel will each pay one-half of the total cost, which is five cents for each hour worked.

The agreement further provides that an employee who retires after Feb. 28, 1950, after attaining the age of 65 and having at least 25 years of continuous service, shall receive a pension computed in accordance with a formula based upon his compensation and length of service, such pension to be not less than $100 a month, including social security benefits. Any employee who so retires with at least 15 years but not as much as 25 years of continuous service, shall be entitled to a pension calculated upon a proportional basis. The cost of such pensions will be borne by United States Steel. The pension to be paid by United States Steel, however, shall be reduced by the amount of any pension or annuity which the retired emplowee is entitled to receive under the Federal Social Security Act or other similar legislation. The Federal Social Security Act requires equal contributions by employers and employees. To that extent, pensions under the settlement with the Union are on a contributory basis.

These are the cardinal features of the latest agreement with the Steelworkers Union. There are mountains of details which must be studied and elaborated to make the plans workable. They are in process of determination. As to the size of the additional financial burden which the industry will have to bear, it is a little too early to make a valid statement even on the magnitude of the direct costs. They are, of course, primary obligations and must be paid as a part of operating expenses, unless or until funded, regardless of whether or not there are profits remaining.

The steel industry is not the only one affected by new agreements involving pensions and social benefits. As you know, similar or corresponding settlements have been made, during the year, with other important manufacturing concerns. Then there is the still unresolved dispute with the United Mine Workers of America, where a welfare fund already costing 25 cents per ton of coal produced, is represented as requiring increased revenues. Such considerations imply that there may be substantial indirect costs which will have to be added to direct costs when the goods which bear the integrated expense of the stipulated social security items are sold in the usual channels of commerce. The total financial loading promises to be of considerable consequence; ways and means will have to be devised to carry it.

Must Have Equitable and Sound Plan

All of these attempts to provide social security, whether through the agencies of government or of private industry, will be helpful only if the plans are equitable, financially sound and efficiently administered. If they rest upon an uncertain economic foundation, they will not long be capable of providing any kind of security. Moreover, if they overtax the strength of the foundation, they will fall. In view of the assignment of new responsibilities to industry in the field of social welfare, it is increasingly important that the strength and prosperity of industry be safeguarded, to the end that it may meet its total obligations to employees, customers, and stockholders, without distress or failure. A hand-to-mouth system of providing for industry's portion of social security will not suffice. Payments under the program must be made on time, with regularity, and without fail, in good years and in bad. Responsibility under the agreements cannot be waived or postponed; it is an ever present guest and must be met, on the line. Along with making provision for pensions and other benefits for the future, there will be the special task of providing, in accordance with the new basis, and insofar as possible, financial assurance for the past or accumulated service credits of employees whose employment began years before the current scheme became operative.

These matters require money, altogether substantial sums of money, wherefore it is more than ever essential that the earning power of industry be fostered in adequate degree for the services it must render. Everyone must realize that the load on industry is heavy, and that it must not be allowed to increase to the breaking point. Present factors not helpful in the situation are burdensome taxation, interference with production, unwarranted probing, baiting, harassment and misrepresentation, along with recurrent attempts at fanning up an atmosphere of hostility to business. The condition should be reversed. Experience in modern world affairs has shown that a strong, virile industry is indispensable to national survival, and national survival is item number one in the book of security. Additions to item number one are desirable if planned with wisdom and care, and if they contribute in an equitable manner to the common good.

As we address ourselves to the solution of problems posed by the recent agreements in industry, we look, with solicitude, to our government to undertake only such measures pertaining to the social welfare as can be provided without distress or failure on the part of individuals and groups of individuals who furnish its sustenance. Our appetite for the establishment of a socialized state in America is certainly not whetted by an examination of anything that can be seen in Europe, either west or east, from Great Britain to Russia. Above all, we hope that the independence and self-respect of beneficiaries of social security in this country may be preserved in the knowledge that they, by their own contributions, have discharged a basic obligation to themselves and to society, without the surrender of freedom.

Program to Cut Government Costs by $2 Billion

(Continued from page 9)

want it not to deprive our civilian population of its doctors.

Unification of Our Water Conservation Services

Fifth on our list of priorities is the Federal conservation of water resources. At present this function is scattered over many agencies. They employ over 5,000 engineers and about 70,000 other people. They overlap; they have duplicate offices; they compete in procurement of both supplies and skills and jobs to do. A pork-barrel floats in those rivers.

We not alone want to save great sums of money but we want to save water.

Unification of Federal Land Management

The sixth on this preferential list is Federal land management. In continental United States, the Federal Government has about 169,000,000 acres of grazing and forest lands administered by the Department of the Interior. We have about 65,000,000 acres of forests and grazing lands administered by the Department of Agriculture. In the Western states they compete with each other and, cheek by jowl, each maintains a staff in almost every county. Millions are being wasted "in them thar hills."

Unification of Transportation Services

Seventh in these urgencies is solution of a major problem in government services to transportation. Aside from the agencies regulating transportation rates and services, there are about a dozen agencies scattered over a dozen different parts of the government to deal with these matters. We must eliminate their overlap and waste. We should give the people one central agency to go to when they seek government services in these matters.

There is something even more vital. The Federal Government directly or indirectly subsidizes or provides facilities for aviation, highways, waterways, and overseas shipping. We loan money to the railroads. They are all an essential part of our national defense. We must have co-ordination of our national policies, aiming at the development of a balanced national transport system. The troubles of the railroads are a daily exhibit.

Relief for the President

Finally, there are some sixty-five different agencies in the Executive branch which report directly to the President. If he gave to each of them an hour a week for administration, he would have no time to formulate leadership in the major policies of the government, or attend an occasional game. By our proposals we can ultimately reduce these sixty-five agencies by more than one-half.

Beyond this there is a big confusion of authorities between bureaus and between the Executive and the Congress. They form great barnacles on the Ship of State. Under our Constitution, in logic and common sense, there can be only one chief executive officer in our government, delegating authority ultimately down the line to the office boy. In executive matters Congress should be content to be the board of directors, with agencies of inspection and audit to see that their decisions are properly executed.

Other Reforms

There are many reforms, other than the eight goals I have mentioned. We can furnish them on demand.

We have oppositions, of course. There are still people who hold to the theory of reduced government expenses but not to its practice. Your job is to minister to their mental disorders. The best treatment is to persuade them to join in this historic movement toward progress and enduring national security.

These are not merely statistical assertions nor academic theories. These forces reach into every cottage in the land. They carry with them the future of our youth and of our country.

We must conserve our strength and stop wasting our heritage if we are to survive as a free people.

Two With Bradley Higbie

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Stanley A. Chase and Hugh E. Zweering have been added to the staff of Bradley Higbie & Co., Guardian Building, members of the Detroit Stock Exchange.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

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., N. Y.
Nov. 3 filed $3,250,000 10-year 3% sinking fund debentures due 1958 and 200,000 shares ($10 par) class A stock. **Underwriter**—Israel Securities Corp. may be underwriter. Debentures are to be offered at par and the stock at $11 per share. **Proceeds**—To be used for economic development of Israel. Statement effective Dec. 9.

