As We See It

What Do You Mean, "Free Enterprise"?

Possibly one of the most effective political tricks is to make the New Deal leaders, and now of the Fair Deal promoters, was and is to insist that their machinations are intended to "save" free enterprise, and would in fact sustain and preserve free enterprise. To the thoughtful student it is evident enough that whatever may be said of them, and whatever may be supposed by their critics and sponsors, most of these so-called welfare state measures could not possibly fail to damage, and in the end destroy the American system we have so long insisted upon hanging.

There are many, however, who appear to lack conviction on the point, and there may be a good many who fail to realize how far along the road to something quite the opposite of the American system of free enterprise we have already traveled. Thoughts of this kind must have been stimulated in the minds of the more thoughtful during the past few weeks, and particularly during the past week, by developments in the field of labor relations and labor unionism.

Nowhere more strikingly exemplified is all this than in the recent behavior of John L. Lewis. To the matriculate, it need hardly be suggested that only drastic provisions of special statute could possibly save producers from jail had they arbitrarily chosen to limit the production of coal as have the miners through their tyrant, Mr. Lewis. Let it be carefully observed that what Mr. Lewis has been doing of late months and Continued on page 33

Business Prospects for 1950

By FRANK D. NEWBURY
Retired Vice-President, Westinghouse Electric Corporation

Mr. Newbury, after reviewing and interpreting developments in 1949, forecasts for 1950 a downward trend in new private construction and in heavy manufacturing industries, combined with short upward trend in soft goods. Holds offsetting factors will mean continuation of present business level in early 1950, but look for downward trend toward end of year. Expects aggregate decline in business to reach 10%.

I wish to approach the assigned subject of business prospects of the coming year by reviewing some of the significant features of the current year.

In some ways 1949 has been a peculiar year. Someone characterized it as the "most prosperous depression we have ever had." Early in December, at Senator Paul Douglas' sub-committee on Fiscal Policy, the Senator and Secretary Snyder argued whether the behavior of the year's business should be called a recession or an adjustment.

Of course, both of these names can be justified if we look at the appropriate figures. If we look at the most inclusive figures bearing on the state of business—the Gross National Product—I think Secretary Snyder is justified. Gross National Product in 1948 was $230 billion; the average annual rate for the first three-quarters of 1949 was $260 billion. This is only a minor fluctuation—not even an adjustment.

Continued on page 32

WHAT'S AHEAD FOR BUSINESS IN 1950—The "CHRONICLE" of Jan. 15, its "Annual Review and Outlook Issue," will include a review of the most plentiful year in American history, an assessment of the outlook for 1950.

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Head Office Toronto
San Francisco, Los Angeles

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

Canadian Bonds & Stocks

BY DONALD B. WOODWARD
Second Vice-President, Mutual Life Insurance Company of New York

Life insurance economist contends business conditions in coming year will be dominated by: (1) slightly lower demand for business capital; (2) smaller demand for agricultural products; (3) lower exports and larger imports; (4) some decline in automobile sales; and (5) reduced government spending. Concludes national income and output in 1950 will aggregate slightly less than in 1949. Criticizes policy of maintaining status quo in the economy.

The Need for Forecasting

During recent years, business forecasting has become steadily less hazardous, until this year it entails virtually no risk at all. This diminu¬
tion in the occupational peril results from the fact that, practically speak¬ing, everyone has become a forecaster. My tabulation, through this its last night showed that the number of forecasts for 1950 issued so far little exceeded the number of persons above the age of 18 in the Ameri¬can population. This excess arises from the fact that some business executives make one forecast for their sales departments and another for their accounting de¬partments and from the usual phenomenon that a num¬ber of professional economists have two or even three, different opinions. This virtually universal participation in prediction means that every forecaster can escape the Continued on page 33
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 over the country participate and give their reasons for favoring a particular security, selections may be suitable for individuals, for trustees and for institutions.

ALBERT MCGANN
President, Albert McGann Securities, Inc., South Bend, Ind.

It's easy for me to meet this challenge for my long experience with the common stock of the Associated Investors Corporation; it convinces me that the company has every ingredient of an investment capable of yielding an adequate return to the investor's original capital.

Founded in 1918 by Mr. E. M. Morris, who is still its current leader, this company today, with its young yet seasoned executives, has achieved some very high positions among the independent financial institutions in the industry which has seen its importance grow as the importance of real estate become more and more evident. Its status as a high-level, business enterprise.

Compared to other similar companies of the same size, this company stands at the top of the list. It has proven itself over the years to be a company capable of maintaining a high level of profitability.

Further, this company profits from a unique and stable investment method which takes advantage of its high-level status and continues to yield income, no matter what the market conditions. It is a company that can be counted on to generate steady income, even during economic downturns.

In conclusion, the Associated Investors Corporation is a company that has been proven to maintain a high level of profitability and is capable of generating steady income. It is a company that is well worth the investment and is sure to provide a stable return on investment.
**Railroad Securities Outlook**

By WALTER F. HAHN

Smith, Barney & Co., Members New York Stock Exchange

Ascribing depression in railroad securities as psychological effect of fearfulness by management for higher rail rates, Mr. Hahn contends that there are now strong reasons for expecting an improved investment attitude in railroad securities. Says carriers have benefited from improvements in capital structures and are now less vulnerable to depression. Looks for higher railroad earnings in 1950 and substantial increase in railroad mail pay. Lists best buys in railroad securities.

Class I Railroad net income in 1949 will be close to $400 million. Fixed charges will be earned about two and one-half times. Mr. Hahn thinks of 1949 as a dismal railroad history, but as a matter of fact, only eight in the last 30 years which railroads were in fixed charges in more than two times. All in all, it has been a good year although you would not think so from the current attitude. That about $40 million net income for the year is being accomplished despite heavy snows in January and February which put a damper on the western roads' earnings, and in the face of railroad traffic restrictions in the textile industry in the first half of the year, is a big achievement in the Southeast and New England. A three-day coal strike during the quarter, the greatest of the past two years, and a strike which drew as many as 25 carriers, was the point of coal mining in October and November. And the serious coal strike all took a big bite out of earnings. Without these setbacks the railroads would probably have had a net income for this year of at least $550 million.

However, these adverse developments have their bright side. We are now faced with putting into service a large part of the coal traffic that did not move this year and a large part of earnings, too. These, plus a more favorable standpoint of net income there is probably nothing more valuable as coal. From each dollar of revenue represented in coal, there is probably larger than that derived from the movement of any other commodity. It is true that there is a certainty of a trainload of coal.

In 1946 and 1947, when railroad revenues and stock prices were much higher than now, people were laying the debt reduction of the railroads through reorganization and purchase and reorganization, which had reduced fixed charges from about $700 million to close to $400 million a year. They were stressing the growth of gross ton mile and revenues, which were way ahead of previous records, and by 1929—about $90 billion in the last years of the war, compared with $8 billion in 1929. Many other factors of strength were emphasized, including the continued strong working capital. Bond prices were way up and so were stock prices. Income last year in the N.E. Milwaukee common was 38, New York Central 30, Pennsylvania 44.

Changes in Capital Structure

But in the last four years the attitude has changed and these factors are no longer greatly stressed. In a study I prepared about 18 months ago, in ratio fashion some of the vitally important items which have taken place, since 1929 and 1930. These changes were made by a railroad in reorganization, reorganization, debt refunding and purchase, retention of a large part of earnings and particularly the postwar inflation in wages and rates. Every item in the balance sheet and the income account is larger—than it used to be—that is every item except debt, stock and fixed charges.

These fixed charges have received little recognition. Back in 1929 and 1930, bad business for the railroad industry was a $11$% of gross; in 1939 and 1946, last year they were 25%; in 1929 fixed charges were 33$% of maintenance charges, in 1936, 35$% of last year fixed charges and maintenance charges. The ratio is a ratio which is rising, and I have been trying to popularize it—I can't wait yet, but I've had some success. In 1929 the railroads were facing with contract traffic and revenues and had to cut maintenance drastically. In order to cut the fixed charges, they had the cut maintenance charges a third. Now (on the basis of 1945), in order to save 50$% of fixed charges, the roads would have to reduce maintenance only one-third. Without a question, in 1929 fixed charges in 1929 were one and one-quarter of the outlay; in 1936 last year they were one-quarter. In other words, fixed charges exceeded working capital, and last year working capital was four times the fixed charges.

I have a preliminary study on bonds which you might be interested in seeing before it is put out in "white." I am sure you draw your attention particularly to a comparison of Pacific Gas and Electric and Southern Pacific. I call special attention to it because if you study these selected income account and balance sheet items, you will see for yourself why it does this, as if there is a pretty big spread in the price of the bonds of Pacific Gas and Southern Pacific. I am not trying to buy Pacific Gas but trying to buy Southern Pacific. When you come

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The Blind Spot in Corporation Advertising

BY JOSEPH R. DONDALSON
Joseph R. Donaldson Associates

While advertisers integrate advertising into the establishment of corporate identity and its role in the national economy, believes so-called institutional advertising misses most important segment of public. Suggests correlation of more successful advertising campaigns with rising of security values and ratio of market prices to real work as well as increased activity, creating protection for large stockholders and advantage in arranging new financing. Emphasizes importance of arranging inventories and remote sales reached by usual methods.

Prospects of Industrial Use of Atomic Energy

BY LT.-GEN. LESLIE R. GROVES

Vice President, Board of Directors

For Former Director, "Manhattan Project"

Leader in development of atomic energy gives little hope for early use of atomic power by industry. Says cost is prohibitive, and stock piles of atomic material could not be made available in such small quantities as would be needed. Progress is being made in industrial research and medical use. Sees serious threat from Russia's knowledge of atomic power, and advocates a national corporation of industries and plants.

I think the most recent developments, which are not so much developments as realizations as recently as ten years ago and which are not yet realized, are that it will be years before all of the details can be worked out. Even then, those details will be quite different from what is dated from 1940-1945. I think I would be permitted to tell you ten years from now, certainly those who disagreed with me in 1940 and 1945 on the ground that I was unduly pessimistic, are now talking about the ten years that seemed to be so long ago.

The reasons are rather simple. First, the cost of the equipment to mine and build it cheaply. I thought it was awfully expensive at the time that we were building them under wartime conditions, and I don't know from one day to another what construction costs will be. The change and change and change. But the ones built since the war, I think, are going to be of very much more economical, and it all depends on the reasons for the increased cost, it was very, very much greater.

Now, then, the pile as it was being built, was a nuclear steaming plant. There was no way that steam could be produced, according to basic and fundamental requirements, that the cooling water, to a certain extent, could be used, that there would be a certain amount of radioactive steam, that steam point which is so essential in any reasonable method of generating electric power. Of course, it would be possible to take advantage of it either as a nuclear steam but a chemical steam—and through that means, recover it. But all that is at the present time, it would be very difficult.

You would also have to have a large staff of very expensive people to run it. It is true that usually they would have a ready-made customer. But you needed them, you need them badly, and they would be extremely expensive, and it would be far above any demand of any union of today.

And so now, of course, the capital of such a plant! To make it economical at all, it would have to be of enormous capacity. It goes to be something that would be useful for use in an isolated area where you have no other demand, but to tie in to a system like that serving New York City, to tie in with a power system, it would be something that would be worth something.

Now, what would be the capacity of such a plant? To make it economical at all, it would have to be of enormous capacity. It goes to be something that would be useful for use in an isolated area where you have no other demand, but to tie in to a system like that serving New York City, to tie in with a power system, it would be something that would be worth something.

MayAtomic Be Powered by Nuclear Energy

An atomic powered ship was caused by a misprint in the minds the idea that there is any change in that regard. In some cases, the atomic power will be powered by atomic energy, and in other cases, the ship will be powered by wind. There will be some possibility, if we ever chance to have a navy of that being

Continued on page 26
Sterling Devaluations: 1931 Contrasted With 1949

By M. J. BONN

Dr. BONN reviews British devaluation of Sterling in 1931 and notes contrasts with more recent devaluation. Says 1931 crisis was caused by over-production, whereas 1949 devaluation was the result of World War II. Notes a rise in sterling exports and points out diversion of large percentage of British production for export would seriously contract home consumption. Points out British worker, in fear of unemployment in regions with depressed output and depressed exports, Concludes, because 1949 devaluation was fixed at artificial level, end is not yet in sight.

History, we are often told re-estimated in the past. In fact, it is merely copied, in the method of the professional, since the copy naturally resembles the original. A comparison of devaluation of sterling against the dollar, over all those concerned, the paper starts, is planed on the basis of the means by which after they had first made up their minds before they even saw the results. If ever proof were needed that the bank rate plan, because they have neither enough bought to keep the adequate or sure advantages or assurance of price nor adequate foresight to anticipate sufficient cour-

As the year-end approaches, the economic forecasters are saying that we can expect fairly good business during the first quarter of 1949, and the major industries are driving at full speed to make up for past losses occasioned by too much steel and coal. What will happen in early 1950? The plan, as I am told, is to buy 6,000,000,000 to be distributed to veterans in Insurance refunds, and this will be done in a reasonable time. Production of steel and coal will decrease, but still more will be needed for technical services such as bringing foreign production teams here to learn American industries.

ECA said there was a "disturbance drop" in dollars set aside for the Marshall plan nations. This, it said, reflects "a basic principle of the Marshall plan that the European countries have been instructed to take advantage of the decrease in the sum of ECA dollars as their economic progress recuperates.

Steel operations recede slightly due to Christmas Day holiday

This week the steel industry will wind up the year with total steel production very close to 77,500,000 tons of ingots and steel for castings. Finished steel shipments for the year will exceed 75,000,000 tons, according to "The Iron Age," national metal working weekly, in its current review of the steel trade. It was not an unusual year for the industry, it said, with inventories of finished steel and semi-finished steel remaining at a high point throughout the calendar year.

The pace, however, was not as rapid as in previous years, although steel production for the year is expected to exceed 77,500,000 tons, about 5% above the 1948 level, the magazine adds.

High-level operations, between 85 and 90% of capacity, will continue for most of the year, according to the trade. But this year's production figures are expected to be lower than in 1948, due to the nation's program of devaluation and high import duties on iron and steel products.

ECA expects the steel industry's activities for the first quarter of 1949, for it is a time of the year when manufacturers are optimistic about the immediate future, see good business ahead for at least six months.

For this reason, this trade authority states, flat rolled steel will continue strong for, for the first quarter of 1949, for it is a time of the year when manufacturers are optimistic about the immediate future, see good business ahead for at least six months.

Continued on page 30
Stocks Dislike War Threats

BY BRUCE ELLSWORTH
E. Barret Griffis & Co.,
Investment Counsellors, Colorado Springs

After reviewing effects of international tensions on stock prices, Mr. Ellsworth contends we should expect continuation of inescapable market trend until end of cold war or a successful war with Russia, when market could become dynamically bullish.

Since the stock market break of 1946 confusion and bewilderment have reigned among followers of equities. In the face of unprecedented prosperity from 1947 to 1949, stock prices have fluctuated in an almost meaningless pattern, and at levels far below what normally would be justified. Although international developments have received attention in discussions of stock prices, it does not appear that the "cold war" has been accorded its due weight in the years since 1946.

There have been periods of international tension before in our history, and an examination of stock prices during those periods reveals a striking similarity to the present. During such times the threat of war became the dominant influence on securities, and only until the pressure of fear was lifted did prices respond to any prevailing good news. Charts of stock prices during three important and comparable periods in which fear of war existed are shown here and will be discussed in detail.

Pre-Civil War Period

The depression of 1837 brought about a sharp decline in security prices, which was followed by more than four years of depression in the market. During this period tension over the slavery and states rights issues mounted rapidly. The situation was brought to a head in late 1860, with the election of Lincoln in November and the secession of South Carolina in December, despite many efforts at compromise. The events of late 1860 brought a break in the stock market which completely wiped out the promising gains that had been made earlier in the year. The fighting on Fort Sumner in April, 1861, forced prices even lower. The battle of Bull Run was fought in July, 1861, and although the result was unsatisfactory for the Union, the more intensive conduct of the war with its resultant inflation and expectation of victory touched off a bull market which did not end until 1864.

Pre-World War I Period

Although the beginning of the World War may have seemed remote and unimportant to many Americans, the stock market reacted to it in the same manner as has been noted in other periods of international tension. Declined sharply in 1910, following the war scare in 1909. The market failed to make any attempt to advance during 1911 and 1912 while tension was mounting in Europe. The pre-1914 period of the Commercial & Financial Chronicle, Thursday, December 29, 1949

The Economic Commentary

By BRUCE ELLSWORTH

The Economic Commentary by BRUCE ELLSWORTH, E. Barret Griffis & Co., Investment Counsellors, Colorado Springs, provides a wealth of economic analysis and market trends. This particular commentary discusses the effects of international tensions on stock prices, suggesting that the market could become dynamically bullish once the cold war or a successful war with Russia ends. The author references significant historical periods of tension, such as the pre-Civil War period and the pre-World War I period, to support the argument.

