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EDITORIAL

As We See It

The Year Ahead

For several weeks—we had almost said months—the soothsayers, political and other, have been busily peering into the coming months. It has become an almost universal New Year's custom. This year there has been, so it has seemed to us for some time past, an exceptional degree of agreement as to what is ahead, at least during the first half of the current year. For some six weeks, perhaps longer, the economists have been more or less unanimous that the earlier part of this year would be "good" so far as business in general is concerned. Among these gentlemen there has likewise been a relatively uniform tendency to question, or at the very least to feel uncertain about, the second half of the year, although usually nothing drastic has been predicted, so far as we are aware.

Politicians of the Democratic persuasion have taken up the tune. If they have not been quite so specific as to time periods, that omission can easily be forgiven individuals whose main concern is to get themselves and their party retained in office next autumn, when Congressional and a number of other elections are scheduled to take place. The Administration is oozing confidence that the threat of a depression—which obviously had it more than a little worried some months ago—has now been removed, and that it has disappeared because "we planned it that way." At least if the President and his advisers are not really quite confident of all this, they are making

Continued on page 49

Glancing at 1950

By MELCHIOR PALYI

Reviewing economic situation, Dr. Palyi asserts prevailing optimism about general business prospects of 1950 is well justified, provided it is not based on self-delusions. Points out national economy is still unbalanced and corrections cannot be attained by mere minor and relatively painless adjustments. Notes over-inflated farm prices and distorted industrial incomes, and concludes continuation of present boom will make necessary further expansion of debt and dilution of monetary base.

I

The year 1949 was marked by two extraordinary crises, both of global portent. One was the **breakdown of international money planning,** culminating in radical currency devaluations in virtually every country that is a protege of the Bretton Woods set-up and/or a beneficiary of the ECA. The devaluations failed to call a halt to Europe's and Latin America's inflationary policies and monetary warfares, which stymie the international capital flow and the financial reconstruction of unbalanced economies. If the Marshall Plan instalments will be reduced according to schedule, a new "dollar crisis" is in prospect for the second half of 1950.

Dr. Melchior Palyi

The fall of China to the Communists was the other event of monumental significance, probably the most significant single historical occurrence since World War II. Its future effects on this country and the world at large are incalculable. But this much is certain: That in 1950 American diplomacy will be put to a new and crucial test, foreshadowed lately by wholesale shifts in the personnel of the State Department. Recognition or non-recognition of the new Chinese regime will be the question that, in turn, involves the vital issue of protecting or abandoning the strategic island of Formosa—of "containing" or appeasing Russia. Both

Continued on page 51

Business and Finance Speaks After Turn of the Year

Leaders in government, industry, finance and banking provide the "Chronicle" with their individual opinions as to the probable trend of business in the current year. Contributors include the chief executives of numerous companies in all lines of business.

Continuing our custom of former years, the CHRONICLE features in today's ANNUAL REVIEW & OUTLOOK ISSUE the individual opinions of government officials and of the country's leading industrialists, bankers and financiers as to the probable trend of business in the current year. These forecasts, written especially for the CHRONICLE, provide the reader with up-to-the-minute official views as to the indicated course of business in all industries. The statements begin herewith:

HON. JOHN W. SNYDER

Secretary of the Treasury

The important recovery in business which has been under way since last summer, despite the handicaps of the steel and coal strikes, testifies to an underlying strength in our economy which, I believe, will become more evident as the year progresses.

John W. Snyder

There are a number of obvious factors making for prosperous business in the first half of 1950, which have been pointed out by most business observers. The factors making for a continued promising outlook in the second half-year, while perhaps less obvious, are fully as reassuring.

Business prosperity depends primarily, of course, upon the ability and willingness of consumers to buy freely the products of industry. The powerful influence of this factor was again forcefully demonstrated during the year just past. Despite the business unsettlement and increased unemployment caused by the inventory

Continued on page 16

In the SECOND SECTION of today's issue we show the monthly high and low prices of every stock and bond issue in which dealings occurred on the New York Stock Exchange in 1949, also a table showing the price trend of Treasury bond issues during the year.

The Security I Like Best

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

This Week's Forum Participants and Their Selections

Philadelphia Fund, Inc.—Charles H. Baird, Coffin, Betz & Co., Philadelphia, Pa.

North American Co.—Joseph P. Crosby, Bear, Stearns & Co., New York City.

Selected Issues—Allan J. Henry, Allan J. Henry & Co., Wilmington, Del.

Texas Pacific Land Trust—Ernest Jellinek, Jacquin, Bliss & Co., New York City.

United Biscuit Company—S. Logan Stirling, Eastman, Dillon & Co., New York City.