• **Automatic Firing Corp., St. Louis, Mo.**
Dec. 9 (letter of notification) 6,300 shares of class B ($1 par) common stock, of which 2,400 are offered by Allan J. Strauss, 2,100 by Stanley Strauss and 1,800 by Leslie J. Weil. **Underwriter**—G. H. Walker & Co., St. Louis, is buying this stock at $2.333834 a share and selling it to Dempsey & Co., Chicago, the underwriter, at $2.50. Latter, will resell it at $2.875 each

• **Bank Building & Equipment Corp. of America**
Dec. 9 (letter of notification). Five persons will sell 3,250 shares of capital stock at $11.75 each to Scherck, Richter Co., St. Louis. Following a two-for-one stock split. Effective Dec. 20, 6,000 shares will be offered at about $7 each. **Underwriter**—Scherck, Richter Co.

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.

• **Bethesda (Md.) Country Club, Inc.**
Dec. 8 (letter of notification) 170 debenture bonds. Constituting unsecured promissory notes of $300 principal amount each. No underwriter. To improve club properties and retire indebtedness.

• **Boat Marilyn Rose, Inc., San Diego, Calif.**
Dec. 7 (letter of notification) 175,000 shares ($1 par) common stock. No underwriter. To buy a tuna clipper. **Office**—2904 Bryon St., San Diego, Calif.

Broadway Angels, Inc., New York City (12/20)
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. Statement effective Dec. 9.

Central Illinois Light Co. (12/16)
Nov. 18 filed $12,500,000 first mortgage bonds, due 1979. **Underwriter**—Awarded Dec. 14 to Lehman Brothers and Associates on bid of 100.4613 for a 2⅝% coupon. To be offered at 100.935. **Proceeds**—To redeem outstanding 3½% first and consolidated mortgage bonds and repay short-term bank notes.

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.

• **Clark Equipment Co., Buchanan, Mich.**
Dec. 5 (letter of notification) enough shares ($20 par) common stock are to be sold to employes at $1 less than the market price on the New York Stock Exchange to yield not more than $300,000. No underwriters. For working capital.

• **Commonwealth Edison Co., Chicago (1/10/50)**
Dec. 13 filed $49,000,000 sinking fund debentures, to be dated Oct. 1, 1949, and mature April 1, 1999. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Proceeds**—For construction, additions, etc. to property. Bids expected Jan. 10, 1950.

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.

Dow Chemical Co.
Nov. 4 filed 175,000 shares of common stock (par $15). **Offering** — Offered to stockholders of record Dec. 20 at $44.50 per share on ratio of one new share for each 50 shares held. Rights expire Feb. 1, 1950. Employees of company, its subsidiary and associated companies will also be given an opportunity to subscribe. **Proceeds**—To be added to treasury funds and used for corporate purposes. **Underwriter**—None.

Eastern Harness Racing Club, Inc.
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.

• **Fiduciary Trust Co., Boston, Mass.**
Dec. 5 (letter of notification) 2,000 shares of common stock. Price, $109 each. No underwriter. To retire preferred stock.

Florida Power Corp., St. Petersburg, Fla.
Nov. 2 filed 242,000 shares ($7.50 par) common stock. **Offering**—Offered stockholders of record Dec. 1 at the rate of one new share for each five held at $16.85 per share. Rights expire Dec. 21. **Underwriter**—Issue not underwritten but at expiration date company will enter into agreement with Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, under which the firms will undertake to sell shares not subscribed for. **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.

• **Flowood Corp., Jackson, Miss.**
Dec. 7 (letter of notification) 2,526 shares ($25 par) capital stock. Price par. No underwriter. To buy additional equipment and machinery. **Office**—Box 900, Jackson, Miss.

Food Fair Stores, Inc.
Dec. 6 filed $8,000,000 15-year sinking fund debentures, due Jan. 1, 1965. **Underwriter**—Eastman Dillon & Co. **Proceeds**—Proceeds will be used to redeem $2,645,000 15-year 3½% debentures due Feb. 1, 1959, and $2,000,000 of notes. Balance will be used to acquire or construct additional supermarkets, warehouses, parking lots and other facilities, and to equip these facilities.

• **Gibbonsville Mining & Exploration Co.**
Dec. 6 (letter of notification) 250,000 shares (10c par) common stock. Price, par. **Underwriter** — William L. Henderson, Spokane. To buy and install additional milling machinery. **Office**—Hutton Bldg., Spokane, Wash.

• **Green Top Dairy Farms, Inc., Clarkston, Wash.**
Dec. 5 (letter of notification) 100,000 shares ($1 par) 6% preferred stock and 110,000 shares (50¢ par) common stock. All of the common stock will be issued to Alfred Woodard and Elvin Woodard in exchange for land, equipment, livestock and good will. 50,000 shares is being turned back for inclusion into the sale of one share of common with each two shares of preferred stock sold. The preferred will be sold at $1 each. **Underwriter**—None. **Proceeds**—For new equipment, working capital and indebtedness.

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.

• **Hastings Manufacturing Co., Hastings, Mich.**
Dec. 6 (letter of notification) 2,000 shares ($2 par) common stock, to be sold by Aben E. Johnson, President of the company, at $7 each. **Underwriter**—First of Michigan Corp., Battle Creek, Mich.

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.

Hingham (Mass.) Industrial Center, Inc. (12/22)
Dec. 2 (letter of notification) 25,000 shares of class A ($10 par) common stock. Price, par. **Underwriter**—Perkins & Co., Boston. For operating a plant to be leased from the Navy Department.

Illinois Bell Telephone Co.
Nov. 30 filed 389,982 shares of capital stock (par $100). **Offering**—To be offered to stockholders pro rata at $100 a share. American Telephone & Telegraph Co. will be given the right to buy 387,295 of these shares and the remainder will be offered public stockholders. **Underwriter**—None. **Proceeds**—To pay advances from A. T. & T.

• **Income Foundation Fund, Inc., Baltimore, Md.**
Dec. 9 filed 200,000 shares of capital stock. **Business** — Investment company.

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 at par to holders of 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. **Proceeds**—To reduce outstanding short-term indebtedness.

• **Investment Co. of America, Los Angeles**
Dec. 12 filed 500,000 shares of common stock. **Underwriter**—None. **Business**—Investment company

• **J. I. M. Petroleum Co., Long Beach, Calif.**
Dec. 7 (letter of notification) 100,000 shares ($1 par) common stock. Price, par. No underwriter. To develop oil properties. **Office**—639 Enloe Bldg., 115 Pine, Long Beach, Calif.

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.

• **Kremers-Urban Co., Milwaukee, Wis.**
Dec. 5 (letter of notification) 600 shares of Series A ($100 par) preferred stock and 940 shares of non-voting (no par) Class B common stock. The preferred will be sold at $100 each. No underwriter. For working capital and to retire notes.