The Economic Commentary is a valuable resource for understanding the complex relationships between international events and the stock market, offering insights that are still relevant today. The detailed analysis and historical context provided by this commentary are essential for anyone interested in the intersection of economics and market behavior.
Public Attitudes Toward Owning Securities

By RENSSILDER LIKERT*

Director, Institute of Social Research, University of Michigan

Dr. Likert gives results of survey conducted for the Board of Governors of the Federal Reserve System covering ownership of common stocks by spending-units comprising various income groups. Places emphasis on the need to remember that stocks are not safe, as leading cause for not acquiring them. Sees adequate financial resources in hands of public to substantially increase common stock ownership, and reconceives continuous research by investment bankers to improve public's attitude toward ownership of securities.

At the beginning of 1949, about 85% of all spending units, or somewhat more than four million spending units in the United States held marketable common stock. (A spending unit is defined as all persons living in the same dwelling, belonging to the same family, who pool their incomes to meet major expenses.) The total number of individuals who own some common stock is estimated to be over six million, or about one-third of all spending units more than one individual owns common stock. These results are based on the 1949 Survey of Consumer Finances conducted by the Survey Research Center of the University of Michigan for the Board of Governors of the Federal Reserve System. Four consecutive nationwide surveys made by the Survey Research Center during 1947, 1948, and 1949 have yielded similar information as to the ownership of common stock. The bulk of these results has been reported in the Federal Reserve Bulletin—for example, in the October, 1949, issue. The figures presented here have been corrected to reflect the 1948 income of those for whom the 1948 survey was conducted. The proportion of different income groups who own common stock varies from one-fourth of those with incomes less than $2,000 money income in 1948 to 16% for those with money incomes of $5,000 to $7,500 and on to 46% for those with incomes over $10,000. It is striking, nevertheless, that only 46% of those spending units with over $50,000 money income own common stock.

Chart II shows the relation between the ownership of common stock and the ownership of liquid assets. Only one percentage of those spending units who hold no liquid assets (Keystone, bank deposit, or any form of liquid asset) own common stock. Ten percent of those spending units holding between $500 and $2,000 of liquid assets own common stock; 13% of those holding between $2,000 and $5,000; and 24% of those holding $5,000 or more own common stock. It is significant that many more spending units tend to hold more funds in the form of liquid assets than are invested in common stock. Common stock owned by spending units which have common stock tend to have more resources in liquid assets than in stock.

Chart III shows the relation of the age of the head of the spending unit to ownership of common stock. The proportion of spending units owning common stock increases with age from 2% up to 11% for the group from 45 to 54 years of age. Although the proportion of spending units in the age groups over 54 which own common stock is considerably less than for the age (it remains about 10%), this group, which is by far the oldest age groups, have more funds invested in stock as their age increases.

The relation of the occupation of the head of the spending unit to stock ownership is shown in Chart IV. The business and professional groups have the largest proportion of spending units owning common stock—15% for each group. Nine percent of the spending units in the occupational group in the "other white collar" group, such as sales and clerical work, own common stock. This is 16% of the skilled and unskilled group own common stock. The influence of contacts, exposure to information about stocks and probably sales solicitation is reflected in the difference between 9% and 16%. Business and professional groups do not differ appreciably in income.

The relation of ownership of common stock to size of community is shown in Chart V. Among spending units

continued on page 22


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December 29, 1949
1949 High Level of Economic Activity to Continue

By HON. CHARLES SAWYER

In year-end review of business situation, Mr. Sawyer estimates gross national product in 1949 at $259 billion, only 2% below peak year of 1948. Sees 1950 starting off at high rate that prevailed in second half of 1949.

The year 1949 was one of high level of economic activity, with the gross national product which measures the total market for goods and services at an estimated total of $259 billion, 2% below the peak of 1948. Consumer demand continued at a high level throughout the year. Residential construction, which had reached a peak in the early part of the year, was at peak rates. Government expenditure in the third quarter reached a high of $26 billion in the fourth quarter. Business demand for plant and equipment and foreign demand for our goods, on the other hand, were declining. Thus, the growth rate of the total volume of business activity not materializing in a similar drop in the rate which prevailed in the second half of 1949.

Charles Sawyer

DEALER BRIEFS

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Grand Rapids, one of the first "Little Steel Towns" investing in good utility services offers you a ticket for Co. common stock. We consider it one of the best situations in the history of the company. Contact our sales manager, E. Bradford, Bradbury-Ames Co.

Meriden, Conn.

There appears to be plenty of investment opportunities ahead, not only for bank interest. The advancing stock market could make them very interesting. See—William Rybeck, Wm. H. Rybeck & Co., Meriden, Conn.

Pittsburgh, Pa.

Business in the Pittsburgh district has been greatly increased since the settlement of the steel strike. There continues to be quite a demand for good investment stocks in the security business. We are members of the Pittsburgh Stock Exchange to continue to see an upward trend. See—J. W. Carothers, W. J. Carothers & Co.

Chicago Transit Authority

Circulator—Blyth Co., 14 Wall Street, New York 5, N. Y.

Consolidated Edison Co. of New York

152 Wall Street, New York 5, N. Y.

Florida Power & Light—Brief catalogue.

Carlsbad, N. M.

Industrial Growth Prospects for the Dominion of Canada—Milver, Vois & Co., 39 Broad Street, New York 4, N. Y.

Over-the-Counter Industrial Stock Index—Booklet recording 3-year history of industrial stocks—National Quotation Bureau, 16 Front Street, New York 4, N. Y.

Speculative Merits of Common Stock Warrants—Sidney Fried—J. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y.—$2.00 per copy.

Associated Transport, Inc.—Circular—Wm. J. Merck & Co., Inc., 190 Broadway, New York 6, N. Y.

Baltimore & Ohio—Circular—Salmon Bros. & Hutcher, 60 Wall Street, New York 5, N. Y.

Berkshire Fine Spinning Associates—Brief circular—Brick & Co., 103 South LaSalle Street, Chicago 3, Ill.

Central States Electric Corp.—Analysis—Booklet—59 Broadway, New York 4, N. Y.

Chicago & Eastern Illinois—Circular—Hunt's, Cos. & Co., 69 Beaver Street, New York 5, N. Y.

Also available are circulars on Passenger Pictures and Pullman, Inc.

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

Riverside Cement Co.—Analysis—Booklet—210 Front Office Building, Boston, Mass.

Texas Utilities—Memorandum—Goodbody & Co., 113 Broadway, New York 8, N. Y.

Zonolite Co.—Circular—Swift, Bemke & Co., 123 South LaSalle Street, Chicago 3, Ill.

Who Is Really Socialistic?

By MAX J. WASSEMAN

Dr. Wasserman narrates conversation on a railroad journey from Paris to Dijon, in France, in which an opponent and a supporter of socialism take part, and points out, if socialism is considered in terms of goals of state and of country which come closest to it.

One Sunday morning last Spring, I boarded the 8:10 a.m. express train in Paris. At the last moment, a hard-boiled star passenger produced a fat ticket. In the middle of the book, there was a fine print which read: "Between 51 of this fine print stated in Seville French that this train only took passengers for Lyon. Further, I was licked, and I knew the ticket was not valid. "Will you buy a ticket to Lyons or shall I put you off at the next stop?" the conductor queried. "How much," I asked. "Nine hundred francs," he answered. This amounted to about $2.75 at the time. The nine hundred francs includes," he went on, "six hundred francs for the train fare to Lyon, plus $50 supplement, or 300 francs, for failing to buy the ticket before the train left.""I'm just as interested in purchasing my ticket, I said, although my ticket showed me quite a few slots.

Dijon, France—"Your ticket is also irregular. You need three rubber stamps on it to get the 30% reduction which a regular ticket and you only have two." I'll terminate.

Continued on page 34

Business Men's Bookshelf


Speculative Merits of Common Stock Warrants—Sidney Fried—J. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y.—$2.00 per copy.


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Zonolite Co.—Circular—Swift, Bemke & Co., 123 South LaSalle Street, Chicago 3, Ill.

Dealer-Broker Investment Recommendation and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:
A Four-Pronged Attack Upon Equity Capital Problem

By CLARENCE W. FACKLER
Assistant Dean, Graduate School of Business, New York University, Member, Research Committee, Investors' League

Dean Fackler, forecasting more serious shortage of equity capital to help business expand, has two proposals: (1) That a broadening of field of institutional investments; (2) that reserve to greater volume of share capital by corporations and institutions by them of regular amortization; and (3) revision of tax laws for relief of common stock owners.

By and large, an equity capital shortage has so far been a potential, rather than an actual problem, for large and established business enterprises. But the Department of Commerce reports that all business corporations require about $5 billion of new funds in the years 1949 and 1950 alone. About 40% of this amount came from retained earnings, which is equity capital in the very best of desirable forms. These retained earnings constitute, in effect, an investment in business enterprise made by the stockholders, without even a dilution of the capital itself.

We shall be deceiving ourselves and the public to deduce from the paper-and-pencil notation of the capital problem that the capital problem has been solved. First, retained earnings are of no help at all toward financing the non-profitable enterprises that have no consistent and dependable cash flow to retain. Second, business profits of many new enterprises and even small well-established profitable enterprises may be absorbed by the process of inflation; it is not possible to retain. And, third, business profits of many others are absorbed by the process of reinvestment.

Larger and newer businesses have been able to raise equity capital with unusual facility because they have the advantage of a sales’ market in which almost anything could be sold at a price because of previous swelling opportunities. Friends and relatives have helped by converting into long-term loans most small money available in many new small businesses to supplement Veterans’ S. construction guarantees, because the risks seemed slight. The business concerns in the countries has increased by almost a million to over 40,000 in recent years, but the end of every boom is thought to be the turn of a normal buyers’ market with keen competition bring the risk element back into big business, that is the danger of a market failure.

Much can be done and done, to aid this threatened shortage of equity capital. It is vital, I believe, that time better be taken now, instead of waiting until the very crisis stage has, in its turn, become acute and serious danger is done to the presently strong financial structure of the country.

First, let me summarize the steps that investment bankers— that is, the money men—can take to solve this problem.

There has been a great shift in the distribution of the nation’s savings in recent years, so therefore of savings, in this country’s financial structure. It is possible, I believe, that even before the government has not been able to accumulate its savings. This must be the middle and lower income groups.

A statement of the matter is that common stocks are priced relatively

Domestic Effects of Capital Export Under Point IV

By WALTER S. SALANT
Member, Council of Economic Advisors

Government economist asserts foreign investment can enable Europe to earn dollars outside the United States and thereby finance deficits with the U. S. Maintains recognition of opportunities for productive investment abroad would greatly expand the field for investment as a whole.

The export of U. S. capital for development purposes may be expected to constitute, as domestic consumption, or investment, or employment, as much, per dollar, as domestic consumption or investment, or employment, and to extent that foreign countries make deliberate efforts to permit outflow of resources if made was presented in Washington last year at the Conference on Security and Economic Development at the Foreign Relations Committee, Investors’ League.

The purpose of foreign investment in the under-developed areas has been stated to determine in what manner the United States can continue to export surplus dollars, and to invest in areas that are ripe for development.

It is not as an offer of these shares for sale, or as an offer to buy, or a solicitation of an offer to buy, or any of such shares. The offering is made only by the Prospectus.

150,000 Shares
Montana-Wyoming Gas Pipe Line Co.

Common Stock
Par Value $5 Per Share

Rights, evidenced by Subscription Warrants, to subscribe for these shares have been issued by the Company to holders of the Common Stock of Montana-Dakota Utilities Co., which rights expire January 4, 1949, as fully set forth in the prospectus.

Subscription Price to Warrant Holders
$13.25 per share

Blyth & Co., Inc. Merrill Lynch, Pierce, Fenner & Beane
Incorporated
Kalmun & Company, Inc.
Piper, Jaffray & Hopwood

12th Street, December 29, 1949.
A Tax Increase May Mean Economic Tightspin

BY HON. JOSEPH W. MARTIN, JR.
Republican Leader, House of Representatives

Minority House Leader, commenting on rumors Administration proposes multipletax increases to help cover the deficit, said in an economic stimulument for wartime excises, contends tax increase at this time might have such depressive effect as to precipitate an economic tightspin that would cost millions of workers their jobs.

The recent deluge of statements from Administration spokesmen to the effect that perhaps excise taxes will be repealed and not increased, is welcome if laudable if all this is done, to return the excise taxes to the same level it was lowered in in February, 1949, and has been bottled up in the House Ways and Means Committee, the administration recognizes the situation. There is no question in the mind of the writer that whatever is necessary in order to provide a budget for the fiscal year, 1949, and to balance the budget, the American people will carry the burden of these taxes and will still carry the taxes.

The statements by Administration spokesmen that they are now considering repeal or further reduction of the excise taxes, if they were not already so basic, would make April of 1949 far different from April of the Truman Administration, when the Congressmen of the excise tax branches, have published several times an announcement that they were favoring repeal or further consideration of some or all of the excise taxes. The Secretary of Commerce, Mr. Sawyer, on July 27, on Aug. 31, on Dec. 12 and on other occasions has stated directly or indirectly his support of the repeal.

Banking and Insurance Stocks

Laid, Bissell & Neels

NATIONAL BANK
OF INDIA, LIMITED

Rutgers to the Governor of New Jersey:

7 BROADWAY, NEW YORK, N. Y., U.S.A.

Head Office: 26, Bishopsgate, London, E.C. 2

Branches in: Ahmedabad, Calcutta, Bombay, Delhi, Madras and Allahabad and Sialkot

General Banking, Remittance, Discount and Agency Business

Sold in London, New York, Calcutta, Bombay, and Allahabad

W. W. Davies

Chief Executive

With Hempbell Noyes Firm

(FBO THE FINANCIAL CORRESPONDENT)


As the price of gold levels off at the $35-a-ounce mark, the total amount of debentures outstanding is $458,550,000.

Bank and Insurance Stocks

A new report of the Cadillac attack by the American Society of Mechanical Engineers New York City, Nov. 28, 1949.

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As the price of gold levels off at the $35-a-ounce mark, the total amount of debentures outstanding is $458,550,000.
Salesmen Wanted

By CAPTAIN EDDIE RICKENBACKER* Chairman, National Association of Securities Dealers, Inc.

Declaring crying need today is for salesmanship, Captain Rickenbacker points out nation has reached turning point from fool's paradise of super-duper prosperity to lower plateau. It is in this climate of business that managers and professional salesmen must now operate with greatest economy at high efficiency and near maximum capacity to make profit. Stresses need for more than a typical salesman:

Seventy-eight years ago, in a speech in California, Ralph Waldo Emerson—one of the world's greatest thinkers and philosophers—spoke these immortal words: 'A man can write a better book, preach a better sermon, or perform any other great and useful task, than he who has not faith enough to believe he can do it.'

Since then, millions of words in scores of languages have been written in support of this in this rather sweeping statement. But let us accept the statement of Mr. Emerson as the truth. For he was right. All around us, in worldly, as well as in spiritual affairs, we find the facts and ill effects of this profound dictum. We either fail to reproduce our product, no matter how fine, or no matter how much, or no one will search you out. Is there any question of how or how to order to sell, you must take your wares to market and labor by the sweat of your brow in order to maintain your business—at a profit—to keep your customers.

With all due respect to Mr. Emerson, the association of the mid-twentieth century forget about his super-salesman of the mid-nineteenth century. It will be all for us.

Mr. Emerson was among us today, and if he had to earn his bread and butter by selling hotel guest room facilities to come to our door and the air line accommodations as we do, he would have gone around the world to the truth of his statement to the effect that one of the most important men any one who has gone with the whale-all and the free-lunch, with the free samples, the free travel.

We do not have the moustache trap, but unless we also have an organization of manpower and womanpower that takes our super-duper moustache to the people who have the desire, as well as the money to buy it, our moustache trap becomes a museum piece.

Must Go After Customers

It is almos necessary for customers to wait for us to call on them, but we will доходить path through the woods to find them. We will have to have the time to do it, and secondly, some energetic competitive

We interject them into their way.

So let us get a little of that Hoof and Mouth Disease; which I consider an essential part of any salesmanship. We are already capturing the minds of the art of salesmanship—"hoof" on the foot and "mouth" to tell them about his position.

The more potential clients a salesman calls on and talks to, the better chance he has to make a sale. Security is all a matter of per-centage.


Continued on page 29

Cooperation in Securities Industry

By CLEMENT A. EVANS

Chairman, National Association of Securities Dealers, Inc.

Speaking at IBA panel discussion, NASDA Chairman, though admitting conflicting viewpoints of various segments is great importance to business, belittles differences between IBA and NASDA. Says situation resulting from competition in securities business, and advocates setting up a permanent joint committee, under Chairman of Hal H. Dewar, to ex-

When I was briefed on the purposes and objectives of this round table discussion, I was strike that there should be no platitude. I think this is the best new business could be made. The idea is to achieve a new the side interests in the investigation to show my is not a change. I want to get at the outlook for the business and to get know we can do the subject of this high to be explored. I have no plan the plan, it is a complementary clear that this highly desired objective; I have no plan, but I have a variety of ideas. It is clear that major possibilities are advanced either now or in the future.