CHARLES H. BAIRD
Coffin, Betz & Co., Philadelphia, Pa.


Charles H. Baird

One of the human weaknesses responsible for much grief to investors is the tendency to become "wedded" to certain pet bonds or stocks for better or for worse. Prejudices lead to an inflexible mental attitude, a dangerous approach to investment problems in a changing world. The experienced professional rightly avoids such prejudices like the plague.

Looking back 25 years ago one might have looked with much favor upon a U. S. Government 4% Treasury issue, offered at par on Dec. 15, 1924, and payable in gold. This was certainly a perfect investment, but in April, 1933, the government suspended gold payments, thereby changing the entire character of government obligations. Ten years ago, for instance, the investor who bought U. S. Government Savings Bonds, Series D, offered at 25% discount from their 10-year maturity value, expected a 2.9% yield to maturity. Now, however, he is being paid off at par in dollars valued at a 40% discount in purchasing power. An unstable currency largely minimizes the stability factor in government bonds. Some years ago the stock of American Telephone & Telegraph Co. might have been "The Security I Like Best." Not many months ago it might have been General Motors or Standard Oil of New Jersey. Constantly changing conditions convince me that my favorite company or industry, at the moment of writing this article, will probably not be my favorite a year from now.

Today the investor must either be an expert himself or he must employ an expert, if he expects to attain or even retain security from his invested capital. The answer to the problem for the overwhelming number of investors is the mutual fund of moderate size, managed by qualified professionals upon whose foresight the investor can rely. The larger funds, in order to avoid over-concentration of capital, have had to spread their shareholders' money over an unwieldy list of hundreds of securities and, in spite of this, still cannot avoid holding large block of individual securities, often difficult to liquidate when desired. Besides, such a spreading out of money has the effect of relegating the supervision of the investor's capital to many assistants, and of the investments suffering from too little attention by the top management. Unwieldly size breeds the hazards of inflexibility and too great reliance upon mere diversification.

Philadelphia Fund, Inc., in my opinion, solves the investment conundrum for most investors. Here is a mutual fund of small size, entirely flexible, amply diversified, as it is, in 25 to 30 issues. The investment portfolio, moreover, is personally supervised by a small investment committee whose collective background embraces thorough knowledge of the investment field, complete understanding of trust investment procedure, and long experience with successful market technique.

Through careful selection of investments, sound diversification, and constant professional supervision, the management of Philadelphia Fund has as its basic objectives:

(1) Conservation of principal.

(2) Payment of reasonable income.

(3) Growth of both principal and income over the longer term, to keep pace with the long-term trend of rising living costs.

This third objective is particularly essential to investors aiming at retirement or the education of their children at future cost requirements that cannot be predetermined, but which probably will be greater than costs now prevailing.

The quality of supervision available to the investor in a mutual fund like the Philadelphia Fund, in my opinion, cannot be equaled except by the exclusive employment of an expert investment manager. Because such employment is, obviously, prohibitive in cost for most investors, I believe Philadelphia Fund, Inc., constitutes the security I like best for the future.

JOSEPH P. CROSBY
Mgr., Utility Research Dept., Bear, Stearns & Co., N. Y. City

Naturally, it is difficult to narrow a choice down to one specific issue, but picking just one, the security I suggest at the present time is North American Co. common stock. This issue, in my opinion, combines the advantages of (1) excellent appreciation probabilities; (2) favorable timing for such appreciation; (3) current annual dividends of $1.00, affording a yield of over 5%; (4) little general market risk, and (5) the opportunity to benefit from the likely further improvement in the market for public utility common stocks.


Joseph P. Crosby

North American under the Holding Company Act has divested itself of all utility subsidiaries except Union Electric Company of Missouri and Missouri Power & Light, and application for acquisition of the latter company by Union is pending before the SEC. Once this acquisition is approved, North American will hold 1¼ shares of Union Electric for each share of its own stock. In addition, cash and miscellaneous assets have a probable value in excess of $2.50 per share of North American.

Union Electric provides electric service in St. Louis and adjacent territory. The company with Missouri Power & Light was the twelfth largest in the country in revenues in 1948, is conservatively capitalized, and the esteem in which its outstanding securities are regarded can be judged by the prevailing markets for its bonds and preferred stocks of around a 2.55% and 3.80% basis, respectively.

Latest reported earnings of Union (year to 9-30-49) amounted to close to $1.20 per share after adjustment for a separate tax return, acquisition of Missouri Power & Light and certain of the former properties of West Kentucky Coal Company. Dividends in the same period (including those paid by Missouri Power & Light) were above $1.00 per share.

Based on the prices at which comparable companies are selling at the present time, and allowing for the probable value of North American's other assets, the current liquidating value for North American appears to be in the neighborhood of 25% above its present market.