Lawrence (Mass.) Gas & Electric Co. (12/22)
Dec. 1 filed $2,750,000 of series A first mortgage bonds, due 1979. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Carl M. Loeb, Rhoades & Co.; Otis & Co.; Coffin & Burr. **Proceeds**—To redeem $1,500,000 3⅛% series A first mortgage bonds, due 1968, at 102¼% and to repay notes held by banks. Expected about Dec. 22.

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.

NEW ISSUE CALENDAR

December 16, 1949
Central Illinois Light Co.——Bonds

December 19, 1949
Harvey Hubbell, Inc.——Common

December 20, 1949
Broadway Angels, Inc.——Common
Lucky Stores, Inc.——Common

December 21, 1949
Chesapeake & Ohio Ry. noon (EST)——Equip. Trust Ctfs.

December 22, 1949
Lawrence Gas & Electric Co.——Bonds

January 4, 1950
Baltimore & Ohio RR.——Equip. Trust Ctfs.

January 5, 1950
Northern Indiana Public Service Co.——Preferred

January 10, 1950
Commonwealth Edison Co.——Debentures

January 12, 1950
Niagara Mohawk Power Corp.——Bonds

January 24, 1950
United Gas Corp.——Bonds

Business—Mineral and royalty rights in Texas, New Mexico, Oklahoma and Arkansas.

Lorain (Ohio) Telephone Co.
Nov. 29 (letter of notification) 3,489 shares (no par) common stock. Price, $20 each. No underwriter. To partially reimburse the company's treasury for additions to property made in 1948. Office: 203 Ninth Street, Lorain, Ohio.

Lucky Stores, Inc., Oakland, Calif. (12/20)
June 27 filed 400,000 shares of common stock (par $1.25), of which 100,000 shares are being sold on behalf of company and 300,000 shares by Blair Holdings Corp. **Underwriters**—Blair & Co., Inc., and E. H. Rollins & Sons, Inc. **Proceeds**—Company's part for working capital.

Magnavox Co., Fort Wayne, Ind.
Dec. 2 filed 100,000 shares of class A $1 cumulative convertible preference stock ($15 par). **Underwriter**—Maynard H. Murch & Co., Cleveland. Price by amendment. **Proceeds**—To retire bank loans and furnish working capital.

● **Mayflower Co., Salt Lake City**
Dec. 4 (letter of notification) 300,000 shares (1 cent par) common stock. **Price**—10 cents each. No underwriter. For general funds and to pay an option contract with Associated Uranium Miners Trust.

● **Mid-Continent Airlines, Inc., Kansas City, Mo.**
Dec. 6 (letter of notification) 4,000 shares ($1 par) common stock. Price, market price (between $8 and $9). Underwriter—White & Co., St. Louis, Mo. For working capital.

● **Moller-Dee Textile Corp., Wilmington, Del., and Tel-Aviv, Israel**
Dec. 7 filed 500,000 shares ($5 par) capital stock. **Underwriter**—Coffin, Betz & Co., Philadelphia. Price, par. **Proceeds**—To build a textile plant in Israel. **Business**—Cotton textiles.

Montana-Wyoming Gas Pipe Line Co.
Nov. 30 filed 150,000 shares ($5 par) common stock. **Offering**—To be offered to common stockholders of Montana-Dakota Utilities Co. of record Dec. 20 at rate of one share for each seven held. Rights will expire on Jan. 4, 1950. **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.

● **Natural Resources Fund, Inc., New York**
Dec. 12 filed 1,970,000 shares of capital stock. **Business**—Investment company. **Underwriter**—Frank L. Valenta & Co., New York.

● **Neilsen Television Corp., Norwalk, Conn.**
Dec. 7 (letter of notification) 150,000 shares of common stock (par 25c). **Price**—$1 per share. No underwriter. For working capital. Present stockholders have until and including Dec. 28 to subscribe for the additional shares.

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.

Northern Indiana Public Service Co. (1/5/50)
Dec. 7 filed 211,380 shares ($100 par) cumulative preferred stock. **Offering**—To be offered on a share-for-share basis in exchange for a like number of shares of outstanding 5% preferred stock. **Underwriters**: Central Republic Co. (Inc.), Chicago; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—To retire 5% preferred not surrendered in the exchange. Each share of stock exchanged will be accompanied by a cash payment to make up the difference between the offering price of the new stock and $106.61, the redemption price plus a 61-cent accrued dividend.

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.

● **Quesnel Forks Placers, Inc., Seattle, Wash.**
Nov. 30 (letter of notification) 300,000 shares of non-assessable (5¢ par) common stock. Price 10 cents each. No underwriter. To develop placer mining leases in British Columbia. Office, 1909 Northern Life Tower, Seattle, Wash.

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.

● **Royal Crown Beverage Co. of Poughkeepsie, Inc.**
Dec. 8 (letter of notification) 8,000 shares of 5% cumulative preferred stock (par $20) and 40,000 shares of common stock (par 10 cents) and 18,000 common stock purchase warrants to purchase a like number of common shares. **Underwriter**—Raymond V. Edwards, New York, N. Y. **Price**—$30.66 per unit, each unit consisting one share of preferred and fine shares of common stock. To retire bank loans for new equipment and additional working capital. **Office**—170 Washington Street.

● **Rural Gas Service, Inc., Westfield, Mass.**
Dec. 6 (letter of notification) 100,000 shares ($1 par) common stock. Price, $2 each. No underwriter. For working capital, plant, equipment and inventory.

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.

● **Seaboard Finance Co., Los Angeles**
Dec. 7 filed 120,000 shares of convertible preferred stock, cumulative (no par). **Underwriter**—The First Boston Corp. **Proceeds**—To increase working capital, reduce bank loan, invest in subsidiaries.

● **Sharp & Dohme, Inc., Philadelphia, Pa.**
Dec. 9 filed 171,815 shares of cumulative preference stock (no par). **Offering**—To be offered in exchange for 229,085 2/5 shares of $3.50 cumulative convertible preference stock, series A, at rate of three new shares for each four old ones. **Underwriters**—Alex. Brown & Sons, Baltimore, and Drexel & Co., Philadelphia. **Proceeds**—To redeem at $75 each plus accrued dividends any $3.50 preference stock not surrendered under the exchange. **Business**—Pharmaceuticals.

● **Silver Sage Oil & Mineral Co., Newcastle, Wyo.**
Dec. 7 (letter of notification) 250,000 shares of common stock. **Price**—$1 per share. No underwriter. To drill and complete oil wells, rent leased land and buy additional land and leases.

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.

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.).

Spokane (Wash.) Portland Cement Co.
Nov. 30 (letter of notification) 47,880 shares ($2 par) common stock. **Price**—$4.75 each. **Underwriter**—Harold H. Huston & Co., Seattle. To replace working capital expended on plant improvements.

Sterling Oil of Oklahoma, Inc., Tulsa, Okla.
Dec. 2 (letter of notification) 30,000 shares (10¢ par) stock, to be sold at 12½ cents each by Greenfield, Lax & Co., Inc., New York City, who will serve as its own underwriter.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriting**—None. **Proceeds**—Funds will be applied to the purchase of equipment road construction, exploration and development.