I think that as a beginning we must be clear about the facts. We shall have to use the phrase: "We are up against the modern industry." What exactly, do we mean by cooperation? We are in business to achieve cooperation between the dealer in unlisted securities and dealer in listed securities; in the securities broker; if, so, how do we want to change our business. When do we have the cooperation of the dealers in these organized groups have a chance to use a plane and be championing a viewpoint and as an understandable position. I think that is that should not.

I raise these questions, gentlemen, because I think they should be raised to indicate how far we go so that we can begin to approach an understanding of the effect of cooperation within the securities industry. I don't do it in order to cast doubt upon the feasibility of establishing mutual practices. But I do want to be sure that we don't have a foreign body. We can't sit down with misspecification and say, we have to resolve these problems. Sir Oliver

Facts said here yesterday that the time has arrived for business to move in its march toward peace and in its march toward the inevitable economic equilibrium. If the world can make progress in bringing together our values and our capabilities, if the conflicting and irreconcilable competitive problems can be sorted out into business, we may be able to establish our own little business can't be hope
estly formidable.

We must get somewhere, but let us start out by defining this business and its prob-

blems and then let us not waives or let the big ones slip. ae we need to do about this matter of presenting a united front to Con-

gress and to SEC, or to any other governmental body, is to establish and emphasize sincerely, we have no purpose of and we will not be a sin to have any purpose, perhaps even can be resolved if it is realized that we are not working alone for our selfish need and an immediate dollar profit. We have an interest in the whole.

This is not an offer to the holders of Republic of El Salvador (Certificates of Deposit) issued with respect to Bonds of Series C, 7% Sinking Fund Gold Bonds, Series A, dated July 1, 1951, December 7, 1951, December 7, 1948, January 1, 1951.


Certificates of Deferred Interest (Securities Purchase) the value of each of the series of problems. Certification of Securities Purchase (Series A) 1949.

This is not an offer to the holders of Republic of El Salvador (Certificates of Deposit) issued with respect to Bonds of Series C, 7% Sinking Fund Gold Bonds, Series A, dated July 1, 1951, December 7, 1951, December 7, 1948, January 1, 1951.

NOTICE OF EXTENSION

The time which the offer, dated April 28, 1946, to exchange the 7% Sinking Fund Gold Bonds, Series A, due July 1, 1951, Republic of El Salvador 4%, 5% and 7% Sinking Fund Gold Bonds, due July 1, 1952, Republic of El Salvador, (Certificates of Deposit) in cash at 15% of their face amount, may be accepted, is hereby extended from January 1, 1950 to January 1, 1951, and for such purpose, the period of the notice of extension of the redemption of the 7% Sinking Fund Gold Bonds of the Republic, due January 1, 1951, to May 1, 1951, and of the Series C Bonds of the Republic, due July 1, 1951 to July 1, 1952.

Certificates of Deferred Interest (Securities Purchase) may be obtained upon application to The National City Bank of New York, Corporate Agency Department, 29 East 45 Street, New York, New York and to the New York Agent, Banco Central Reserve El Salvador, San Salvador, El Salvador, C.A.

REPUBLIC OF EL SALVADOR

By MANUEL ENRIQUE HERNANDES, Minister of Finance and Public Credit.
Mutual Funds

BY HENRY HUNT

Common Stocks Parallel Rise in Living Costs

During the past century, living costs in the United States have risen 346%, or approximately 3½% a year on the average. While published common stock price averages do not go back a century or two, past 50 years the Dow-Jones stock indices have also shown an average growth of about 3½% a year, in addition to dividends paid.

This growth in value of 3½% a year is the result of compounding earnings plowed into businesses in conjunction with the secular growth of the nation.

There is every reason to believe that this long-term growth will continue, subject of course, to inevitable setbacks from time to time.

Thus, assuming no change in present dividend rates (and their long-term trend has also been upward) the purchaser of no common stocks today yielding 5½% can expect a return, including growth in value, of 8½% a year over the long-term. Need one say more?

New Fund Formed Based on Timing Formula

Investment Research Corporation announces the formation of The Funds Fund of Boston, an open-end investment trust which will operate on the principle that proper timing of purchases and sales of securities is the key to successful investing. The Fund will have an approved list consisting of both "defensive" and "aggressive" sections, the proportions to be invested in such depending on specific predetermined individual price levels for equities in the "aggressive" portion of the portfolio.

Edson B. Smith, financial editor of the Boston "Herald," is Chairman of the Fund's board of trustees, which also includes Robert M. Tappan, Vice-President of the Warren Institution for Savings, Boston; Joseph W. Lurie, Vice-President R. M. Bradley & Co., Inc.; Stewart C. Woodworth, partner in the law firm of Lyne, Woodworth & Evans; and Thomas S. Keegan, President of Investment Research Corporation.

The advisory board includes James V. Tozer, President, General Manager and Director of the Boston Edison Company; Robert E. Noble, President of the Greylock National Bank of Adams, Mass.; Prescott Jennings, private trustee and a Director of the B. M. C. Durfee Trust Co., Fall River, Mass.; and Raymond M. O'Connell, Vice-President and Director of the Gloucester National Bank.

Investment Research Corporation, with headquarters in Boston, is designated as the principal underwriter. Mr. Keegan is President and Treasurer of the corporation, Ralph S. Battles and Mr. Smith are Vice-Presidents. Charles L. Ryan is clerk and Arthur R. Magee is Assistant Treasurer.

William R. Walsh, a former Vice-President of Investment Research Corporation, has been elected Executive Secretary of the Fund.

For a Long Time

"One of the principal difficulties faced by the average person who is trying to manage an investment account is the ever-present problem of keeping his views objective. It is often easy to become so lost in a maze of current statistics and business trends that the longer-range outlook becomes cloudy, if not completely obscured. "To give an example of what is meant by this, we carry a chart following this paragraph which depicts the trend of industrial production in the United States during the Civil War.

U.S. INDUSTRIAL PRODUCTION SINCE THE CIVIL WAR

1860 1870 1880 1890 1900 1910 1920 1930 1940

10 20 30 40 50 60 70 80 90 100

"To our way of thinking the chart is illustrative of two points. In the first place, it shows that regardless of any intermediate swings in business activity, the productive capacity of the United States has increased steadily over a long period of time. Secondly, when one looks at the all-over trend lines of the ups and downs assume relatively minor importance in relation to the whole picture."

"Judging solely on the basis of past experience, it can be said with some degree of certainty that if the country is to continue with its present economic system, there is every reason to believe that the trend that is pointed out will be continued, and that there will be a long-permanent upward 'aggressive' system, which means increased velocity for the owners of industry, and those who share in the ownership of American industry (through common stocks) are those who will profit by such ownership in the future."—From Vance, Sanders' "Brevity."

The Container or the Contents?

"Your bank takes elaborate precautions to protect whatever valuables are locked in your safe deposit box. If securities are included, who is keeping watch over their value? Which is more valuable, the container or the contents? There is little point in guarding printed certificates unless someone is taking care to see that they remain valuable."

"Many people suppose that the common stocks of sound companies will show an increase in value over any long-term period during which the general economy has advanced. These is true only if the stock is taken over the original selection of securities purchased and if they are then subject to constant and professional supervision. "The following is a graphic presentation of what can happen to securities that are held without supervision in this way—and also the results that are possible if they are supervised.

ORIGINAL PORTFOLIO OF INCORPORATED INVESTORS

December 31, 1925

| Shares                      | Value
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<td>American Car &amp; Foundry</td>
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<td>American Smelting &amp; Refining</td>
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<td>American Telephone &amp; Graph</td>
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<td>Atchison, Topeka &amp; Santa Fe</td>
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<td>Boston &amp; Erie</td>
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<td>Business Standard Oil (Inland)</td>
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<td>Business Standard Oil (N. J.)</td>
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<td>Electric Storage Battery</td>
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<td>General Electric</td>
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<td>New York Central</td>
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<td>Norfolk &amp; Western Railroad</td>
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<td>Standard Oil (Ind)</td>
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<td>Texas Company</td>
<td></td>
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<td>U. S. Steel</td>
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<td>U. S. Steel (Society-Vacuum)</td>
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</tbody>
</table>


"None of the above companies has been through bankruptcy. All are showing profits at the moment. All have exceeded, improved and modernized their plant and equipment since 1925. And yet, even after allowing for all stock dividends, splits, rights and so forth, the investor who made no changes in this list would have a loss today."

"Almost a quarter of a century has passed since that portfolio was first purchased. Since that time the management of Incorporated Investors has purchased and sold out of positions as indicated in its holdings. By so doing, shares of Incorporated Investors, allowing for capital gain distributions, have shown an increase in value of 56% for the same period during which the original portfolio shows a loss.

Decrease in unmanaged portfolio... -10% Increase in managed portfolio... + 50% Difference = Professional Management.

"The contents of your safe deposit box need constant supervision to achieve satisfactory results. If you yourself are not a professional investment manager, why not consult your Incorporated Investors and learn how the management of Incorporated Investors can perform this service for you?"—From The Park Corporation Letter.

Outlook for Automotive Industry

The following is an excerpt from Calvin Bullock's December "Perspective," which discusses the automotive industry:

"A steady stream of newly emerging families is supporting the demand for new cars lies in the large number of very old cars still owned by families with incomes high enough to allow them to buy a new car. In 1949, 47% of all the cars owned by the upper fifth of urban families (receiving the highest incomes) were over seven years old. In 1941 only 7% of the cars owned by the upper fifth were that old. This element of strength can also be viewed on a slightly different statistical basis. About one-third of all present cars in existence are owned by spending
The Dow Jones Averages Should Be Revised

BY JOHN BUNAN

The method of figuring the Dow-Jones Averages has been likened to adding up the scores of a football game. They were first adopted many, many years ago. The present averages, given in the writer’s opinion, fail to give a true picture of the actions of the great companies. A typical example of one day, recently, the first hour averages were 25 points. The level had declined $1.42. This decline seemed to annoy many stock market investors. In the market, in general, showed but slight seasonal changes during that particular hour. A few moments later, however, the ticker printed an explanation of how these figures were arrived at by stating that $1.42 of the $1.42 was contributed by a decline of some five figures in Allied Chemical (a stock selling for $200 per share) and one or two other high priced stocks which had smaller declines. The Dow-Jones Averages consist of 30 industrial stocks, therefore the decline of $1.42 is a 1 point change in the list during that first hour assumed to be a 25 point change. This couldn’t be construed as showing an accurate picture of the market’s actions during a particular hour. If such an explanation had not been made it would have been assumed that all the stock in the list had been declining in price to the amount of $1.42 which would, of course, have been misleading. It is not possible to come up with the list of stocks used in the averages; it is not balanced and need to be revised.

One New York newspaper, for instance, gave a calculation of the Dow-Jones averages, dividing them as follows:

15 Manufacturing
10 Oils
6 Steels
4 Railways
Stores
3 Foods
6 Railroads
10 Grade B Rails

The Dow-Jones Averages consist of:

30 Industrials
15 Utilities

This writer believes that more stocks should be added to the present list of 65, thereby giving it a better basis. It certainly seems unfair that because a few of the highest priced stocks in the industrial list decline, that 90% of the rest of the list should also suffer when they have made only fractional changes. It has been stated that if one had used the signals of the greatest changes in the Dow-Jones Averages during the two-year depression, the list would have consistently lost money. If this was true it certainly proves that the list is not equally balanced and needs to be revised in order to bring it up to date.

Richard Abbe Will Join Wertheim & Co.

After the first of the year, Richard F. Abbe will become associated with Wertheim & Co. on Broadway, New York City, members of the New York Stock Exchange. Mr. Abbe has been conducting his own investment business in New York under the firm name of Richard F. Abbe & Co.

Prior thereto he was a principal of Van Tuyl & Abbe and Burnett Explains Why

With B. C. Ziegler & Co.

(Special to The Commercial Chronicle)

Mr. Ziegler, 215 West Main Street, West Bend, Wis.

Glen S. Martin Opens

ANDERSON, S. & Ziegler & Co., have opened in a securities business from offices at 120 West Earl Street.

The Commercial & Financial Chronicle

Volume 170 Number 4868

Our Reporter on Governments

BY JOHN T. CHIPPENDALE, JR.

The government market is showing the effects of the demand for income from institutional investors which means it will close the gap with its best levels. To be sure, an easing of the rate policy of the monetary authorities and the absence of higher-income obligations in refunding operations and in financing the deficit have added to the supply of funds in the trend of valuations of government securities. Federal aid sold long-term issues to stabilize the market and will have to be done so over a longer period (because of the strong demand) unless lower yields are to be witnessed.

The belief that early 1968 will bring with it considerable budgetary securitization obligations has resulted in reduced purchases of most issues. The restricted bonds continue to be in considerable demand among the largest funds in the intermediate term, as mentioned previously.

In the bank group the 5½% due 9/15/67-72 seems to be the security to be one of the broad and broad based, although not far behind. The partially-exempt labels have also been active, especially the 5½% obligations.

VICTORY BONDS POPULAR

Sales of the three lowest yielding eligible obligations did not, however, bring as many of these bonds into the market as had been expected. It is reported some of the most sizable switches of the year from these bonds in the lowest tags have just been consumed.

FIRE INSURANCE COMPANIES ACTIVE

Despite the attraction, which the nearer eligible restricted obligations have for many non-bank buyers, have been the December 1967/72s which have been getting much of the recent attention from these institutions. Savings institutions have been the largest buyers and they have even parted with some of the 2½% due 9/15/67-72 with 8½% blocker bonds, in order to get funds to re-invest in the most distant tap bonds. Fire insurance companies have also been buyers of the tap issues on balance, but in those cases they have put out a market. In fact, it appears that a good part of these funds have been going into the equity market. These same institutions have among the most active buyers of the partially-exempt and have been doing quite a bit of switching within the group for the purpose of extending maturities.

This has meant the 2½% due 1960/65 have been the main issue of attraction of these companies, with large-sized trades being recently which resulted in three of the leading fire companies being able to get hold of desirable amounts of the longest partially-exempt bond. LARGE LIFE COMPANIES INACTIVE

Although the big five life insurance companies have not been doing much of the 2½% due 1960/65, it is evident that a strong market could have an influence on these concerns, because it is reported a few of the short and intermediate-term taps were let out by certain of these institutions. It is said the proceeds have been used for the purchase of private placements as well as to acquire the 1½% notes.

The not-so-large life companies continue to be fairly active in the government market, since they have been competing with the large institutional buyers and have an influence on these concerns, because it is reported a few of the short intermediate-term taps were let out by certain of these institutions. It is said the proceeds have been used for the purchase of private placements as well as to acquire the 1½% notes.

COMMERCIAL BANKS MARK TIME

Commercial banks have not shown any great deal of change in the purchase of the largest restricted issues. A not insignificant amount of the 2½% due 1960/65 also were supplied the market recently by some of these life companies.

Frank Carr Mgr. of John Nuveen Dept.

CHICAGO, ILL. — Frank C. Carr has been appointed Manager of the Nuveen unit, of 135 South LaSalle St., one of the largest municipal bond houses in the country. Mr. Carr was previously employed by the First National Bank of Palm Beach, Florida, and in April, 1936, joined John Nuveen & Co.

With Charles E. Bailey

(Special to The Commercial Chronicle)

DETROIT, MICH.—Steve Lin¬
dberg has joined the staff of Charles E. Bailey & Co., Penob¬
cost, Ltd., member of the Detroit Stock Exchange.

Bradley Higbie Adds

(Special to The Commercial Chronicle)

DETROIT, MICH.—Lloyd E. Nelson has been connected with Brenda, Wolff & Co., member of the Detroit Stock Exchange.

With McDonald-Moore

(Special to The Commercial Chronicle)

DETROIT, MICH.—C. Spaulding is with McDonald¬

John Blair Opens

John Blair is engaging in a brokerage business from 232 East 50th Street, New York City.

U. S. TREASURY

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NOTES

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Labor-Management Showdown
In the Decade Ahead

By EDWARD T. CHEYFITZ*
Assistant to President, Motion Picture Association of America

Mr. Cheyfitz, calling attention to power struggle in labor-management relations, says next decade will determine future of American industry. Says with order of a showdown and problem how power struggle can be resolved. Points out principles on which struggle can be resolved and holds task is not as difficult as it appears.

Labor-management relations in American industry are continuing in the pattern of a power struggle. That is the unmistakable fact characterizing industrial relations now and in the future today. In part this power struggle is a natural reaction to the development of the economy. In part, it is new dating from the establishment of Canadian and AFL's dual system for political action.

That part of the power struggle which is old in part and which has become institutionalized as a national policy, it is inevitable that this struggle should become an area of conflict in which the union brings a new force into industrial life, and which challenges every aspect of management and its policies. In the 1920's managerial power was entrenched with little challenge in sight. But in the 1930's the Wagner Act was passed and the whole structure of the labor-management relationship was changed. In 1948 the 1947 act became effective and needs to be continually reinterpreted and re-embodied in the modern, 1950's world. It is a fact, then, that the struggle over the power struggle has been going on for over a decade now on the threshold of that showdown. The 1950's will see the continuation of the manag-

erial function in America. The power struggle will be intensified in that period. It is not for the first time. The struggle between management and labor was intense at the time of the Taft-Hartley Act. In the 1940's the Act was passed and in the 1950's the second wave of this struggle will ensue. But it was posted that: Government dictated, to a large extent, the industrial relations pattern. Industrial ex-

pert opinion made it easy for industry to acquire. The showdown was postponed.

It is true, of course, that there is no longer power struggle in the conventional sense. But the power struggle in the conventional sense is not the same as the power struggle that is now occurring in the economy. It is true, of course, that there is no longer power struggle in the conventional sense. But the power struggle in the conventional sense is not the same as the power struggle that is now occurring in the economy. It is true, of course, that there is no longer power struggle in the conventional sense. But the power struggle in the conventional sense is not the same as the power struggle that is now occurring in the economy. It is true, of course, that there is no longer power struggle in the conventional sense. But the power struggle in the conventional sense is not the same as the power struggle that is now occurring in the economy.

The power struggle over the managerial function is also an unnessary war. It is a struggle over the future of the managerial function in America. The power struggle will be intensified in that period. It is not for the first time. The struggle between management and labor was intense at the time of the Taft-Hartley Act. In the 1940's the Act was passed and in the 1950's the second wave of this struggle will ensue. But it was posted that: Government dictated, to a large extent, the industrial relations pattern. Industrial ex-

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How Far in Social Legislation?

By ROBERT A. TAFT
U. S. Senator from Ohio

Senator Taft, asserting it is one thing to improve on present systems of social security and radically different proposal to give medical care, housing and free food to those who can afford it, advocates Federal insurance to States unable to afford proper educational, medical and housing facilities.

How far should government go in promoting better education, better medical service, housing and food? There are many who feel behind and are unable to provide a minimum living for themselves or their families. The English poorhouse was a method which was a justifiable, not a justifiable—of dealing with the problem. In this country, our localities have provided free medical care and subsistence for orphans, for the chronic sick and for the aged. We have provided free medical care for all those unable to pay for it in their general hospitals. We have systemized food and clothing relief in homes for the unemployed. We have gone much farther and provided free primary and secondary education and some extent college education.

Our religious faiths have taught us our obligation to those who fall behind in the race for a decent livelihood. The Constitution has also taught us that every child is entitled to the equality of opportunity. He can only have it if he is himself sufficiently equipped to hold his own in the life of the community. Most of our local communities have not assumed a similar obligation except in institutions. While we have assumed three obligations, it is quite sure that in many parts of the country, people have not been systematically carried out, largely, I believe through lack of funds. It is one thing to improve our present system; it is a radically different proposal to give free medical care, subsisted housing or free food to those who are able to pay for it. This is a task for the labor politicians, and Socialists have tried to take advantage of the natural American instinct of charity, to further their plans to socialization of property, the assumption of the necessities of life to all. If we are to have free medical care to everybody, why not free food, clothing and housing? As this proposal for legislation, how does the Federal Government come into it? Principally because many States are constitutionally limited in their power to tax or are below the average in wealth and unable to do a considerable or an important amount of making a minimum decent subsistence for the lowest income groups.

Under the Constitution, the Federal Government has only a secondary interest in education, health and welfare, but it clearly has the right to spend money and to aid States through financial assistance. I think it has an obligation to do so in cases of need.

Apart from primary and secondary education, however, I think assistance should only be given to States if the need is clear. Second, it should be given only after the States have demonstrated willingness and a broad latitude in the selection of methods is left to the States. If the Federal Government's plan will make medical care, but nationalizes it.

In the third place, the assistance should be secondary, consistent and universal, should not provide for a single system of charity, not as high as that of the man who pays insurance, but the only one which by method by which people can be supported is out of the effort of those who do not care to provide in any way. We must not create a deterrent to hard work.

Under the foregoing principles, I believe that the Federal Government should encourage those States below the average national income, should aid States to give free medical care to all those under a certain age, should assist local communities in eliminating slums and providing minimum living conditions, and should be in a crisis undertakes to assist State governments.

In my opinion, the American people feel that we have a sufficiently high income so that perhaps for the first time in history we will eliminate extreme hardship and poverty and give equality of opportunity to all. I agree with them.

How Banks Are Faring In Consumer Credit

By CLYDE WILLIAM PHILPS
Professor of Economics, University of Southern California

Assuring banks have done a good job in consumer credit, Dr. Phelps indicates commercial banks have increased consumer installment loans outstanding from 1941 to middle of 1949 from $167 million to $2 billion, or 134%. Competition among banks for this business, with little effect on finance company volume, because banks and finance companies serve different classes of people.

During the war a great many articles were published on consumer credit as a post war opportunity for commercial banks. Perhaps it is not so. Commercial banks have taken a look at what has been making out in the installment loan business and to consider their future prospects.

The Progress

That banks have done a good job in consumer credit is evidenced from the record. It was not until after the depression of the early Thirties that the consumer installment loan business became attractive numbers. At the end of 1941, as the United States became involved in World War II, the total amount of consumer installment loans outstanding was $167 million and today the banks held $2 billion, or 134%.

After sagging during the war to $1.5 billion in 1943, consumer installment loans outstanding reached the high of $2 billion in 1948. The banks’ share has risen generally from 50 to 70%. The remainder was divided among the other lending institutions as follows; consumer finance companies, $827 million; credit unions, $2 million; industrial banks, $2.6 million; consumer installment loan companies, $132 million.

From the end of 1941 to the middle of 1949 the cost of the banks’ business increased from $167 million to $2 billion, or 134%. The total for all institutions combined grew by $1.87 billion, or 115%. It is clear that the banks have risen to a commanding position in the consumer installment loan field.

The Future Prospects

What of the banks’ position in the future? What have the banks to fear or hope from “competition”? The real competition which banks face, and will continue to face, is competition from other banks—not from consumer finance companies and the other nonbank types of consumer lending agencies. The increased consumer loan business has a natural tendency for profit and banks may only hope to gain will come, as it does now, fundamentally from the banks’ own customers and those who do business with the banks, and from the growing prosperity of that class of people who the banks have been serving. The notorious growth in the consumer installment loan business was accomplished, not by a reduction in the number of competitors, but by the selection in the business of the other types of consumer lending agencies.

The theory of consumer lending much discussed is the idea that another lender is competing with every other lender in town for the same customers. The fact is that the different types of lending agencies are serving different classes of people which do not significantly overlap. It is because of this situation that banks have nothing to fear from the operations of consumer finance companies, credit unions, and other nonbank types of lending agencies.

This point regarding the nature of the “competition” in consumer loans may be discussed. A clear understanding of it will make banks more satisfied with the job that their loan departments are doing, and may serve to protect managers of small departments from unjustified criticism by officials.

Take, for example, the case of the business done by the consumer finance companies which is next in size to that of the banks in the consumer installment loan business. An official may want to know why his loan departments are not doing as well as the banks do. The answer is that the banks have taken a good job on the job of taking this business away from the competition.

The manager of the bank’s personal loan department can correctly answer that what the banks have done is not really their own business. The business of the consumer finance companies is done indeed run into, large figures, but after all what is competition—of it represents small loans of $500 and under. There would be a source of a loss to a bank, and the banks will generally present more risk than a bank, lending depositors money, could profitably assume. In short, the banks and the companies serve different classes of people, and the overlapping of these classes is the only zone of competition—very small.

Lehman Bros. to Admit Three New Partners

Lehman Brothers, One Wall Street, New York City, investment bankers, have announced that three new partners will be admitted to the firm and the new partners are Francis A. Callery, Herman H. Kahn and Morris Natelson.

Mr. Callery has been associated with Lehman Brothers for some years, having served as Financial Vice President of Consolidated Vultee Aircraft Corp., during the war years. He attended Princeton University and served in the First World War in the Flying Corps. Since his resignation from Consolidated Vultee, he has been actively engaged in independent oil development as a member of the firm of Callery, Davis, Duker, in Fort Worth and Houston, Texas. Mr. Kahn has been with the firm for 22 years and started as a runner when he was 18 years old. He has seen the company increase in securities, insurance, investment banking and in recent years as a member of the executive committee.

Mr. Natelson has been associated with Lehman Brothers for 22 years and has been prominent in the real estate field. He started his banking career in the New York Savings Trust Co. and as a director of the City Bank & Trust Co. He is also a director of United Pacific Dye Works as well as a director of several other companies.
Public Relations in Investment Banking

By E. William Noland

Pointing out investment banker must possess and use foresight, energy and human understanding for careful handling of people, Dr. Noland outlines components of public relations program as: (1) publicity for the company itself; (2) promotion of community relations; (3) establishment and maintenance of cooperative relations among themselves and with dealers; and (4) maintenance of complete information services to stockholders.

Top executives of our nation's businesses and industries have already gone a long way in the direction of becoming better public relations men. Clearly, they still have far to go but appear to be determined to get there.

Smaller enterprises, generally speaking, are taking a closer look at themselves from the big men and have begun to consider the great importance of the "relations" of the company with the public. In all parts of the country, the image of the Exchange is the most universally read of all financial advertising; the motion picture, which gets together at a mountainous and enthusiastic reception; and speech, broad ramifications. It ranges all the country are providing the harmonious relationships among the learn of the work of the Exchange through its individual members. In our economy the primary function of the investment banker is to provide the money for new firms. Present day, industrial relations is the over-all term that describes the work of that department whose job is to handle the multi- purpose, many cases of business. It includes, of course, the personnel department and the public relations department, which, if one subscribes to a logically broad definition of the function of the latter, supplement one another and actually overlap in these days of growing labor unionism, industrial management and public relations.

One of the most conservative of American institutions, the commercial bank, is recognizing the merits of a carefully planned and effectively executed public relations program. There are good reasons for believing that the marketing of retail credit is one of the most important functions of the commercial bank in its effort to keep pace.

...The New York Stock Exchange...
Seattle Security Traders Annual Christmas Party


Ken Easter, Deen Witt & Co.; John R. Lewis, John R. Lewis & Co.; Albert O. Foster, Foster & Marshall; Chuck Easter, Bligh & Co., Inc.

LETTER TO THE EDITOR:

Blames Britain's Plight on Outmoded Manufacturing

J. Walter Bell sees basis of England's economic difficulties in failure to devise and use labor-saving machinery to increase unit production of her manpower.

Editor, The Commercial and Financial Chronicle:

Most economists in writing of England's troubles of today seem to date her troubles from World War I with World War II putting in the crippling blow. There is no question that these two wars have been devastating to England's economy, but the question might be properly asked: Do her troubles stem from these wars?

There is a bit of almost forgotten history that might have had more to do with England's industrial progress, or her decline, whichever way you want to put it. About 1779 a half wit by the name of Ned Ludd got into his head the new textile machinery that was being installed at that period was the cause of many workers being thrown out of jobs. He started out on a one-man campaign to break up the new stocktaking frames that were being used, believing that such progress was intemical to the best interests of the workers.

Apparently very little more was done along these lines at that time, but in 1811 the movement became quite serious. Bands of masked men, operating mostly at night, began a general attack on new machinery, mostly textile and lace making. These men called themselves Luddites and were supposed to be led by a man known as "General" Ludd. At first it was confined to Nottingham but soon spread to Yorkshire, Lancashire and other surrounding counties and assumed the proportions of riots. At first no personal attacks were made and there was no bloodshed. However, with the expansion of the movement which so soon embraced all of industrial England the rotting became so serious that soldiers were called upon.

In an attack on a plant owned by a manufacturer named Horsfall the soldiers fired upon these workers who were attempting to damage the plant and a number of workers were killed. Shortly after this incident Mr. Horsfall was murdered and this caused the government to pass a number of repressive acts which finally terminated with some hangings and many deportations. This movement continued until 1813 when it suddenly died out supposedly by the death or eclipse of "General" Ludd.

It is curious that chronicles of these times state that the general public was sympathetic toward these ristors. It is this phase of the case that gives importance to the actions of the Luddites. Were the majority of the British people against mechanical advancement? If so that may account for the consistent opposition with which new methods have met within British industry since that period, or labor saving machinery so as to increase her unit of production per man, power, thereby making her able to continue to outsell her competitors in foreign markets. With such sales she would have had a sufficient balance of trade to pay for her food and raw products and maybe a little left over.

Before these two world wars England's banking, foreign investments, merchant marine supremacy and her tie-in colonial trade enabled her to keep on an even keel. With her foreign investments diminished and the center of banking moving to the United States these sources of "invisible" income have been drastically reduced.

It is clear to everyone that England's economy is very much out of balance and much against her. She has allowed the U. S. to forge ahead with mass production methods until she has become a minor competitor. The United States, a well rounded out and almost self sufficient country, had much less need to adopt this industrial leadership than was England's need.

The one bright spot in England's industry is quality manufacturing. She excels in many lines but quality goods cost more and the mass purchases today the world over are made by working people who are satisfied with lower grade products. If England cannot enter the world market on a mass producing basis, if she persists in outmoded manufacturing processes which give a small amount of products per worker unit, she has little hope to survive in the world contest for trade. Perhaps the spirit of the Luddites has had more to do with England's troubles of late than was caused by both World Wars.

J. WALTER BELL.

Public Utility Securities

BY OWEN ELY

General Public Utilities

President "A.F." Tegcn, in an address before the New York Society of Security Analysts Dec. 21, described the outlook for General Public Utilities in 1949 as the final stage of becoming an integrated holding company, controlling only five real estate subsidiaries in Pennsylvania and one in the Philippines. This contrasts with the 300 companies in half the states that were owned by the parent Associated Gas & Electric System, dominated by Howard C. Hoppin, who died recently. During the year, New York State Power Co. and Gas & Electric to its own stockholders, realizing net proceeds of about $38 million. This and other funds were used to retire $12.5 million in 1948 bonds and Associated Electric Company debentures. It is expected that the equity interest in Southern Electric Company has been realized some funds through the sale of new bonds and preferred stock. Proceeds will be used to retire a $4 million bank loan of Associated Electric due Nov. 3, 1950, with the balance to be invested in Metropolitan Edison Co., a New Jersey Holding company.

Current 12 month's earnings include income from the New York subsidiaries, net of all or part of the period, and hence is necessary to make various adjustments to reduce the figures to a pro forma basis. For the 12 months ended Oct. 31, such pro forma earnings were $1.88 of which about $1.40 was earned by the Pennsylvania and New Jersey subsidiaries and 45 cents by Manila Electric. Monthly earnings are considered to be over last year due to rate increases, etc., and results for the calendar year may approximate $1.50 for domestic subsidiaries and 50 cents for Manila, it is estimated. Con
tinuance of this upward trend is expected for 1950, with the possibility that domestic subsidiaries may add about $1.50. Corporate net income of GPU is expected to be $1.06 per share in 1949 and it is hoped that $1.20 may be earned in 1950, not including any income from Manila Electric.

The outlook for Manila Electric is a little harder to forecast because of the uncertain political situation. One of the adjustments of that subsidiary have been increasing rapidly over the past two years. The United States is now trying to taper off its heavy postwar subsidies to the island electric utility in order to leave buying of luxury items from the United States and to check this trend in the Philippines, which is being continued. Manila Electric has potential requirements on dollar payments. Mr. Tegen believes that the regulations will be continued and that the potential requirement for funds having already been approved under the new law, with the surplus drawn from Manila, not so much because of dollar licenses, but because of the curtail requirements for new construction and the operation of the new power installations from the United States.

Manila Electric has been practically rebuilt since the war ($10 million has been invested in the business in what were valued at $27 million excluding intangibles). The property was damaged during the war and the assets were recovered in war claims from the U.S. Government, although new legislation this year.

Regarding the domestic subsidiaries, Mr. Tegen is hopeful of retaining all remaining properties under the Holding Company Act. There is a threat to the Light and New Jersey Power & Light, which have been linked with Northern Pennsylvania Power. The subsidiaries are being constructed to inter-connect Metropolitan Edison with its newly acquired units into a system system company. Northern Pennsylvania Power is not inter-connected, and its retention as a separate "system" under the Act may be requested. This is the one of the two possibilities under the Holding Company Act.

GPU increased its dividend from $0.80 cents to $1.20 per share. This is the first dividend policy should be geared to the income received from domestic subsidiaries. On that basis the possibility of a higher dividend rate is indicated when the expected increase in corporate income is realized, possibly during the second half of 1950, though no definite forecast was made.