● **Super Electric Products Corp., Jersey City, New Jersey**
Dec 2 (letter of notification) 23,600 shares to be offered in exchange for securities of The First Guardian Securities Corp. held by Julien S. Collier on a basis of original dollar cost of stock of The First Guardian Securities Corp. to Mr. Collier, with Super Electric shares offered at 30½ cents per share. **Office**—1057 Summit Ave., Jersey City, N. J.

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.

Texas Union Oil Co., Houston, Texas
Nov. 25 (letter of notification) 188,412 shares (10c par) common stock, to be sold on behalf of stockholders. Price, 50 cents each. **Underwriter**—Stewart J. Lee & Co., New York.

● **Ultrasonic Corp., Cambridge, Mass.**
Dec. 7 (letter of notification) $300,000 of 5% debenture bonds, due 1960 (which will have attached 3,000 shares of class A stock). The bonds are convertible into 40,000 shares ($5 par) capital stock. **Price** — $100 each. No underwriter. For general working capital. **Office**—61 Rogers St., Cambridge, Mass.

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.

Upper Peninsula Power Co.
Sept. 28, 1948 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.

● **Upshot Mines, Inc., Prescott, Ariz.**
Dec. 8 (letter of notification) 50,000 shares ($1 par) common stock. Price, par. No underwriter. To buy and install mining machinery.

Westerly (R. I.) Automatic Telephone Co.
Dec. 2 (letter of notification) 6,000 shares of common stock (par $25). To be offered pro rata to stockholders of record Dec. 10 at par. Of the total, 3,800 shares will be sold to New England Telephone & Telegraph Co., holder of 9,500 of the outstanding 15,000 shares. No underwriter. To repay advances from the parent company.

● **Western Arizona Metals Consolidated, Inc., Wickenburg, Ariz.**
Dec. 7 (letter of notification) 200,000 shares of common stock. **Price**—$1 each. No underwriter. To operate mining venture.

● **Woodward Oil Inc., Denver, Colo.**
Dec. 6 (letter of notification) 3,000,000 shares of 5 cent par value common stock. **Price** — At par (5 cents). **Underwriter**—None. **Proceeds**—To pay off debts and drill additional wells. **Office**—721 Cooper Bldg., Denver 2, Colo.

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

● **Baltimore & Ohio RR. (1/4/50)**
Company will receive bids Jan. 4 on its proposed offering of $11,865,000 equipment trust certificates, series BB, to be dated Jan. 1, 1950 and to mature $791,000 annually on Jan. 1, 1951-1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc., and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

Chesapeake & Ohio Ry. (12/21)
The company has issued invitations for bids to be received by noon (EST) Dec. 21 at company's office, Terminal Tower, Cleveland, for the purchase of $6,750,000 equipment trust certificates. The certificates are to be dated Jan. 1, 1950, and will mature semi-annually from July 1, 1950 to Jan. 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly); 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).

● **Commonwealth Edison Co., Chicago**
Dec. 13 it was indicated that $90,000,000 additional financing will be necessary for the period 1950-1953 to cover in part a construction budget of $290,000,000. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.

Harvey Hubbell, Inc. (12/19)
Dec. 6 Adams Express Co. asked the SEC for an order enabling it to sell to a group of underwriters a block of 32,800 shares of ($5 par) common stock of Harvey Hubbell, Inc. This block represents 10.25% of the outstanding capital stock of Hubbell and all of Adams Express holdings. The shares will be sold through Paul H. Davis & Co.; Hallgarten & Co.; R. W. Pressprich & Co., and Hornblower & Weeks at prices set according to the price for Hubbell stock on the New York Curb Exchange. Dec. 14 has been set by the SEC as the deadline for requests for a hearing with offering expected Dec. 19.

International Bank for Reconstruction & Development
The bank will call in its $100,000,000 issue of 2¼% bonds early in January and will replace them with an

(Continued on page 46)

(Continued from page 45)

issue of like amount that will mature serially in three to twelve years at the rate of $10,000,000 annually. The new issue is to be sold at competitive bidding. Four banking syndicates are expected to bid for the new issue of serials. One group is to be headed by Chase National Bank, The First Boston Corp., Salomon Bros. & Hutzler and C. J. Devine & Co., Inc. A second group will be headed by National City Bank, Kuhn, Loeb & Co. and J. P. Morgan & Co. Incorporated. The third will be headed by Bankers Trust Co. and Morgan, Stanley & Co. The fourth group is being formed by Halsey, Stuart & Co., Inc.

Mississippi Valley Public Service Co.
Dec. 5 company proposes to sell about $1,800,000 additional first mortgage bonds, the proceeds to be used for capital expenditures. Company also proposes to sell additional common later to provide approximately $700,000. Last issue of common stock underwritten by Merrill Lynch, Pierce, Fenner & Beane and Carter H. Harrison & Co.

● **New Jersey Bell Telephone Co.**
Company filed Dec. 8 with the New Jersey State Board of Public Utility Commissioners a plan for financing $65,000,000 of construction. Company proposes to sell $50,000,000 in common stock and $15,000,000 in long-term bonds to meet plant and installation costs. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Niagara Mohawk Power Corp. (1/12/50)
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. Bids expected Jan. 12.

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. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co.

● **Oklahoma Gas & Electric Co.**
Dec. 5 expected company will do some new financing early in 1950 in connection with its expansion program. Initial financing may consist of $10,000,000 bonds. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Lehman Brothers; Equitable Securities Corp.; Harriman Ripley & Co.

● **Peoria & Pekin Union Railway Co.**
Dec. 9 company asked the Interstate Commerce Commission for permission to issue $2,500,000 of new first mortgage bonds, due Jan. 1, 1975. Proceeds would be used to redeem on Feb. 1, 1950, $2,500,000 outstanding first mortgage 5½% bonds, due Aug. 1, 1974. Probable bidders include Halsey, Stuart & Co. Inc.

● **Seaboard Airline RR.**
Dec. 9 reported that company has under consideration the refunding of its long-term first mortgage 4% bonds involving not less than $30,000,000. Probable bidders include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers.

● **Southwestern Public Service Co.**
Dec. 10 reported company will offer additional shares of common stock on a one-for-eight basis to its present shareholders early in 1950. Offering will represent part of the company's program to raise approximately $18,000,000 in the 1950 fiscal year ending Aug. 31 to finance its $20,000,000 expansion program for the year. Company has arranged for the private sale of $10,000,000 of 30-year mortgage bonds with a life insurance company to provide the major portion of funds needed in the 1950 fiscal year. The balance will be obtained through the sale of about $2,500,000 of debentures. In addition to the new financing, company also is said to be considering plans to refund some of its privately-held indebtedness. Traditional underwriter, Dillon, Read & Co. Inc.

● **Trunkline Gas Supply Co.**
Nov. 29 the FPC extended to June 1, 1950, the deadline for company to submit a "definite and firm plan of financing" for a natural gas pipeline project, estimated to cost $85,000,000.