President Preston Delano

The total assets of National Banks in the U.S. is more than 88,000,000,000, it has been reported by Controller of the N. J. State, T. J. Preston Delano. The record is the highest in the United States next to the national banks, in the possession accounted for

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Amount</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Long Term Debt</td>
<td>$156,172,500</td>
<td>42.6</td>
</tr>
<tr>
<td>Notes and Accounts Receivable</td>
<td>$19,716,000</td>
<td>5.4</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>49,525,942</td>
<td>12.6</td>
</tr>
<tr>
<td>Total Subsidiaries</td>
<td>$225,408,442</td>
<td>61.3</td>
</tr>
<tr>
<td>Parent (Including AEKEC)</td>
<td>$7,950,000</td>
<td>2.2</td>
</tr>
<tr>
<td>Bank Loans</td>
<td>$35,332,000</td>
<td>12.4</td>
</tr>
<tr>
<td>Capital and Surplus</td>
<td>132,840,101</td>
<td>36.3</td>
</tr>
<tr>
<td>Total—Parent</td>
<td>$149,790,101</td>
<td>38.5</td>
</tr>
<tr>
<td>Total—Consolidated</td>
<td>$368,198,543</td>
<td>100.0</td>
</tr>
</tbody>
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Includes intangibles.

Of the 250 banks and 5,000 banks, $10,500,000 are due in one year. Of this amount $10,000,000 is due in November from proceeds of the sale of bonds and preferred stock is a subsidiary. The balance of the loans are to be paid as they mature from corporate income.

Of the parent company bank loans, $4,000,000 represents a loan made by Associated Electric Co. and due Nov. 3, 1950. The GPU bank loans amounting to $3,950,000 are due serially in five years beginning in 1951.

The unimpaired capital stock of the banks on Nov. 1, 1949, was $1,914,000,000, including nearly $21,000,000 of capital stock. Surplus was $2,521,000,000, divided profits $1,214,000,000 and reserves $3,197,000,000. The total accounts of $3,984,000,000, which was 73.2% of total de
posits, were $156,000 more than 1948, and the ratio of deposits to 7.45% of total deposits.

N. Y. Curb Clerks

Elect New Officers

August Fischer, order clerk for Tucker, Anthony & Co., on the floor of the New York Curb Exchange, has been elected President of the New York Curb Exchange. Floor Clerk's Association of Allen E. Fischer, formerly Treasurer of the organization, has succeeded Daniel Hananoff of Joseph McMahan & Co., who has been named Honorary Chairman of the Board of Governors.

Mr. Fischer, a former member of Francis J. duPont & Co., Howard Schaal & Co., and Ruggles Mendenhall & Co., was elected President by the Floor Clerk's Association, Secretary, Record
ing Secretary, Sergeant-at-Arms, and the members of the organization were: Wally Weinberg, Charles T. Reiner, John Rot

An instant of officers are planned at the Association's third annual meeting, scheduled for the George Washington Hotel in this city.

District No. 13 of NASC Elecs

The following have been elected to District No. 13 NASC Elecs and District Committee of District No. 13 of the National Association of Securities Commissioners of the State of New York as follows:

<table>
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<th>Group</th>
<th>Name</th>
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Estabrook to Admit Scott and Leach

George N. Scott and Orin T. Leach will be admitted to partnership in Merchants & Mills, members of the New York Stock Exchange. They have been with the firm's Wall Street office for some time, Mr. Scott having been in the firm since 1918. Roger H. Williams will retire from the firm on Jan. 1.

Shanley Dead

Sees Another Good Year for Builders

Myron L. Matthews, Vice-President of Dow Service, Inc., holding 1949 real estate market outlook, says decks are clear for next year, with prices from 10% to 15% below postwar peak.

Myron L. Matthews, Vice-President of Dow Service, Inc., holding 1949 real estate market outlook, says decks are clear for next year, with prices from 10% to 15% below postwar peak.

LONDON, ENGLAND — The economic outlook in Britain for 1950 is expected to show a great deal of activity generally, according to the general condition of the country and the developments in the world economy.

For this reason, the political landscape is expected to be favorable, with the government and opposition parties working together to maintain the stability of the economy.

Merrill Lynch offers Four Scholarships

Merrill Lynch, Pierce, Fenner & Beane is establishing four $2,000 endowed scholarships, offering $1,000 each year to the children of its employees, William B. Smith, managing partner of the brokerage firm announced at the annual meeting of shareholders.

Mr. Smith explained that one scholarship would be granted each year in the Pacific Coast, the South, the Northeast and the Southeast.

All children of employees will be eligible to compete for the scholarships, which will be granted on the recommendation of the firm.

The scholarships will be given for the next school year beginning September, 1950.

K. D. Pettij, Jr., V.P. of Knickerbocker

Karl D. Pettij, Jr., has been named vice president of Knickerbocker Stock Exchange, Inc., New York City, principal underwriter of the Exchange, it was announced.

Mr. Pettij has been associated with the exchange as a member of the municipal bond department.

Mr. Pettij will be an officer of Stroud & Co., Inc.

New York Stock Exchange Weekly Firm Changes

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

Lea D. Tyrrell will retire from partnership in Biddle, Whelen & Co., Dec. 31.

Lawrie W. Burnham will withdraw from Burnham & Co., Dec. 31.

Henry Curton and Gertrude Y. Rice will retire from limited partnership in Libbey, Dec. 31.

Richard L. Morris, limited partner in Hayden, Stone & Co., will retire from the firm on Dec. 31.

John R. firefighter, 25 South 1st Street, Minneapolis, Dec. 31.

Howard K. Duryea will retire from the firm of Starkweather & Co., Dec. 31.

Transfer of the Exchange membership of Russell G. O'Dea and Albert G. Scherer, Jr., will be completed by the Exchange December 29.

Dollar Gap and British Election

By PAUL EINZIG

Poining out Britain’s dollar position will play a vital part in any election this year, Dr. Einzig foresees the Labor Government leaders aiming to minimize the gap and show their case if they go to the polls, for a report on gold reserve will show increase. Foresee increase in gold reserve in January, but looks for reversal later in the year.

Most of the necessary arrangements to be able to have an early general election if necessary. There can be no early election unless the Government for January will have to make a satisfactory showing on the gold gap, or theOpposition be of the opinion that the gold gap is now the time to bring forward an alternative. If the Government have to admit substantial losses, then the election would be arranged for the nearest convenient date. It should appear, on the other hand, that the use of the Government’s disposal, if it were to take an immediate decision, irrespective of the position and prospects of the gold reserve.

The moment such an opportunity arises, Mr. Attlee is certain to decide to go to the country in order to take advantage of the improving in the gold position during the last quarter of 1949 is not likely to be maintained in 1950, that would be to hold the election under the influence of the gold reserve.

The view taken by the Government is that the dollar gap will not necessarily be shared by the majority of the electorate. For one thing, it is more likely to be an inside information. It seems that Mr. Attlee might be advised to call a pre-Parliamentary election on the ground that the improvement in the gold position during the last quarter of 1949 is not likely to be maintained in 1950, which would be to keep the election under the influence of the gold reserve.

One thing is certain, the public will not learn the full truth until they receive official reports until after the election. Meanwhile, exhortations to work harder are regarded as mere platitudes for the moment, and anyone who tells the full truth is denounced by the Government as anti-public, encouraging the British economic effort.
Railroad Securities

The Federal Reserve Bank of St. Louis has lent a hand to Moody & Co., one of the leading bond rating agencies, in extending, on a voluntary basis, the maturity of the $300,000,000 bond issue that has been held on deposit by the bank since January 1936. The bonds, which were purchased by the bank at par, were due for redemption in December 1938. A portion of the proceeds from the sale of these bonds has been invested in the purchase of additional bonds of the same issue, in order to maintain the rating of the Moody & Co. bond issue at a level satisfactory to the bank. The Moody & Co. issue is considered to be one of the highest grade issues in the market, and its rating has been maintained at "A" throughout the period of the current depression. This action by the bank is an indication of the confidence that the Moody & Co. bond issue continues to command in the financial community, and is a further indication of the banks' willingness to support high grade bond issues in times of economic difficulty.
Reports Acceleration in Savings Deposits Gains

Henry S. Kingman, President of National Association of Mutual Savings Banks, estimates during November mutual savings banks gained $82 million in deposits, compared with gain of $55 million in September. Total mortgage loans on banks rise by $94 million.

A composite opinion of purchasing agents of National Association of Purchasing Agents' Business Survey Committee, which includes Chairman C. E. R. Swanton, Director of the Survey Committee, Winchester, Mass., Olin Industries, New Haven, Conn., finds the year ends: Business is doing well. Summer sales are showing gains. Recovery from the major strike actions are showing gains. Little more rapidly than originally estimated, and production, usually off at this season, is holding up well. Order books, they report, are about the same today as they were a month ago. A strong trend toward price stability is again reported. Inventories are down, but there is some indication of increased inventory. The trend is good for this season of the year but buying policy is still cautious.

The consensus of industrial purchasing executives shows an expectation of good business through the remainder of the year. A few extend this estimate to cover the first quarter of the year, with reservations as to possible effects of new domestic legislation and world political conditions.

Commodity Prices

Except for the advance in steel prices rate in the month, the December price trend was dominated by a tendency to level off and stabilize. 80% reported no movement in their principal purchased commodity prices. Purchasing agents realize the steel increase will spread to other materials, as steel is a base material. The inventory is expected to hold the over-all effect to a minimum, and a steel starting point is expected for an inflationary price spiral.

Inventories

Industrial inventories generally continue to decline. Steel shipments have increased deliveries of associated goods, and some inventories have been increased moderately. Turnovers are steadied and coming back into balance following strike-caused reduced feeling of stocks being held to known production schedule requirements.

Buying Policies

The general pattern remains within a "hand-to-mouth" to 90-day range. These things have in the lower side of the bracket into the 30-column day is needed. Inventories low, production schedules holding up, order books firm, and prices firm in the spreads. Buyers are looking at future conditions and investing schedule with more confidence.

Employment

Normal, industrially employment is notslack off heavily in December. The survey reports reveals 22% of the companies in the maintaining late November labor at its level. Many of the big companies in October and November have been recalled, indicating that, as steel comes into easier supply, the employment will pick up. Re-employment, however, is generally reported on a more selective bank.

Commodity Changes

Markets continue the show of strength reported in November, even though there was no major price move. However, they show no marked up or down trend in December.

On the up side: Corn, wheat, cattle, grains, vegetables, cotton, lead, zinc, copper, aluminum, iron, steel, rubber, tin, and wool.

On the down side: Alcohol, paper, bags, canvas, cotton, cellulose acetate, acetate, linters, paperboard, news, wax, teak, lard, wax, copper, zinc, lead.

Canada

Reports from Canada indicate a continuing high level of business activity as in the United States. The Dominion has had more price increases. Inventories are down. Employment trend is much lower than in the United States. The commodity price is the same as in the United States which has not had the industrial cutbacks. The trend is down, resulting in the decline of export prices. Foreign competition from dollar currency countries has been a problem. Foreign shortages are helping back some production.

Marin Named to Post by Internatl Bank

William McChenny Martin, Jr., has been appointed United States executive, vice-president of the Intercontinental Bank for Reconstruction and Development. Mr. Martin is now Assistant Secretary of the Treasury, which post he will continue. Mr. Martin will be in charge of the Internal Bank in the far East, and especially the full head of the New York Stock Exchange.

J ohn S. Helvering of Maryland has been appointed alternate U. S. director of the bank.

Robert Baird Co.

To Admit Partners

MILWAUKEE, Wis.—Robert W. Baird & Co., 110 East Wisconsin Ave., members of the New York Stock Exchange, will admit Robert W. Husck and Carlton P. Wilson to partnership on Jan. 5.

Prosekra & Ruschohn

On Jan. 1 the New York Stock Exchange firm of Prosekra & Ruschohn was merged with the firm of Kline Prosekra & Ruschohn of 11 Wall Street, New York City. Partners will be Richard Prosekra and George Ruschohn, both exchange members.
Public Attitudes Toward Owning Securities

Living in metropolitan areas, 10% own common stock. Eight percent of the units living in cities between 5,000 and 10,000 own common stock and the proportion of units owning stock decreases to 5% in communities ranging in size from 2,500 to 5,000. There is a slight increase in frequency of ownership in rural areas, the proportion being 5%.

Charts I to V show that although there are substantial amounts of savings available for investment in common stock, only a very small proportion of the spending units who have the resources to invest have actually invested in corporate stock. One indication of how extensive the unserved market is for common stock when we attempted to find a group of spending units which stock ownership was high. We were not successful, even though we took into account not only of business or professional people with incomes over $5,000 and who were over 35 years of age. Even in this group we found that only 30% of the spending units owned stock. However, the importance of age is shown by the fact that among young, high-income business or professional people, spending units own common stock. These results show that substantial markets available for corporate stock.

Pros and Cons Toward Stock Ownership

It is clear that millions of spending units have resources that they could invest in common stock. Why is it that they do not do so? We obtained reasons from answers to the question: "Suppose a man has some money over and above what he needs for his expenses. What do you think would be the wisest thing for him to do with his money nowadays—put it in a savings account or in checking account, buy government savings bonds with it, invest in real estate, or buy common stock with it? Why do you make that choice?"

A number of spending units with over $3,000 income, and 20% of all spending units with over $5,000 income, did not express an opinion about common stock; they are omitted from the results shown in Chart I.

The results in Chart IV show that for spending units with money incomes over $3,000 also again for those with incomes over $3,000. As will be seen, the majority of attitudes are clearly unfavorable toward common stock. Eighty-seven percent of the spending units with incomes over $2,000 express an unfavorable attitude; and of those with incomes over $5,000, 63% express a negative opinion. The reasons given for the unfavorable attitudes vary with income. The lower income groups are more likely to say they would not invest in common stock because they do not understand it. The higher income groups, however, more often mention that stocks are not safe as the reason for not buying them.

In connection with a feeling of unfamiliarity with stocks or the stock market, many units expressed the opinion that a person needed to spend all his time studying stocks and to become an inside, or have a very close friend who was, otherwise he could not hope to invest in profitable or even safe common stock.

Unfavorable Comments

Some of the specific unfavorable comments about common stocks are as follows:

1. A studio technician in a large city on the West Coast, with an income of almost $10,000 and a moderate amount of liquid assets, says:

   "About the value of investing in stocks I've had so little experience in that I really don't know much about it, but personally, I consider it too speculative, too risky. Another thing, any really good, desirable stock, I think, is gobbled up long before the small investor could ever get wind of it—so what's left is the stuff that the wise guys are not too anxious to buy. So I just rely on their good judgment and stay away from it too.''

2. A physician in a large city in the Midwest, with an income of $38,500 and large holdings in liquid assets and corporation stock or bonds says:

   "I think mortgages and preferred stock are safer. Corporation bonds are all right, but common stock is too speculative.''

3. A tax accountant from a large eastern city, with an income of over $10,000 and large liquid asset holdings, says:

   "You make a little more on common stock, but you are betting on having an inflationary period that will push stock up. I'd put my money in the bank or in savings bonds.''

Favoring Stock Purchases

Among the comments made favoring the purchase of common stock are the following:

1. A veterinarian in a small western city, with an income of $12,000 income and a large investment in a turkey farm says:

   "The stock market is all right, because the prices for gilt-edged securities are low at present with a return of 6% interest. Farm mortgages would pay only 4%. The stock market hasn't risen much to reflect our inflation, except where there have been manipulation up and down.''

2. A chemist in a large eastern city, with an income of somewhat over $5,000 and moderate liquid asset holdings, says:

   "I think corporation stocks are very good right now. They're not as affected by the state of the economy as the government bonds are. It's no trick at all to make up to 10% on your investment.''

3. A general counsel for a corporation in a large eastern city, with a substantial income says:

   "With good advice in buying, and with us willing to take a chance, he can buy stocks and secure better returns, but it is risky.''

4. A manager of a retail shoe store in a large eastern city, with a $14,000 income, sizable holdings of liquid assets and substantial investment in common stock, says:

   "I would buy common stock. (Why?) Well, for instance, I put $5,000 in a savings account. The interest realized from this amount was small. We invested an equal amount in stock and the interest was more than double.''

The preceding quotations as well as Chart VI are based on the answers to a single question concerning people's attitudes toward common stock. Obviously, these results are only indicative and not definitive. These data and the more extensive results on the distribution of stock ownership by income and occupation indicate, however, that far fewer people own common stock than have the resources to buy and even among those who now own common stock there are substantial resources available that have not been invested in corporate stock. Apparently fear, distrust, and a lack of familiarity are important reasons for not buying common stock. Taxes are rarely mentioned.

The investment business has two choices in attempting to obtain information about the form of risk capital. Either it may ignore the figures and follow the costly trial-and-error method or it can utilize the resources of the scientific method and discover

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**TABLE I**

<table>
<thead>
<tr>
<th>Proportion of Owners of Marketable Common Stock</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Spending Units in Income Groups</td>
<td>Who Own Common Stock</td>
<td></td>
</tr>
<tr>
<td>$1,000-$2,000</td>
<td>3%</td>
<td>13%</td>
</tr>
<tr>
<td>$2,001-$3,000</td>
<td>5%</td>
<td>19%</td>
</tr>
<tr>
<td>$3,001-$4,000</td>
<td>9%</td>
<td>28%</td>
</tr>
<tr>
<td>$4,001-$5,000</td>
<td>11%</td>
<td>36%</td>
</tr>
<tr>
<td>$5,000-$10,000</td>
<td>14%</td>
<td>42%</td>
</tr>
</tbody>
</table>

**TABLE II**

<table>
<thead>
<tr>
<th>Proportion of Owners of Marketable Common Stock</th>
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</thead>
<tbody>
<tr>
<td>Spending Units with Liquid Asset Holdings (Govt. Bonds and Bank Deposits) of Various Size</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1,500-$1,999</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>$2,000-$2,999</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>$3,000-$4,999</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>$5,000-$7,999</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>$8,000-$9,999</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>$10,000-Over</td>
<td>40%</td>
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</tbody>
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**TABLE III**

<table>
<thead>
<tr>
<th>Proportion of Owners of Marketable Common Stock</th>
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</thead>
<tbody>
<tr>
<td>Spending Units in Various Age Groups (Age of Head of Spending Unit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35-44</td>
<td>8%</td>
<td>32%</td>
</tr>
<tr>
<td>45-54</td>
<td>10%</td>
<td>35%</td>
</tr>
<tr>
<td>55-64</td>
<td>12%</td>
<td>40%</td>
</tr>
<tr>
<td>65-Over</td>
<td>13%</td>
<td>45%</td>
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</tbody>
</table>

**TABLE IV**

<table>
<thead>
<tr>
<th>Proportion of Owners of Marketable Common Stock</th>
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</thead>
<tbody>
<tr>
<td>Spending Units in Various Occupational Groups</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>15%</td>
<td>50%</td>
</tr>
<tr>
<td>Businessman</td>
<td>12%</td>
<td>32%</td>
</tr>
<tr>
<td>Other White Collar</td>
<td>9%</td>
<td>30%</td>
</tr>
<tr>
<td>Blue Collar</td>
<td>6%</td>
<td>20%</td>
</tr>
<tr>
<td>All Workers</td>
<td>7%</td>
<td>28%</td>
</tr>
</tbody>
</table>

**TABLE V**

<table>
<thead>
<tr>
<th>Proportion of Owners of Marketable Common Stock</th>
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</thead>
<tbody>
<tr>
<td>Spending Unit in Various Types of Community</td>
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<td></td>
</tr>
<tr>
<td>Metropolitan</td>
<td>10%</td>
<td>35%</td>
</tr>
<tr>
<td>Other Cities 1,000-9,999</td>
<td>8%</td>
<td>32%</td>
</tr>
<tr>
<td>Other Cities 10,000-19,999</td>
<td>6%</td>
<td>30%</td>
</tr>
<tr>
<td>Others</td>
<td>5%</td>
<td>28%</td>
</tr>
</tbody>
</table>

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*THE COMMERCIAL & FINANCIAL CHRONICLE*

Thursday, December 29, 1949

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**TABLE VI**

<table>
<thead>
<tr>
<th>Attitudes Toward Investing in Common Stock</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending Units With Income Over $5,000</td>
<td>Spending Units With Income Over $5,000</td>
<td></td>
</tr>
<tr>
<td>Cons</td>
<td>8%</td>
<td>30%</td>
</tr>
<tr>
<td>Pros</td>
<td>62%</td>
<td>50%</td>
</tr>
</tbody>
</table>

**TABLE VII**

<table>
<thead>
<tr>
<th>Proportion of Owners of Marketable Common Stock</th>
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</thead>
<tbody>
<tr>
<td>Spending Units With Income Over $5,000</td>
<td>Spending Units With Income Over $5,000</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cons</td>
<td>8%</td>
<td>30%</td>
</tr>
<tr>
<td>Pros</td>
<td>62%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Charles E. Brundage, general partner since 1932 of Brundage, Betts & Rose, investment counselor, was re-elected as president of the First Savings Bank at the annual meeting on Jan. 6. Mr. Deboe, before announcing that Mr. Brundage was re-elected, stated that, "We are delighted that Mr. Brundage, a partner of Scudder, Stevens & Clark, was associated from 1928-1931. Prior to entering the field of investment counseling, he was with the Federal Reserve Bank of New York and is a member of the Institute of American Bankers and a director of the Morrisstown Trust Co.

Bernard Townsend, president of the Title Guarantee & Trust Co., was re-elected as president of the First Savings Bank at the annual meeting on Jan. 6. Mr. Deboe, before announcing that Mr. Townsend was re-elected, stated that, "We are delighted that Mr. Townsend has been actively engaged in finance and industry for over 30 years as a client of the Trust Co."

The Lincoln Savings Bank of New York, N.Y., has announced the resignation of Mr. John W. Hooper, Executive Vice- President, who has been associated with the bank for the past 16 years. Mr. Hooper, a trustee of the bank for the past 10 years, will resign effective Jan. 15, 1949. He has been re-elected as a director of the bank. Mr. Hooper has been associated with the Lincoln Savings Bank since 1928.

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Four-Pronged Attack Upon Equity Capital Problem

lively conservatively in relation to earnings and dividends by any standards, and the eruption of the Department of Commerce has calmed the panic on Wall Street, the New York Stock Exchange is limbering up. They sell at about 17 times earnings, or less, today. Listed companies have gone up by 17% in 1929; they yield about 3½% on their bond holdings. First- and second-mortgage bond yields have increased from 3% to 6% in 17 years. As a result, stocks on the margin, which, contrary to brokers' loans on stocks are negligible and investors generally are buying for cash, not on margin.

Those who invest directly in common stocks today, generally speaking, are thus getting good value by any standard of historical comparison.

Institutional Investors

A second point of attack on the problem of the depressed stock market is the capital shortage. The capital available in commercial financial institutions is largely invested in the largest part of the liquid savings of the nation. Both because of the extraordinary appearance of the vast sums collected by American in- dustrial companies and the savings insurance companies, banks, savers' clubs, and, last but not least— are invested entirely or almost entirely in bonds and mortgages. Only in times of financial distress is it healthy to force this large segment of the people to seek elsewhere for the funds it needs. In the past and in most times of financial distress, it is not something that is interest is fixed—low money rates and tax advantages take care of that. But sooner or later the principal sponsors in the market capital is the usual cause of financial distress. The primary financing is a habit-forming disease. The problem is first, but the more a corporation resorts to it, the more necessary it becomes. The extent to which the stock financing becomes impracticable, it is the head for the financial stocks.

The Investors' League has a par- ticularly able management resort to stocks of paper and the way, because this will make the bonds, and the stocks that be- members hold sounder and more valuable institutions. It would be wise to authorize all financial institutions to invest in a specified manner and to purchase common stocks of their corporate portfolios. A special committee, under Mr. S. B. Sorensen, Stevens & Clark, has laid down the rules that the Securities & Exchange Commission has adopted as an enforcement of the regulation. These rules are constitutionally sound and would, if properly carried out, have a salutary effect on the business and the capital markets of the country.

What Management Can Do

Business management itself can do much to foster a better market for stocks of public utility and industrial companies. It has been demonstrated by the success of the public utility industry in many other business cycles that management itself—by increasing its own dividend payments by building up reserves in good times rather than by maintaining a strong liquid position, and by an aggressive attitude towards the sale of their common stocks where they are now in a highly cyclical field. (In contrast, the directors of the firm have been cut in their dividends by the federal government, but they now have a large surplus of income through their diversified activities, and where they are now in a highly cyclical field.)

The phenomenon of regular divi- dends was a major policy objective of the board of directors until the 20s. Then the numerous stock splits of the 20s, the introduction of capital gains taxes, and the ill-advised distributions tax in 1932 and 1933, forced a large number of dividends more evil, if you can call it that. The Revenue Act, imposing a punitive surtax of 90% upon any dividend of surplus, has the same effect to a large degree.

If we want a wide market for corporate equities, every assis- tance and encouragement should be given corporate management to return to a regular dividend policy. If companies believe that their shares will have reasonable prospects in the market, they will be maintained in the future.

What Government Can Do

Since the government has assumed so much more recently, that is, in our economy than in the past, we can do some things to help the investment banking profession, to speed up the process of rate and capital shortages, to promote the complete development of a vast and healthy market for equity securities.

I am fully aware that the budget is balanced today, and that the government has announced that the government is not as much what it was in the past and should be treated as an equal partner in the public sector of the economy. For instance, the government can make the tax law a major weapon in the struggle for a market for everyday assets. By means of encryption, the government could use the tax law to make a market for corporate stocks. One of the things that are being done in the tax law is to make a market for corporate stocks.

Whether it is possible or not, the tax law can make a market for corporate stocks. The tax law can make a market for corporate stocks by making the tax law a major weapon in the struggle for a market for everyday assets. By means of encryption, the government could use the tax law to make a market for corporate stocks.
benefits are fine, provided we are able to save some 2% per year. In the past, industry has been able to save up to 7%, but with some 2% per year. Now it looks like they will have to save 7% per year. Possibly they can, but it will require huge amounts of new investment re-quiring billions of risk capital. In the meantime, we see our best men, many of them young, unwilling to take the risk of losing their own money, and assess and decide on their own personal portfolios. We have saved millions of pension funds and billions of dollars. Let us take the first step toward the future. Let us save some 2% per year.  

Additional Factors Bearing on the Real Estate Problem

Additional factors bearing on common stock markets are the money supply and interest rates. These factors are related to inflation and unemployment, which in turn affect the prices of stocks. If the money supply is increased, it may result in higher prices and lower interest rates. Conversely, if the money supply is decreased, it may result in lower prices and higher interest rates. These factors influence the decisions of investors, who may choose to invest in stocks or other investments depending on their perceived profitability.

The present capital gains tax rate is at the rate of 26% on all profits after a six-month holding period and at the individuals' surplus rather than at the capital gains tax. There is a capital gains tax, which tends to re-strict the ability of individuals to save and invest. This is a tax on long-term capital gains, which can be deferred but not eliminated. The current capital gains tax rate is 26%, and it is applied to the gain realized from the sale or exchange of a capital asset. The capital gains tax is levied on the difference between the fair market value of the asset at the time of sale and the original purchase price. It is important to note that capital gains taxes are different from ordinary income taxes, which are levied on the income earned from employment and other sources.

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### Prospects of Industrial Use of Atomic Energy

done. As to it being used to power airplanes, I think it is very doubtful. There are possibilities of using it for the propulsion of airplanes, but they are far from near. It requires a very expensive, and the question is whether there is sufficient material in the flight would be justified even under the most remote conditions.

Of course, if you want to go to the moon, you may not get to use it. It could be used, and not only that, in its pure state. But I would see no reason for going that distance.

The next thing, the objective we have, of course, is a little nearer at hand, and for that objective, under conditions as they exist, we may say that the atomic energy is the solution to the problem.

Now, as to the uses that do seem as if they had a future, what I think are the ones that they have progressed in just about the same degree as they have.

They are gradually coming into use. It was well known that there was a great field and a growing field for the use of atomic energy in research. Research, of course, has been largely devoted to the use of medicine, but I believe that in the light of recent developments we may say that the use is even greater in research on plant life. It is quite true that I know of a great deal of work,

the work in the laboratories of the four, five or six years, the work on the use of fertilizers, with the idea of getting more eco-

nomic whether it mean steel, builder, or steel, and the use of iron and steel, can be determined.

As to its use in treatment of disease, although the atomic energy is at present in a very early stage, there are certain processes there will be development along that line, but I think it will be developed as fast as it is in its great usefulness in industrial research and development. It is a tool to be used in the X-ray was used to develop film. That may continue, and may continue to be used.

As to the other development of this type of atomic energy, it seems to me to be one of the same order. The key interest to us today, the President's Commission, is that there was an atomic explosion, and we must consider one thing to assume that the Rus-

sian's work should have brought us to the point which we had in 1949. That is, one that not necessarily can be dropped from the air but if placed under proper control, and can give off all of the released energy, I think it is middle course, we don't know—at least I don't believe. The use of atomic energy personally—whether it was a bomb or whether it might have been the failure of a pile or any-

### Sterling Devaluation: 1931 Contrasted With 1949

of the country could hardly be called "national." Distrust continued, and the pound (a dollar and a half) closed at 1.126. Mr. Baldwin, for him, for his potential leaders, had found himself in a position of weakness. We have been determined to provide the economic system with a balanced budget for the first time in our history. The result is that we have raised the pound from 2.5 to 3.3, and a week later to 4.5. The pound is now under the control of the Bank of England, and the Bank has not yet been reached the top level while the pound was still under the control of the Bank of England.

The result has been that the pound has been at the top level for a period of time, and the pound has been at the top level for a period of time. The pound has been at the top level for a period of time. The pound has been at the top level for a period of time. The pound has been at the top level for a period of time.

We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices. We have been the embodiment of financial prudence, and the economic system was balanced, and it was a time of high prices.
from devaluation. They may not
hardly have been the best of news
econmic stability for Latin Ameri-
can financial and economic
reactions which would fol-
low. Latin America is a much
stronger breadwinher than the
European inflation. The latter
was leading the world toward an
abyss. This time foreign opinion
abandoned Latin America. This
is a sign that it was necessary
to take that step; it was greeted as
a success and now it is consid-
red to be an achievement.
Yet 18 years ago, before deval-
uation, there was no Latin Ameri-
can financial and economic uni-
versal. It had around a good
about 30% of its gross domes-
TIC product. This time it was ac-
minated on the same economic
difficulties of one’s own
ranking. It had dealt a very heavy
blow to the very principles of
the International Monetary Fund, which
had been a forum for the
prevention of such happening;
yet, it achieved the desired
standards of both the world’s ec-
omic morality and of its econ-
omy, a victory which may be
considerable.

Devaluation prices which the pre-
c-ent devaluation was to cure are in
every way the opposite of those
previously devalued. Latin Ameri-
can today is suffering from over-
consump-
duction, wholesale prices and
prices, not as she did in 1931 from
over-
production and under-
employment. She has had to pay for her imports, for her new public spending, for the
payment of her debts. In
A free economy, devaluation must
reduce the prices of imports and thus
decrease the price level. This
in 1931, as import prices were
reduced, and Argentina’s plan-
in’s economy, imports did not
so much on price movements as
on changes in demand. They can be
reduced only if the demand for
them is diminished; and devalu-
-ation before devaluation was de-
grown. By removing the
remedy until they hurt so badly,
that people try to get rid of them by
undercutting not at lower lab-
ors, and increased exports. When
cuts in domestic prices from
other areas, a larger share of the
nations, the foreign currency,
the supply of goods available for ex-
ports of the importing coun-
egn countries, moreover, is
strange to that of the outside
-ers, and increased exports. When
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nations, the foreign currency,
the supply of goods available for ex-
-ions of foreign currency and of
lishments of goods for export.

Devaluation after all is a gratis
transfer of purchasing power from
other countries. It may not
mean as a condition of its
purchasing power to other countries.

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purchasing power to other countries.
The Security Like Best

It is in Russia and the Ukraine. The world was never so poor and so afraid that it expected to be substantially higher. During the year 1949, the Cuban sugar refineries suffered substantial inventory losses because of a drought, break in prices for blackstrap molasses, a by-product. These losses taken during the past four months or so far this year, if anything, were a major factor in reducing earnings for the period. The inventory losses would be a non-recurring and we do not expect them to be a burden on earnings for the 1950 fiscal year. All other things being equal, and figuring on profit on molasses—earnings for most of the Sugar Companies based on the average selling price of sugar and molasses during 1950. The dividend rate of 5j cents per share on our Sugar Company, which we expect it will continue, paid at $1.21, the yield on the stock was 16.6.

Cuban Sugar Stocks

The Security Like Best, in the same manner, Cuban Atlantic, which carries the $1000, 5j per cent, due 1947, which outstanding, meet the war price of the Cuban Atlantic 1947, which carried the $120 per share of $1000, the 5j per cent, due 1947, which was paid in 1949, $1 in 1948 and $1 in 1949. The current price is 19.

It would be our judgment that with price and proportion conditions during 1950 prices for sugar and molasses will not be less than in 1949. By the start of the political standpoint, it would be well to follow the Cuban Communist attitudes and precautions and attempt to invade that sugar producing country could advance a world price sugar and as it would be necessary supplying Japan from other countries. We present herewith a chart of comparative average prices of representative sugar producing company, with a good record of prices on the table shown. The cane will be up to 51 cents per cent sugar at the expected average selling price of sugar and molasses during 1950. The dividend rate of 5.28 j cents per share on the Sugar Company, which we expect it will continue, paid at $1.21, the yield on the stock was 16.6.


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Do we have traffic representatives, reservation clerks and
and passenger agents
and talking to our pas-
and prospective passengers
are trying to sell them to us
Eastern when they travel—on
leisurely—attend conventions;
takes vacations—and go on
breaks, which has a large volume of
important in your business.
I mention this to prove that, in
in addition to being so similar in our business, it is
a fundamental and primary one to
other. We bring their honeysuckle
day, or we take them from your
the door to your hotel hundreds of miles away.
In like manner, you arrange air
transit to another city. Look
through the efforts of your
transports and people.

Most Measure Sales on
24-Hour Basis
Our sales success, the same as
be measured on a 24-
base. The basis, created by the
the service available 24/7,
the seats that remain
in flight, can never be
recovered.