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 a registration statement with the SEC Dec. 1. Bids, it is expected, will be operated at 1:30 a.m. (EST) on Jan. 24 at 2 Rector Street, New York. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co.; Equitable Securities Corp.

● **Webster-Chicago Corp.**
Dec. 9, R. F. Blash, President, announced that he and Mrs. Blash have entered into an agreement with F. Eberstadt & Co. Inc., New York, and Shillinglaw, Bolger & Co., Chicago, covering a proposed public distribution of part of their shares of common stock of the corporation. No new financing by the company is involved. A registration statement relating to the proposed offering is expected to be filed with the Securities and Exchange Commission in the near future.

Our Reporter's Report

The curtain appears scheduled for an early drop on this year's new issue market with only a few offerings remaining definitely on schedule and two of these being offered to stockholders in the first instance.

So far as new financing operations are concerned, investment bankers could just about proceed to put up the shutters any time they choose until after the turn of the year.

But they'll probably be busy working off the remnants from earlier deals and putting their books in order from now until New Year's Eve.

Aside from yesterday's sale of $12,500,000 of Central Illinois Light Co.'s first mortgage, 30-year bonds, a triple AAA issue which brought out the keenest bidding in weeks, there remains only one small prospect, $2,750,000 of Lawrence (Mass.) Gas & Electric bonds which will be up for bids about Dec. 22.

Meanwhile, next Monday subscriptions will be opened on "rights" for the big offering of Ohio Edison Co. common stock which is being sold by Cities Service Co., involving 1,000,000 shares.

And Consolidated Gas, Electric Light & Power Co. of Baltimore's, bond exchange offer will get under way the same day. These should clean up the calendar and allow ample time for closing of underwriters' books for 1949.

Big Telephone Issue.

Looking past the turn of the year things shape up with a promise of renewed activity along about mid-January. New Jersey Bell Telephone Co., for example, has already filed with the State Board of Public Utility Commissioners in preparation for a big offering.

This financing, designed to put the company in funds to finance construction through 1950, would involve the sale of $50,000,000 of common stock and $15,000,000 of long-term bonds.

Officials explained that despite vast expansion of the last four years, involving outlay of $180,000,000, the task of meeting demand for service in its territory has not been completed.

Commonwealth Edison

Meanwhile, Commonwealth Edison Co. of Chicago, has started a large piece of new financing through the normal channels.

This big company has filed with the Securities and Exchange Commission for the sale of $49,000,000 of new sinking fund debentures, with a 49½-year maturity.

The utility has charted a new construction and expansion program covering the next four years to involve an outlay of about $290,000,000. Proceeds from the foregoing issue would be applied for that purpose.

Penn. Electric Bonds Sold

Pennsylvania Electric Co.'s offering of $11,000,000 of new 30-year, first mortgage bonds brought out a host of bids, with the winning group taking the issue on its offer to pay 100.3191 for a 2¾% coupon.

Two other groups bid for the same interest rate while three others entered bids, but specified a 2⅞% interest rate.

The successful bidders reoffered the bonds at a price of 100.81 to yield about 2.71% to maturity and dealers reported quick placement of the issue.

Meanwhile, 70,000 shares of $100 cumulative preferred brought a top bid of 101.06 for a $4.05 dividend rate. The stock was reported in brisk demand.

World Bank Plans

The head of the World Bank put all the cards on the table in advising the Investment Bankers Assn., convention of its plans for refinancing outstanding bonds.

Eugene Black stated bluntly that the impending issue of $100,000,000 of new serials, due early next year, would provide a chance to see "just what our credit is worth."

Though not necessarily intended to get a cheaper rate, he has the "hope of saving a little" in interest charges. The new issue will mature serially at the rate of $10,000,000 a year.

Business in 1950 and 1951

(Continued from page 5)

ment, similar to what so many other industries have already had.

Building is another very important industry where prospects look good for 1950, but where there are some important doubts and uncertainties about 1951.

As you know, new home financing is set up so that the veteran can, in many cases, buy with no down payment. A big part of an important segment of the construction total—residential building—has been held at high levels by the activity of the big subdividers, catering to the veteran's market.

How soon will these big builders run out of veterans? Some people in the field believe they can begin to see signs that this time may not be too far off.

Two other points also deserve consideration:

(1) Financing terms for multiple-family dwellings have also been very favorable. In some areas the shortage of apartments now seems to be disappearing quite rapidly.

(2) Public construction, financed by states and municipalities, has been increasing rapidly, and there is a lot of this type of work that is still badly needed. But there are also signs that states and municipalities are running into money trouble.

Another reason for looking a little beyond 1950 is that 1951 will be an off-year in the political sense.

The government will be running a big deficit in 1950, right before the elections. There is no doubt in my mind that the Administration will do everything it can to have times good when people go to the polls next November.

I am not suggesting that the Administration will become financially conservative as soon as the next elections are not of the way, or that the Federal deficit will automatically disappear.

But I do believe the many Congressmen who are seriously concerned about government extravagance will be in a better position to do something about it after next year's elections are over than they are now.

Foreign Developments

Let me say a few words about the foreign situation, since developments abroad can be expected to have an influence on the trend at home.

1950 will be another year of no peace, no war.

In some respects, peace may get some important headlines, since some sort of a pact may be concluded with both Germany and Japan. But this will not mean that the great powers, including Russia, have agreed to agree. It will mean that the United States has found it necessary to place these two areas on a new footing.

But the struggle for position will go on.

More effort will be expended in trying to create Western European unity. But the political differences and the economic rivalries of those countries are likely to become *more evident*, rather than *less*.

ECA dollars will probably be cut, and cut sharply. In more and more of the European countries, we will hear more of a new motive—to remain neutral in case of another war. This shift—from the desire for Marshall plan dollars to the desire for safety—will affect the position and influence of the United States.

Eastern Germany may become a full fledged Russian satellite, while the Western German Government will gain new rights and new powers.

The points to watch, if you want to keep a score-card on United States gains and losses, will be Formosa, Macao and Hongkong. The chief point where Russia will suffer a setback, if it doesn't gain a victory, is in Yugoslavia.

I think we can draw some conclusions from these developments and from the prospects outlined above.

(1) As I said before, there will be no new world war; but although there may be a semblance of peace, there will be no real, universal peace.

(2) Defense spending in the United States will not decline much in the fiscal year that begins next July. It may even go up some.

(3) There will be sharp cuts in foreign economic spending.

(4) Domestic spending, however, will remain high in 1950.

(5) The payments to veterans, scheduled for the next six months, are non-recurrent, so there may be at least a moderate decline in Federal spending in 1951.

(6) But for 1950, the deficit, combined with Treasury financing requirements, will assure low interest rates and an ample supply of money and credit.

What this boils down to, in terms of business prospects in 1950, is a money and credit structure more favorable than the one we encountered in 1949.

Your Business in 1950

I may have seemed to wander a little, talking first about some of the problems that loom ahead beyond 1950, and then about the international situation.

I think, however, that you will agree that these digressions were highly important, even though they took a little time.