Most manufacturers, wholesalers
and retailers are in the habit of
ship with Father Time, because it
the many long miles that you
have a chance to sell tomorrow.
In the hotel and air line business, Father
Time is in a race with the
morgen—today's empty

Our service, the same as
better measured on a 24-

Thus, too, the problems of how to
ners of business are very similar in their
hand. But, in the hotel and air line
business under a large share of
our population engages in travel
for business and leisure. None of us can
stay in business unless our facilities stay "sold."

Since our problems are so iden-
tical, it is fortunate that the solu-

common stock would attract those
investors with a speculative in-

In summary, therefore, the com-
mon stock. I would point out that
ficers the large investor an equity
benefit in the form of a 10% annual
coefficient past record and although he may not be interested in
the stocks. This, of course, would not
less, be interested in the good
appreciation. The same is offered to
the small investor. A high return will probably appeal
more enticingly to him. The true-
market for the stock. Likewise, it should appeal
to the speculator because
is a form of speculative opportunities
in the next few years. Hence, this issue appears to be a
attractively common stock.

Continued from page 11

Salesmen Wanted

Salesmen who would have
have been at the regular rate.
One on a $3.50 rate and the
the regular level of 62.70-
years. A common stock.

General Motors' common stock appears
not only for the high market value
be sold during the next few years, but
the business more interested in
buying care of the needs and
Eastern, because we really
that you, as a customer, with your customers, we can we want to
and the same consideration from
Some resort hotels regularly
and even guest lists which are
are invited to events in the
in the joint name of the hotel and
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Business conditions are good on the
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Continued from page 5

The State of Trade and Industry

During this period that the automobile industry expects to set pro-
ducts in early March to late April, according to the United States
This week the steel order picture continues to show good. Can-
nized for FRASER
http://fraser.stlouisfed.org/
### 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 ended or month ended on that date, or, in cases of quotations, are as of that date):

#### AMERICAN IRON AND STEEL INSTITUTE:
- Inverted steel operations (percent of capacity)
- Index of imported tin (tons)
- Index of imported steel (tons)

#### CIVIL ENGINEERING CONSTRUCTION:
- Construction work — December
- Construction work — November
- Construction work — October
- Construction work — September
- Construction work — August
- Construction work — July
- Construction work — June
- Construction work — May
- Construction work — April

#### CIVIL ENGINEERING CONSTRUCTION:
- Engineering News-Record

#### EDISON ELECTRIC INSTITUTE:
- Electric output (in 1000 kw.)

#### FAILURES (COMMERCIAL AND INDUSTRIAL):
- Outfitting

#### INVENTORIES:
- Inventories: Member banks and other institutions

#### INVENTORIES:
- Inventories: State and local governments

#### DEPARTMENT STORES INDEX:
- Department store sales

#### EDISON ELECTRIC INSTITUTE:
- Electric output

#### MORTGAGE AND EQUITY INVESTMENTS:
- Mortgage and equity investments

#### NATIONAL PAPERBOARD ASSOCIATION:
- Orders for paper

#### NATIONAL ASSOCIATION OF MANUFACTURERS:
- Orders for durable goods

#### OIL, PAINT AND DRUG REPORTER PRICE INDEX
- Average of 1902-26

#### SOFT COMMODITIES:
- Tobacco

#### WHOLESALE PRICES OF NEW SERIES
- U. S. DEPT. OF LABOR

#### BANKS DOLLAR ACCEPTANCE OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK:
- Dollar acceptances outstanding

#### BUILDING PERMIT VALUATIONS — DUR & Bldg. BK, INC.:—123 CITIES—Month of
- Building permit valuations

#### BUSINESS INVENTORIES — DEPARTMENT OF COMMERCE:
- New series

#### COTTON CENSUS (DEPT. OF COMMERCE):
- Average of 1902-26

#### MANUFACTURERS' SHIPMENTS (DEPT. OF COMMERCE) — NEW SERIES:
- Month, October (millions of dollars)

#### MANUFACTURERS' SHIPMENTS (DEPT. OF COMMERCE) — NEW SERIES:
- Month, October (millions of dollars)

#### NEW YORK STOCK EXCHANGE — AS OF Nov. 19, 1925
- Market activities

#### PERSONAL INCOME IN THE UNITED STATES:
- Total

#### TRENCH MARKETS TRANSACTIONS IN BRITISH AND GUERNSEY SECURITIES:
- British and Guernsey securities

## Financial Data

- **Banks Dollar Acceptance Outstanding**
  - Federal Reserve Bank of New York
  - Dollar acceptances outstanding: 2025,000,000

- **Building Permit Valuations**
  - Department of Commerce, Inc.: 123 Cities—Month of
  - Building permit valuations

- **Business Inventories**
  - Department of Commerce, Inc.: New Series—Month of
  - Business inventories

- **Cotton Census (Dept. of Commerce)**
  -平均 of 1902-26
  - Cotton census

- **Manufacturers’ Shipments (Dept. of Commerce)—New Series**
  - Month, October (millions of dollars)

- **New York Stock Exchange—As of Nov. 19, 1925**
  - Market activities

- **Personal Income in the United States**
  - Total personal income

- **Trench Markets Transactions in British and Guernsey Securities**
  - British and Guernsey securities
Business Prospects for 1950

But if we look at manufacturing and mining, measured by the \textit{Federal Reserve Bank of St. Louis Index}—as Senator Douglas did—an entirely different picture emerges.

The adjusted FRB Index denoted in this table shows a fall of 1948 to a low of 161 in July of this year—a decline of 17%. Before the advent of modern industrial production for longer pe...
As We See It

weeks has been less to "bargain" about wages and other concessions than to restrict production of coal throughout the nation.

Why?

Similar courses on occasion by producers of various kinds of goods—when they have been pursued here or abroad—have had the purpose of increasing prices and thus increasing the profits of the producers. It is unknown here, and his lieutenants would particularly care if coal prices were sharply increased, but his ultimate purpose plainly is to make either the public or the operators pay the miners a higher wage. There is, in the case of a number of books which could be employed to place rather serious obstacles in the way of Mr. Lewis, but the President, pursuant to his tender-hearted attitude toward the labor union monopolists, is determined not to use it, even against his enemy, if he can find some way of avoiding it. Moreover, that law has more to do with linking and restricting the way in which labor monopoly may be exercised than with destruction of that monopoly. The politicians are simply not interested in doing anything at all this week, and they may want at least to make a showing against other types of alleged monopolistic action, which in point of fact often exist more in the imagination of zealots than in this real world in which we live.

But in other places along the line that front things are also happening, and the full significance is being wholly missed at least by such public commentators as we have the opportunity to read or hear. For some weeks now the NBER "purg¬ing" itself of its "leftist" elements. The "right-wing."—God save the mark—of the organization is, and has been for a good while past, engaged in an effort to get rid of the "left wing" of the organization; that is, recalling such officers as are so labeled or by expelling affiliates so tainted and replacing them with rival organizations promoted by the right. The new leaders, it is said, the Russians all this must seem a little tame, since no one is to be shot or hanged—at least not openly and blatantly—but it is nonetheless a "purge" which, if successful, will result in destroying the groups which have supposedly been communistically inclined and so rather conspicu¬ously labeled.

Not What They Seem

But we can only hope that the rank and file will not suppose that all this means any such thing as the purgers would have us believe. It may or may not be that these unions and these leaders of labor now in the process of being purged and in some instances "purg¬ed" to the extent of being eliminated have created a tool of a foreign government—-with all that such a situation implies in light of the aggressiveness of the whole world situation today. Whether or not this be the case, the political reasons for the purging of the "left wing" of the CIO union, which has resulted in the "purging" itself of its "leftist" elements, is the real issue.

And who among them all does not shout from the housetops that he is "saving" free enterprise?

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Not What They Seem

But we can only hope that the rank and file will not suppose that all this means any such thing as the purgers would have us believe. It may or may not be that these unions and these leaders of labor now in the process of being purged and in some instances "purg¬ed" to the extent of being eliminated have created a tool of a foreign government—-with all that such a situation implies in light of the aggressiveness of the whole world situation today. Whether or not this be the case, the political reasons for the purging of the "left wing" of the CIO union, which has resulted in the "purging" itself of its "leftist" elements, is the real issue.

And who among them all does not shout from the housetops that he is "saving" free enterprise?
continued from page 33

Business Prospects for 1950

ago, but it still seems to me pre-
dominantly suggest a decline.
And, to put it in Econometric
language, if the level of 1949
is a little lower than the level of
1950, I find myself disconcerted
with the possibilities of the entire
country.
Is this general forecast of little
career progress and major improve-
ment of very high prosperity—even if a little less so—that so many of
us have been laboring under once
again this year, likely to be mis-
leading alike to the public and to
private policymakers?
I'm afraid I consider at least that
misleading—entirely aside from
the possibility that it could be
misleading by not being wrong. It
suggests the inference that, since
we are all having and are ex-
pected to go on having for an-
other year or at least a considerable
high prosperity, that all is well
with the American economy. I
doubt, however, whether the complacent assumption, even by imperious Emperor Nourse, is not
more likely to lead us to two more considerations to the fore-the dangers of the future.
Those questions about the present and
near-term position and outlooks for the
future that are based on the probable level of output and in-
come that we might have.
Second, how does the probable economic policy compare with the
desired?

VI

Probable vs. Possible Output and
Income in 1950

The answer to the first question
1950 is likely to be somewhat less
than would be perfectly possible
without undue strain. In 1934 Dr.
Nourse and I made a careful study of "Amer-
ica's Capacity To Produce"* found that
in the prosperous period of the
latter 1920's this country was turned out 5% less than was
possible. For no such study was
available of the present situation
and conditions of the American
Nourse analysis with ob-
serve that the assessment of the
capacity of our productive systems
indicates, to me at least, that such a
productivity is not far below, and
again find production to be at a
level significantly below what is
possible.
Other evidence points to the
possibility that the American econ-
omy-both in public and pri-
ate-enterprises is paid to main-
tain the status quo or as near to
that as possible, in which case our
policy profoundly inconsistent with an
expression of the present high strength and produc-
tivity through constant change to
seek a broader utilization of our init-
ial resources and which has an enormous gain in living and strength, in both the same kind. Prom-
inent among such quasi policies to
which both public and private
management is a so-called "second
short," an open and more refined
one. I suggest that there are two
important policies.
First, policy in too much of the
economy—both in public and pri-
ate-enterprises is paid to main-
tain the status quo or as near to
that as possible, in which case our
policy profoundly inconsistent with an
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seek a broader utilization of our init-
ial resources and which has an enormous gain in living and strength, in both the same kind. Prom-
inent among such quasi policies to

wives were busy in the fields. Wagons loaded with vegetables were in the yards around the sta-
tion, the place where we passed. Farmers had gathered at the station in the expectation of the train of agri-
culturists, ready to return home.

"Here is one thing I bet you do not know about the Marshall Plan," I explained. "You may not have real-
ized that there were no suburbs, but the Marshall Plan affor-
ded the possibility of creating suburban areas where people could live in the countryside and commute to the city."

The train was approaching the next station, and I got off to stretch my legs. The conductor asked if I wanted to wait for the next train.

"No, I think I'll take the walk. My feet need a stretch."

The conductor nodded and helped me onto the train again.

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The Export-Import Bank on Dec. 21 announced the authori-
tization of a $15 million loan to the government of Ecuador for the purchase of arms and services.

The loan, which is to be used primarily for the construction of a new airfield and airport, is expected to be completed within a year.

The loan was requested by the government of Ecuador to assist in its efforts to modernize its air transport system.

---

The Marshall Plan was a program of economic and social reconstruction in Europe after World War II. It was designed to help the countries of Western Europe rebuild their economies and recover from the devastation of the war.

The plan was announced by the United States in 1947 and was later extended to include other countries in Western Europe.

The plan was based on the principle of cooperation and mutual assistance among nations. It provided for the transfer of goods, services, and capital to European countries, with the goal of promoting economic growth and stability.

The Marshall Plan was a key component of the Cold War, and it helped to establish the United States as a major economic and political force in Europe.

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The Export-Import Bank is an international financial institution that supports the export of goods and services from the United States.

The bank provides financing and insurance to help US firms compete in the global marketplace.

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The Marshall Plan was a cornerstone of the US foreign policy during the Cold War, and it helped to reshape the political landscape of Western Europe.
Securities Now in Registration

- INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Broadway Angels, Inc., New York City

14 c1d (letter of notification) common stock and 500,000 management shares of 0.1 of a cent par value, $500,000 face value, for sale. Underwriter—Hugh J. Devlin, New York. Proceeds—For working capital. 

Canam Mining Corp., Ltd., Vancouver, B. C.

Aug. 29 filed 1,900,000 shares of no par value common stock. Price—$25 per share. Proceeds to be publicly at 80 cents per share; the remainder are registered as "bona fide" investors. Underwriter—J. Andrew N. Thrall, New York. Proceeds—To develop mineral resources. Statement effective Dec. 15, 1949, may be filed in January.  

Cenco, Chicago


Citizens Telephone Co., Decatur, Ill.

Oct. 21 (letter of notification) $250,000 of 4% preferred stock, $100 par each. To be offered initially to public stockholders. No underwriter. For preferred and property additions to convert to automatic dial operation. Offering to be made under National Bank Act.  

Commonwealth Edison Co., Chicago (1/10/50)

Dec. 13 filed $40,000,000 sinking fund debenture, to be sold in blocks of $100,000. Underwriters—None. Proceeds—To purchase new buildings and equipment. Offering to be made under National Bank Act. 

Consolidated Caribou Silver Mines, Inc.

Nov. 17 (by amendment) 800,000 shares (no par value) common stock, par value $1 each, for sale. Underwriter—William L. Burton & Co., New York. Proceeds—To develop mining properties in Argentina. 

Consolidated Engineering Corp., Pasadena, Cal.


Consumers Cooperative Association, Kansas City, Mo.

Nov. 29 filed $2,000,000 3% five-year certificates of indebtedness and additional 4% 15-year certificates of indebtedness, to be sold to members. Underwriter—None. Proceeds—For corporate purposes, including financing various improvements in facilities. Business: Farmers Purchasing Cooperative.  

Dow Chemical Co.

Nov. 4 filed $1,000,000 series common stock (par $15). Offering—Offered to stockholders of record Dec. 20. Proceeds—To purchase equipment. Underwriter—J. J. Crittenden, New York. 

Eastern Harness Racing Club, Inc. (1/5-13)


Duval Texas Sulphur Co., Houston, Texas

Dec. 21 filed 375,000 shares of capital stock (no-par) for sale. Underwriter—Lincoln & Co., New York. Proceeds—to provide working capital. 

Excelsior Insurance Co. of N. Y. (1/10)

Dec. 21 (letter of notification) 10,000 shares of common stock, par value 50 cents each. Proceeds to be invested in funds and be used to increase the capital stock at the rate of $1,000 for each share held. (The United Gas Co., owner and manager of the拿出 & Sulfur Co., Inc. common stock, has agreed to purchase at the subscription price any shares of stock not subscribed for by other stockholders.) Underwriter—None. Proceeds—To be used, along with a $250,000 loan, to provide operating expenses and other necessary funds. 

Fitzsimmons Stores, Los Angeles, Cal.

Dec. 16 (letter of notification) 30,000 shares of stock of the corporation, of which 27,758 are to be issued in exchange for 2,224,500 shares of Roberts Public Markets, Inc. The remaining 2,250 shares are to be held by the board of directors. Underwriter—E. F. Hutton & Co. and Davies & Mejia, San Francisco. 

Federal Reserve Bank of St. Louis

ABC Voting Corp., N. Y. City

Dec. filed 2,000,000 shares in common stock (par $1). Fries—to be filed by amendment. Underwriter—Reynold, & Co., New York. Proceeds—For 25% owned equipment and to exceed activities.  

Allegany Corp., Cleveland, Ohio

Dec. 10 (letter of notification) 16,000 shares of common stock and 5,400 shares of 5% cumulative preferred stock, both to be sold by Allan F. Kirby, President, of the company and 500 shares of 3% convertible preferred stock to be sold by The Allan Corp., Wilmington, Del. Price—For common stock, 45c per share; for series A, $90; and for prior preferred, $35. Underwriter—Aushinl, Parker & Heaps & Co., New York. 

American Bankers Insurance Co. of Florida

Dec. 12 (letter of notification) 4,000 shares of class A stock (par $25 per share) and 6,000 shares of class B stock (par $10 each). No underwriter. Proceeds—To increase capital and to enlarge surplus. Office—143 N. 2nd Street, Miami, Florida. 


Armortite Lens Co., Inc., Pasadena, Calif.


Pasadena Trading Corp., N. Y.

Nov. 3 filed $3,250,000 10 year 3% sinking fund debentures due Dec. 9, 1959 (par $100) common stock. Stock—Island Securities may be underwriter. Debentures are to be offered at par and the stock at $1 and 1/4. Proceeds—To provide working capital. 