Perhaps I can save time now by summarizing some of the most likely expectations for 1950.

(1) General business activity will show only moderate changes from 1949 averages. Most indexes will average a little lower unless some unexpected stimulus develops before mid-year.

(2) Fluctuations in production, new orders and inventories will probably be less violent than they have been this year.

(3) Pattern of activity will probably be similar to the 1949 pattern, with some decline in the spring and some recovery in the late summer and early fall.

(4) Activity in the last half, however, will be influenced by what Congress does in the first half.

(a) A big increase in defense or public works spending would help physical volume.

(b) A decision to let farm prices seek their own level, even if not effective until 1951, would speed up the decline in the general price level.

(5) Otherwise, the declining trend of wholesale prices should

ontinue gradually, with sharp luctuations limited to individual tems.

(6) In comparison with 1949, est showing for personal income vill probably come in the first uarter. A part of the G.I. inurance dividends will be saved, o their effects on income will be nore favorable than their effects n sales.

(7) Inflationary fears will not ause a major change in operating olicies of business as a whole. Buying will remain cautious and elective; selling aggressive.

(8) Security prices may possibly nove in a somewhat higher trading range than during the last hree years; but the business and rice situation is not encouraging o a sustained advance.

(9) The dollar will not be devalued. But rumors of devaluation vill persist. Such rumors help ther governments to discourage he escape of flight capital.

(10) This year's deficit will have nore of a cushioning than a stimulating effect. Deficit financing s not needed to create new deposit money; willingness to borow is now less than the banks' bility to lend.

The 1950 outlook, in short, is ne of close balance between conracting and expanding trends.

Private activity in most cases vill be a little lower. This includes spending for new plant and quipment, which is an important conomic factor.

But publicly financed activity in nost cases will be a little higher, nd changes in the combined toals of private and public activity vill probably be very small.

Textiles — Apparel

The textile and apparel industries, at least the cotton and rayon oranches, have had a full-scale eadjustment and are now in the nidst of a good-sized rebound.

Production at the moment is oack at the level which last year oroved to be too high. I think hat we will have to watch these ndustries carefully in the next ew months. Even if spring unit volume is favorable, current rates of cotton and rayon mill activity nay lead to excess supplies some ime in the second quarter.

In comparison with last year, nowever, changes in prices and production should be much smaller.

By the fall of next year, I believe we will see men's clothing showing an improvement. This oranch of the industry has been in the doldrums for a long time now, and it is about ready for a reversal.

In both men's and women's apparel, separates, casual clothes and sports wear should maintain their ead. Popularity of these items, I believe, marks a permanent change in the habits of the American public.

When all this is added up, it indicates a little better year in 1950 for most sections of the textile and apparel industries.

Conditions will be very competitive. But the fluctuations in sales and in prices should be smaller, making it a little easier to operate than it was last year.

Conclusions

1950 looks to me like a good year, but not exactly a carefree year.

In many industries price changes will be smaller, and there won't be as big a fluctuation in new orders and production as there has been in 1949.

In these respects, businessmen will find an improvement. Risks will be a little smaller, and selling may be a little easier.

But I don't believe that we will get away from a deep sense of future uncertainty in the year ahead. What will happen after the elections? When will the fiscal affairs of the government get straightened out? How long will building and construction hold up? When will new car producers run into a bad off-year? Can the world escape another monetary crisis? Toward what climax is the foreign political situation leading?

Questions like these will be popping up from time to time, demanding answers. That's what I mean when I say it will not be a carefree year. I think that all of us will feel like being cautious, like waiting to see what will happen a little later on.

I hope, however, that this restraint will not prevent businessmen from acting like businessmen.

They should put a lot of effort into selling. They should back this up with an intelligent program of having what the public wants.

Efforts and intelligence of this sort will pay off, so they are well worth while. And if energy and intelligence are not used, I am afraid that the penalty will be a serious loss of competitive position.

I hope, too, that businessmen will continue their fight with difficult cost problems. These are tough, I know. In many cases there has been no sharp drop in material costs. And in most cases labor costs have been quite rigid. A part of the problem of meeting competition, therefore, is to get a steady increase in efficiency.

In the field of personal investment, I believe the same general approach as to business operations is advisable. In securities, I can't see big or serious risks. But neither can I see the beginning of a major bull market until some of the uncertainties we have talked about are under way. In real estate, only the specialist has any business at this late point in the cycle. Or the operator who can qualify for government financing of one sort or another, and who thus avoids all risk.

Michigan Brevities

(Continued from page 10)

preceding fiscal year. The stockholders' investment has been increased to $32,988,289 which, after deducting $4,957,950 for par value of preferred stock, establishes a record high book value of $28,030,339 for the common stock, equivalent to $29.49 per share.

* * *

First of Michigan Corp. and Watling, Lerchen & Co. participated on Dec. 1 in the public offering of $41,000,000 Louisville Gas & Electric Co. first mortgage 2¾% bonds, due Nov. 1, 1979, at 102.375% and accrued interest.

* * *

Ryerson & Haynes, Inc. reported for the year ended Sept. 30, 1949 a net profit of $576,192, or $2.61 per share, compared with $242,825, or $1.10 per share, the previous year. Sales of $5,475,864 in the 1949 year were nearly double those for the year preceding. The common stock received $1.10 in dividends, compared with 30 cents for the year ended Sept. 30, 1948.

* * *

Watling, Lerchen & Co. was also one of the participants in the public offering on Dec. 1 of 1,500,000 shares of common stock (par $5) of The Southern Company at $11.95 per share.

* * *

Contract Purchase Corp., Detroit, for the year ended Sept. 30, 1949 reported a net income, after Federal taxes and all other charges, of $616,342, equal to $3.36 per share on the 160,750 common shares outstanding, compared with a net of $594,337, or $3.80 per share on the 140,720 shares of common stock outstanding, for the preceding fiscal year.

* * *

S. R. Livingstone & Co., Detroit, was included in the nationwide group of investment houses which underwrote an issue of 669,508 shares of New England Electric System common stock (par $1) offered to the latter's common stockholders of record Nov. 17, 1949 at $10.50 per share. Subscription warrants expired on Dec. 5. The stockholders subscribed for 480,493 of the shares and the remaining 189,015 shares were taken up by the underwriters and offered at $10.87½ per share.

Bruce Henman in Olney

OLNEY, ILL.—Bruce L. Henman is engaging in a securities business.

With Standard Bond & Shr.

(Special to THE FINANCIAL CHRONICLE)

ROCK ISLAND, ILL. — Harold Manlove is with Standard Bond and Share Co., Rock Island Bank Building.

Joins L. G. Rogers Staff

CHARLOTTE, N. C. — Charles M. Meyers has been added to the staff of Louis G. Rogers & Co., Johnston Building.

Jamestown Inv. Co.

JAMESTOWN, N. Y.—Wesley J. Swanson is forming Jamestown Investment Co. with offices in the Wellman Building to engage in a securities business.

Paul Ralli Opens

LAS VEGAS, NEV.—Paul Ralli is engaging in a securities business from offices at 425 Fremont St.

LIQUIDATION NOTICES

The First National Bank of Winsted, located at Winsted, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

CLARENCE H. BUNNELL,
Liquidating Agent.

Dated December 9, 1949.

The Hurlbut National Bank of Winsted, located at Winsted, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

EDWARD F. McARDLE,
Liquidating Agent.

Dated December 9, 1949.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of 25c per share on the Common Stock, payable December 31, 1949 to Stockholders of Record at the close of business December 20, 1949. Transfer books will remain open.

ROBERT B. BROWN, Treasurer

Dividend Notice

THE ARUNDEL CORPORATION
BALTIMORE MARYLAND

The Board of Directors of The Arundel Corporation has this day (December 13, 1949), declared 25 cents per share as the regular quarterly dividend, and 25 cents per share as an extra dividend, on the no par value stock of the corporation issued and outstanding payable on and after December 28, 1949, to the stockholders of record on the corporation's books at the close of business December 20, 1949.

MARSHALL G. NORRIS,
Secretary

115th
CONSECUTIVE QUARTERLY DIVIDEND
THE FINANCE COMPANY OF AMERICA AT BALTIMORE

A quarterly dividend of two and one-half per cent ($2.50 per share) has been declared on the outstanding Common Stock of the Company, payable December 15, 1949, to stockholders of record December 5, 1949.

December 12, 1949

W. J. THOMPSON,
Treasurer

DIVIDEND NOTICES

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

197th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a final dividend for the year 1949 of fifty cents ($.50) per share on the Common Stock, payable December 31, 1949, to stockholders of record at the close of business on December 12, 1949. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, December 2, 1949.

THE GARLOCK PACKING COMPANY

December 7, 1949
COMMON DIVIDEND No. 294

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share was declared on the common stock of the Company, payable December 27, 1949, to stockholders of record at the close of business December 16, 1949.

H. B. PIERCE, *Secretary*

DIVIDEND NOTICE
THE MINNEAPOLIS & ST. LOUIS RAILWAY COMPANY

The Board of Directors of this Company on December 10, 1949, authorized the payment of a dividend of Twenty-five (25¢) Cents per share on all shares of common stock outstanding as of the close of business December 22, 1949, such dividend to be payable December 29, 1949, to the holders of record of shares of said stock at the close of business on December 22, 1949.

By Order of the Board of Directors.

JOHN J. O'BRIEN, Secretary

National Shares Corporation
14 Wall Street, New York

A special dividend of one dollar and fifty-five cents ($1.55) per share has been declared this day on the Corporation's capital stock payable December 24, 1949 to stockholders of record at the close of business December 19, 1949. It is expected that approximately one dollar ($1.00) per share of this special dividend will be designated as a "capital gain dividend," pursuant to the provisions of the Internal Revenue Code.

The Directors have also declared a dividend of fifteen cents (15c) per share payable January 14, 1950 to stockholders of record at the close of business December 30, 1949.

JOSEPH S. STOUT, *Secretary.*

December 12, 1949.

NEGEA

New England Gas and Electric Association

PREFERRED DIVIDEND NO. 11

The Trustees have declared a quarterly dividend of $1.12½ per share on the 4½% cumulative convertible preferred shares of the Association payable January 1, 1950 to shareholders of record at the close of business December 15, 1949.

H. C. MOORE, JR., *Treasurer*

December 8, 1949.

New York & Honduras Rosario Mining Company
120 Broadway, New York 5, N. Y.

December 14, 1949.

DIVIDEND NO. 389

The Board of Directors of this Company, at a Meeting held this day, declared a dividend of Seventy Cents ($.70) per share on the outstanding capital stock, payable on January 6, 1950, to stockholders of record at the close of business on December 23, 1949. This distribution represents the final dividend in respect of earnings for the year 1949.

W. C. LANGLEY, Treasurer.

DIVIDEND NOTICES

OldTown

OLD TOWN RIBBON & CARBON COMPANY, INC.

DIVIDEND No. 29

The Board of Directors has declared a dividend of 30 cents per share on the Common Stock of the Company, payable on December 31, 1949 to stockholders of record at the close of business on December 21, 1949.

JEROME A. EATON, *Treasurer*

December 13, 1949

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND
59th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable January 10, 1950, to stockholders of record Dec. 22, 1949.

PREFERRED STOCK DIVIDEND
10th Consecutive Quarterly Payment

The directors also declared a regular quarterly dividend of 65 cents a share on Convertible Preferred Stock, payable January 10, 1950, to stockholders of record December 22, 1949.

Nov. 17, 1949

A. E. WEIDMAN
Treasurer

GT

GENERAL TIME CORPORATION

Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

The regular quarterly dividend of $1.06¼ on the 4¼ per cent cumulative preferred stock, payable January 3, 1950 to shareholders of record December 19, 1949.

COMMON STOCK

A dividend of 40 cents per share payable January 3, 1950 to shareholders of record December 19, 1949.

An additional year-end dividend of 40 cents per share, payable January 3, 1950 to shareholders of record December 19, 1949.

A stock dividend of 10 per cent, at the rate of one share for each ten shares held, payable in common stock on January 19, 1950 to common shareholders of record December 19, 1949. Payment in cash will be made in lieu of scrip certificates for fractional shares on the basis of the closing market price for the stock on the record date, or the last recorded bid price.

JOHN H. SCHMIDT
Secretary-Treasurer

December 7, 1949.

WESTCLOX • BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—It may be taken for granted that the Department of Agriculture will try to duck taking a firm position on any particular scheme for getting out of the United States the vast surpluses it is accumulating of price-supported commodities, until perhaps spring. Likewise it may be taken for granted, observers feel, that ultimately the department will come out strong for some scheme by which large bulks of these commodities may be moved out of the United States, almost regardless of cost.

In this slant, the department is taking what some of its friends think is a smart political line.

Actually, the frightening stage of surplus accumulation will not come until well into 1950. By that time, it will be known whether with winter moisture and other conditions, and spring planting prospects, it looks like 1950 will prove to be another bumper crop year.

Already the surpluses are, of course, large, and the department finally has admitted that early next year it will ask for some more money for the Commodity Credit Corp., to take up commodities or grant loans.

Large as these surpluses are, however, they are not as frightening as they will seem when and if it becomes fairly sure that 1950 will make inevitable the accumulation of still greater reserves. If 1950 looks like another surplus year, then the farm crowd may be expected to develop something of a panic, for the farmers, despite accepting government bounties, are notoriously jittery about the existence of surpluses of commodities on hand. For over a generation farm thinking has been pitched at trying to get these surpluses out of the country.

Looking at the other side of the coin, if the department were now to stick its neck out for a subsidized export scheme, it would only get the neck badly cut. For the country is getting worried about the size of the budget and the contribution of farm surpluses to the deficit. Likewise the country is generally losing its enthusiasm for subsidizing Europe.

Furthermore, even if ECA were not going to be cut, Europe is a poor outlet for even gifts of wheat and some other surpluses. Europe's food production is pretty well back. Britain has sewed up her consumers to food from Denmark, Argentina, and the Dominions, and probably couldn't accept too much in the way of food gifts.