American-Mariett Co., Chicago

Dec. 6 filed 100,000 shares of $1 par common stock. Proceeds—To be used to raise $1,200,000 for company's stockholders. Underwriter—G. H. Halsey, New York. Proceeds—For working capital. 

Ashland Oil & Refining Co., Ashland, Ky.

Dec. 15 (letter of notification) $50,000 of $1 par cumulative convertible preferred stock (no par) to be sold to public at 75%. Underwriter—To be added to working capital for general corporate purposes. 

Automatic Firing Corp., St. Louis, Mo.

Dec. 7 (letter of notification) 2,000 shares of capital stock of which 2,000 are offered by Allan J. Strauss, 2,100 by Strauss and 1,000 by Leslie J. Weil. Underwriter—G. H. Walker & Co., St. Louis. Proceeds—to reimburse corporation for a corporate transaction and for use in connection with the purchase of additional property. 

Baltimore Trotting Races, Inc.

Dec. 15 filed $1,000,000 5% debenture bonds, due 1979, and $1,000,000 5% debenture bonds, (par $100). To be offered at $1,530 per unit, each unit to consist of 1,000 consecutive bonds, of which 100 at most will be sold to the public. Proceeds—To be used to build a racetrack. Three officers also filed with respect to voting trust certificates for 250,000 shares of capital stock. 

Bank Building & Equipment Corp., America

Dec. 13 (by amendment) 6,500 shares of capital stock (following a two-for-one split effective Dec. 20) at about $7 each. Underwriter—Scherer, Richler Co., St. Louis. 

Barclay Oil Co., Inc., M. Carmell, Ill.

Oct. 28 (letter of notification) 2,000 shares of non-convertible ($100 par) value stock preferred and 6,000 shares ($4 par) common stock (of which 2,000 will be purchased by underwriter at par). To be offered at $1,500 per unit, each unit to consist of 1,000 consecutive bonds, of which 100 at most will be sold to the public. Proceeds—To provide working capital. 

Beverly Gas & Electric Co.

Dec. 2 filed 30,000 shares of capital stock (par $23) to be offered to stockholders at the rate of 1/3 share for each $20 held, at $30 par each. No underwriter. The proceeds will be used to pay off $375,000 of short-term notes held by the New York Electric System and克莱尔公司

KIDDERS PEABODY & CO.

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KIDD'S WARES in all offices

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The COMMERCIAL & FINANCIAL CHRONICLE
Thursday, December 29, 1949

Edited for FRASER
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Central Maine Power Co. Dec. 18. The company reported the issuance of a block of common stock of this corporation, which is owned by New England Public Service Co. may reach the marketing stage this spring.

Cincinnati Gas & Electric Co. Dec. 21. Stockholders authorized an increase in the number of common shares from 2,500,000 to 6,000,000 shares. Further, the company announced a proposal to increase the par value of its common stock to $1000 per share, to be used for the issuance of $50,000 shares early next spring. Profits of the corporation are, in part, to be spent for $50,000,000 expansion program. The stockholders will receive preferred stock.

Columbia Gas System, Inc. Dec. 19. The directors authorized the sale of 3,000,000 shares at $70 per share. The company has disclosed the acquisition of 1,345,500 shares of outstanding stock, with a par value of $100 per share, at $70 per share.

Commonwealth Edison Co. Dec. 21. The company announced it would finance an additional $500,000 additional financing for the period 1950-1955 to cover unmet needs.


Florida Power & Light Co. Dec. 19. The company reported the sale of $12,000,000 of new money in 1950-1951 to finance in part its construction program. McGregor Smith, President, disclosed the program for investment in what form the new financing will take, although the company expects to spend about $35,000,000 in new money.

Indian Harbor Belt RR. (1/25) Dec. 18. The company announced the issuance of $1,000,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co., Inc.; Smith, Barney & Co.; and C. Blyth & Co., Inc. (jointly); Equitable Securities Corp.

Kansas Gas & Electric Co. Dec. 19. The company issued a new preferred stock with a 4% dividend in exchange for $2,500,000 of stock on a share for share basis, with 75% preferred and 25% common. The new stock will issue $2,500,000 in cash. The company's annual dividend will be $2,500,000.

Laclede Gas Light Co. Dec. 21. It was reported that the company expects to be able to retire the outstanding $50,000,000 worth of its common stock, as part of its $200,000,000 construction program planned over the 1950-1953 period. The time frame for the $50,000,000 portion of this $200,000,000 program was not disclosed.

Lone Star Steel Co., Dallas, Texas Dec. 14. It was reported that the company will sell $5,000,000 of 1950 first mortgage bonds to raise an additional $2,000,000 through the issuance of new bonds. The additional bonds will be sold to purchase new stock.

Metropolitan Edison Co. Nov. 16. The company reported plans to sell additional bonds and preferred stock, probably in February, to help finance a 1950 construction program. The company expects to offer $7,000,000 of new money in each of the two programs.

Missouri-Kansas-Texas RR. (1/10) Dec. 15. The company filed applications for the issuance of $22,000,000 in new securities, which may include bonds and debentures as well as possibly additional common or preferred stock. The company also disclosed that the new bonds may be issued in early March. The proceeds from the sale of the new bonds will be used for the purchase of electric lines.

New Jersey Telephone Co. Company filed Dec. 8 with the New Jersey State Board of Public Utilities a plan for financing $60,000,000 of construction. The company proposes to sell $50,000,000 In common stock and $15,000,000 in long-term bonds to meet plant and bond issues and $3,500,000 in preferred stock for bonds: Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & C. Blyth & Co., Inc. Bids expected around the end of 1951.

Northern Natural Gas Co. Nov. 28. The company announced an increase in sales of $50,000,000 and $25,000,000 in new debt issues. The company also disclosed that it plans to sell $50,000,000 in new common stock.

Pacific Petroleum Co. Dec. 15. The company reported contemplation of the issuance of 500,000 shares of common stock. The company also disclosed that it plans to sell $25,000,000 in new debt issues.

Pacific Power & Light Co. Dec. 18. The company reported tentative plans for funding of $9,000,000 in new money, probably in March. On Sept. 15, it was said plans for some permanent financing of approximately $7,000,000 through the issuance of a few new mortgage bonds to meet outstanding notes and to finance its construction program. The company had been issued by the state of Missouri in early 1950.

Pennsylvania RR. (1/5) Dec. 15. The company announced the issuance of $100,000,000 of new common stock at the rate of one share for each two shares outstanding. The company also disclosed that it plans to sell $400,000,000 worth of its common stock.

Pacific Telephone & Telegraph Co. Dec. 15. The company reported plans to offer to its stockholders the right to subscribe for additional shares of common stock at the rate of one share for each two shares outstanding. The company also disclosed that it plans to sell $400,000,000 worth of its common stock at the rate of one share for each two shares outstanding.

Pennsylvania RR. (1/5) Dec. 15. The company announced the issuance of $100,000,000 of new common stock at the rate of one share for each two shares outstanding. The company also disclosed that it plans to sell $400,000,000 worth of its common stock.

Philadelphia & Eastern Railroad Co. Dec. 18. The company announced that it plans to sell $50,000,000 in new money, probably in March. The company also disclosed that it plans to sell $25,000,000 worth of its common stock.

Phoenix Silk Corp., Allentown, Pa. Dec. 18. The Attorney-General of the U.S. invited bids for new government bonds, $100,000 each, for the purchase of a new government bond, $100,000 each. The bonds are to be dated Jan. 1, 1950, and to mature on July 1, 1950. The bonds will be sold at a price of $100,000 each to be held by Halsey, Stuart & Co., Inc.; Goldman, Sachs & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; and Lehman Brothers.

Southern California Gas Co. Dec. 15. The company reported plans to sell additional shares of common stock on a one-for-eight basis to its present shareholders. The company also disclosed that it plans to sell $18,000,000 worth of its common stock. The company also disclosed that it plans to sell $18,000,000 worth of its common stock.

Southern Pacific Co. (1/11) The company has issued invitations for bids, to be received by 12:00 noon (EST) on Jan. 1, 1951, at its offices at Room 2117, 165 Broadway, New York, N.Y., or on or before 11:00 a.m. (EST) Dec. 17. The stock will be sold only to American citizens.

Southwestern Public Service Co. Dec. 15. The company announced plans to sell additional shares of common stock on a one-for-eight basis to its present shareholders. The company also disclosed that it plans to sell $18,000,000 worth of its common stock. The company also disclosed that it plans to sell $18,000,000 worth of its common stock.

Staten Island Edison Corp. Dec. 19. The company announced plans to sell additional shares of common stock on a one-for-eight basis to its present shareholders. The company also disclosed that it plans to sell $18,000,000 worth of its common stock. The company also disclosed that it plans to sell $18,000,000 worth of its common stock.

Texas Electric Service Co. Dec. 19. The company offered $100,000 shares of new preferred stock, probably in March. The company also disclosed that it plans to sell $25,000,000 worth of its common stock.

Texas Utilities Service Co. Dec. 19. The company reported plans to sell $8,000,000 worth of its common stock, probably in March. The company also disclosed that it plans to sell $25,000,000 worth of its common stock.

Tennessee Natural Gas Co. Dec. 5. The company announced plans to build a 1,400 mile pipeline, which it is estimated will cost between $100,000,000 and $150,000,000. James F. Oates, Jr., Chairman of Peoples Gas Light & Coke Co., stated financing of the new project would probably consist of 75% debt and 25% stock. If stocks are sold at competitive bidding, Halsey, Stuart & Co., Inc. head group.

Webster-Chicago Corp. Dec. 9. R. F. Blash, President, announced that he had received an offer from John F. G. Gaar, President, for the acquisition of the company's common stock. The company also disclosed that it plans to sell $10,000,000 worth of its common stock.

Western Maryland Ry. (1/12) Dec. 14. The company announced plans to increase its authorized capital from $2,500,000 to $3,750,000, and also to increase its authorized capital from $2,500,000 to $3,750,000. The company also disclosed that it plans to sell $25,000,000 worth of its common stock.
Excerpt for, those firms which avoid them. . .

Although the worst of . . .

The New Term Outlook

The natural consequences of such policies . . .

New Problems Created

"Some of the dangers that faced . . .

The difference in dividend . . .

Getting to Market Early

The first National Bank of Win¬

SITUATIONS WANTED

Unlisted Tradables

Experienced in general trading and

Liquidity Notices

The First National Bank of Win¬

Liquidity loans will be made to . . .

Our Reporter's Report

For, those firms which . . .

Except for, those firms which . . .

For, those firms which . . .

SALESMAN

WASHINGTON, D.C.—There shortly will go "on sale" another proposed public facility for the fostering of small business.

The much-revised draft of the "Veterans Economic Development Corporation" bill first saw the light of day early in 1946, when headed to Congress by the legislative agency of a prominent veterans' organization. A number of the most prominent Congressmen lent their names to it and it now gives bulging prominently in their chests, knowing it at that time had only a Tremendous consideration, and it has not yet been the subject of a hearing.

Since then, however, the bill has been taken up quietly and by a number of prominent Senators. The last draft bill carries the names of a score of authors from extreme left to extreme right and all the way in between, and both Republicans and Democrats. Vic V. Richards, still a Senator, and Attorney General, former Senator McGrath, were among the supporters.

The sponsors of this bill are seeking to enlist all shades of opinion on its behalf, and are not toasting their proposition publicly. Instead they have been working behind the scenes with a wide range of support from veterans' groups and other organizations, and even for small business, before going to the Senate. The project was written the original draft, certainly, not only to bring it up to date, but to bring the representatives of the widest areas of opinion. It is hoped to bring out a final draft shortly and to present it to public hearings before the Senate Banking Committee or a subcommittee thereof.

In outward appearance, the bill seems to create a $900-million dollar corporation which could duplicate exactly what the Reconstruction Finance Corporation can now do in the way of loans and services for small businesses that it could do much more. At present all the banks and business loans is limited to 10 years, the maturity of the loans proposed for veterans Economic Development Corporation, is not subject to any specified time limit. RFC's loans are subject to term limitations and must be secured. The VEDC loans could be adequately, secured by "underwriting," as so as to assure a ready prospect of repayment.

RFC now provides accounting, management, and legal advice for small business, whether or not they are customers. They could not only provide broadly for small business, but could call upon any government agency for assistance in giving such service.

Whereas RFC is at the moment Limited to "outstanding of $1 billion for business loans, the VEDC would handle a business of $5 billion. Finally, the purposes for which VEDC could make small business loans, even broader than are allowed to the RFC.

On the other hand, there is a considerable prospect that before this bill is finally brought out, it will contain a provision integrating VEDC not only with RFC, but with all other government agencies offering credit facilities which are needed for small business, whether or not the borrows are veterans. It may be worked out that the VEDC will take only the junior or riskier compartment of a loan in which government agency can participate.

With the VEDC scheme, the number of proposed credit agencies for small business is impressive. President presented a proposed that RFC's loanable funds be doubled and that the 18-month maturity limit on agency's business loans be raised for Federal Reserve Board has proposed that it be empowered to guarantee up to 50% of small business loans by commercial banks. The Small Business Advisory Committee of the Department of Commerce proposed a loan guarantee scheme similar to that offered by the RFC.

One of the questions which will arise under the bill is whether the intersection might be left to the regulatory administration of the courts, to government agencies, or to such an agency. The intent was only to bar the executing or recording of a radially restricts covenant on property.

If disappointed prospective owners or purchasers are later to obtain the use of the property, even in the absence of a written instrument, then the foundation of the VEDC mortgage insurance would become shaky indeed. The penalty for violating this provision would be the termination of the mortgage.

A second question is: What weight will VEDC give to its appraisal to property which might require low appraisal values because of real changes in neighborhood.

Congress may be expected to explore these and other facets of the problems before raising ahead of the "mediation in which the realm of values is going to get a plug from President Truman. If the White House has an agency such FHA amendments to Commission of Richards, and announced at its direction at the time the $150-million public housing bill was under consideration to the 19th session, the public housing program would have been killed in the House.

Although it is not in the cards for action by Congress in 1949, the Labor Department's program for what in effect amounts to federalization of unemployment compensation, will bear close watching for the future. The Labor Department is propagandizing for a general raising of benefits, liberalization of coverage, and extension of the period of jobless pay.

Under the department's programs, beneficiaries would be entitled to a minimum of $20 per week or 50% of their former wages while employed, if single, or up to $42 per week and 75% of their former wages, if there were three or more dependents.

These rates are higher than paid by most states.

Furthermore, the department would provide that every state pay out jobless benefits for a minimum of 20 weeks. Only two states now do so.

Finally, the department would cover, these self-employed and other groups under W.C., and would raise the rate of payment.

All these steps would involve eventual setting out of more revenue than the states now collect (or unemployment compensation.

To make up the difference, under the department's plan, Congress would provide Federal grants to the states.

This would in effect make the Federal Government the controller of unemployment compensation, with the states doing the clerical work. In a period of heavy unemployment, this program would add a very large increment to Federal expenditures.

While it will give probably little attention to unemployment compensation proposals, the Senate Finance Committee does intend to give a most thorough going over to the House-passed extension of the old age and survivors insurance program, and other social security features proposed by the House.

Members of the Finance Committee are agitated at the action of the House in adopting a sweeping extension of social security under a rule prohibiting any amendments and very little debate. They intend to take the bill apart in a series of hearings which will extend over a period of several weeks. A committee meeting to take its time about writing its own version of social security extension.

Under the bill as passed by the House, an increase of 20% in monthly benefits would be provided Federal.

Thursday, December 29, 1949

OASI pensioners. The House proposed to provide benefits for persons employed primarily in agriculture. Railroad taxes would be levied at the rate of $200 of any person's income, instead of the present rate of $2,000. Finally, the House adopted a proposal which would cut social security railroad taxes reducing $1.25 each on employee and employer by 1970.

Halsey, Stuart Offers Peoria & Pekin Union Ry., 3 1/8% Ser. A Bonds

Halsey, Stuart & Co. Inc. is offering publicly today (Dec. 29) $2,500,000 Peoria & Pekin Union Ry. Co. first mortgage 3 1/8% bonds, series A, due Jan. 1, 1975, at 109% and accrued Interest. The firm won away the industrial mortgage sale on a bid of 97.9467. The sale of the bonds is subject to Inter¬ state Commerce Commission authorization.

Proceeds, together with other company funds, will be deposited with C.H. Hauser Bank & Trust Co. trustee, under the mortgage securing $2,500,000 of outstanding first mortgage 3 1/8% bonds, series A, due Aug. 1, 1974, and will be used by the trustee for the redemption or conversion on Feb. 1, 1956, of these series A bonds at 104 1/4%.

The new bonds will be redeemable at any time from 1956 to 1975 and for sinking fund purposes at prices scaled from 105% to 100%.


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Telephone WILMOUTH 8-3046
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NEW YORK 5

EXECUTIVE OFFICE BUILDING

Executive & Underwriting Offices
70 WALL STREET
Tel. WHITTAKER 4-4454
Trading Department
120 BROADWAY
Tel. Rector 2-5004