So the only outlet is to give the Indians, the Malayans, the Indochinese, and the Red Chinese—if they will accept gifts from the U. S.—the wheat that cannot be sold or given to Europe. One can't expect Congress to get enthusiastic about helping the Asiatics or the Africans or the Indonesians. That enthusiasm will develop synthetically when, by about next spring, it becomes apparent that all the extra storage capacity won't even hold the surpluses likely to come on to the market.

Thus the Department of Agriculture's line will be to try to let "nature take its course," meaning political nature. It will await until the actual abundance of crops is so enormous that the economizers among the farm Congressmen will fight, bleed, and die to persuade the Administration that these surpluses should be fed to the Hottentots, if necessary.

That is why the department turned down the "International Commodity Clearing House" idea of FAO. It was too patent an accounting gag for the giving away of the surpluses. The political time for this is not ripe.

So meanwhile an FAO committee is "studying" the problem. This FAO study will give a kind of excuse for the department to delay. Meanwhile the department is studying every scheme from giving away food under "Point IV" to giving it away to the Arabs for a promise that they will irrigate and soil-conserve the desert. It might even be fed to people who would reconstitute the Garden of Eve, albeit without a snake, even if with apples.

* * *

Note: The Joint Economic subcommittee "Monetary study," which has looked mostly like a one-man monopoly, now looks more so. Senator Paul H. Douglas (D., Ill.), the subcommittee chairman, recently invited Treasury Secretary Snyder and Govs. McCabe and Eccles of the Federal Reserve Board, to come into his office for a "private" discussion of how the Treasury and Reserve Board "cooperate" to reach decisions affecting credit management.

Since he was to be away in Michigan at the time, Rep. Jesse P. Wolcott (R., Mich.), a conservative member of the subcommittee, designated a staff member with conservative leanings, to attend this Douglas-arranged confab, on Wolcott's behalf. The Treasury - Reserve Board meeting with Douglas, incidentally, was arranged for in open meeting. No one but Douglas and staff members of the subcommittee friendly to the Douglas viewpoint, was allowed to attend, or even notified of the meeting in advance.

* * *

It may not be news in the grain trade, but it may surprise persons in other lines of business to learn that ECA is giving away, free gratis, the quotas of wheat which European import countries which are also under the Marshall Plan agreed to "buy" under the International Wheat Agreement.

Thus, there are two subsidies. Commodity Credit furnishes quota wheat at a support price, which is 40 to 50 cents per bushel over the wheat agreement price. Congress "pays" for this subsidy. Congress also nicks the taxpayer for the balance, under ECA.

* * *

Sources in touch with the Administration predict that between 25 and 30 administrative reorganization plans will be submitted to Congress during the 1950 session of Congress, under the Reorganization Act passed this year. The nature of these reorganizations is a closely guarded secret, almost as secret as the war plans, for to let it out that any bureau might be reorganized, would be to invite a build-up of opposition. Under the Reorganization Act either House may upset the Presidentially-sponsored plans.

* * *

Until this town learns pretty nearly exactly what is behind the Sawyer-Truman scheme to lead American business by the hand so that it will be "positively guided" in the observance of the anti-trust laws, this whole thing will create confusion.

IF the initiative for this scheme came from Commerce Secretary Sawyer, there will be an inclination to accept it on faith, and in any case to try to go along with Sawyer, who is personally friendly to business.

On the other hand, the initiative may not have come from Mr. Sawyer. There has been a school of thought which long has agitated giving express statutory sanctions to the trade practice conferences sponsored by the Federal Trade Commission. Through these conferences, industries abide by a "code" of fair competition, applicable to their respective businesses.

IF the President is shooting at some such idea, which could be inferred from his letter, then how it would be received would depend upon the objectives of these code of practice conferences. The best that industry could expect would be that their purpose was to clarify and give "advance advice" on how to comply with the law.

On the other hand, if the left-wingers have anything to do with it, no law empowering industry agreement on trade practices under government supervision will be any good unless these practices are pitched at directing business to do the things which the government might at any time want business to do.

As for giving "positive advice" on how to comply with the law, and doing away with the conventional surprise antitrust suit, this will be regarded most skeptically. The Department of Justice and the Federal Trade Commission have no sympathy with interference with their freedom to prosecute, and will hold off only so long as White House pressure compels them to.

"Advance advice" has been agitated for years with little success. When Herbert Hoover was Secretary of Commerce, he failed to sell this to the Department of Justice. When Col. William Donovan was Attorney General, he tried the scheme of giving letters of blessing to industry set-ups submitted for advance scrutiny, but demagogy ultimately broke this down.

After the Madison oil cases, in which the oil companies were fined for following a program which they were asked to go along with at the request of former Interior Secretary Ickes, industry is going to be gun-shy of acting on any official advice, no matter how well-intentioned, even if it should come from the Attorney General. What one Attorney General sanctions can become the basis for antitrust law prosecution by a successor in office.

(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

"I don't like to be overly cautious, Clancey, but he might bear watching!"

Whitley Appointed by Royal Bank of Canada

The Royal Bank of Canada announces the appointment of Thomas F. Whitley as Supervisor of the bank's 233 branches in Ontario. He succeeds S. A. Duke who has been the bank's Ontario Supervisor since 1941. C. L. Walker has been appointed to succeed Mr. Whitley as Manager of the bank's main Toronto branch.

The new Supervisor has been Manager of the Toronto branch since the turn of the year and from 1947-49 served as Assistant to the Supervisor in Vancouver. Mr. Whitley is a native of Winnipeg and spent his youth in England where his father was Manager of the Royal Bank's London branch from 1915-1929. After completing his education at Oxford, he joined The Royal Bank of Canada in London. He served overseas in World War II, from 1940-1945, rising from the rank of Second Lieutenant to Lt.-Colonel.

Mr. Duke's retirement marks the completion of some 45 years in the banking business. He entered the old Traders Bank at Grand Valley, Ont., in 1904 and served his banking apprenticeship at a number of branches in Ontario.

C. L. Walker the new Manager of the Toronto branch, is a native of Clinton, Ont. Since joining the Royal Bank in Goderich in 1928, he has served the bank in widely-scattered points and in many capacities.

Gerard & Co. Being Formed in Jersey City

JERSEY CITY, N. J.—Kenneth Gerard Haight will shortly engage in the securities business from offices at 1 Montgomery Street under the firm name of Gerard & Co. Mr. Haight was formerly with L. Magenheim & Co., J. R. Williston & Co., Arthur Young & Co., and Bear, Stearns & Co.

Municipal Bondwomen To Hold Luncheon

The second Christmas Luncheon for members of the Municipal Bondwomen's Club of New York will be held on Wednesday, Dec. 21 at 12:30 p.m., at the Wall Street Club, 26th Floor, 40 Wall Street.

Steckler & Moore To Admit

Steckler & Moore, 120 Broadway, New York City, will admit John C. Van Eck to partnership Jan. 1.