No program for the divestment of Union Electric common stock has been announced as yet. In recent months North American has been engaged in a number of proceedings before the SEC relating to its non-utility subsidiaries and the acquisition of Missouri Power & Light by Union. With regard to the divestment of Union Electric, the SEC in a finding and opinion in respect to the reclassification of the common stock of Union Electric, stated:

"We have held that the continued existence of a holding company over a single operating company constitutes of itself an undue and unnecessary complexity in violation of Section 11 (b)(2) of the Act.

". . . it does appear, on the basis of the situation now obtaining, that the continued existence of North American as a holding company only over Union, a company with consolidated total assets of approximately $333,000,000, would be in violation of Section 11 (b)(2)."

Inasmuch as North American at the end of 1949 had about $15,000,000 of working capital, substantially all of which could be invested as additional equity in Union Electric if necessary or advisable, and has no apparent complicating factors in liquidation (save possible minor ones relating to its non-utility subsidiaries, which companies have a probable value equivalent to only around $1.00 per share), it appears that the distribution of Union Electric should be made sometime in the next several months. In the meantime, the value of Union Electric common stock should be enhanced by the likely improvement in the earnings of that company and in the general market for public utility operating company common stocks. North American common is listed on the New York Stock Exchange and, in my opinion, is a semi-conservative investment suitable for individuals and trustees.

Continued on page 67

INDEX

Articles and News

BUSINESS AND FINANCE SPEAKS AFTER THE TURN OF THE YEAR

Starting on first page we present the opinions of many of the nation's leading industrialists and financiers regarding the outlook for business during 1950.

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In the SECOND SECTION of today's issue will be found our usual tabular record of the high and low prices, by months, of every stock and bond issue in which dealings occurred on the New York Stock Exchange during 1949, also a table indicating the course of Treasury bond issues during the past year.

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Retail Outlook for 1950

By MALCOLM P. McNAIR*
Professor of Marketing, Harvard Graduate School of Business Administration

Asserting postwar business boom is over and competition is here, marketing analyst predicts little change in level of business activity but with slight decline in wholesale and retail price level. Looks for lower business profits in 1950 because of tough competition and higher break-even points. Says department store unit sales will increase, but average amount of each sale will be slightly lower.

Gazing into the crystal ball in order to come up with a business forecast is a highly hazardous undertaking at the best, and it is doubly so when the practitioner has the temerity to appear before the same audience for several successive years. Sooner or later he is sure to be caught out. As a precautionary measure, therefore, I began preparing for this assignment by looking back to see what I said last year and discovering wherein I was wrong. At this time last year I predicted a lower rate of business activity in 1949, an increase in unemployment, a lower price level, and a less favorable profit performance. Specifically for the department store business for the first half of 1949 I suggested that dollar sales would be a little lower, markdowns higher, gross margin percentage lower, and the expense percentage higher, with the natural result that profits would be down. I failed, however, to appreciate just how high the break-even point actually stood and therefore did not foresee how much lower profits would be during the first half. Then for the second half of 1949 I frankly did not foresee the upturn in general business conditions which began in July and August. Although in the department store business the results for the fiscal year 1949 as a whole have turned out to be approximately what I anticipated, nevertheless because of the recovery in recent months the general business situation today appears to be much stronger than I should have been inclined to forecast at this date last year.

Prof. M. P. McNair

What Happened in 1949?

With the benefit of hindsight let's look briefly at what happened in 1949. In the general business situation there were certain basic factors at work. First of all, we had the long-anticipated inventory readjustment which necessarily followed on the filling up of the pipelines of supply. Likewise we had a certain degree of agricultural price adjustment, which is probably not yet finished. Then, particularly significant for retail business, there was a return in 1949 to a more normal relationship between consumer disposable income and consumer spending; in other words, the so-called spending ratio decreased somewhat and savings increased. As I suggested to you last year, this was essentially a return to a normal prewar relationship. Another factor having a particular bearing on the department store business was the continued shift back toward a normal prewar relationship between expenditures on soft goods and expenditures on hard goods. Most of what happened during the so-called business readjustment in 1949 can be explained in terms of those four factors; and incidentally, those same factors also explain why the business readjustment of 1949 bore more heavily on certain types of retail business, particularly department stores, than on almost any other kind of business.

Clearly the great postwar boom culminated in late 1948. Prophets of disaster had long warned us of dire consequences when this postwar boom came to an end. Why, then, was not 1949 a year of more serious depression? Why are we not now spinning down a fateful spiral of deflation as in 1921 after the collapse of the World War I business boom, instead of which we have a strong stock market and widely expressed business optimism? There are some very good reasons. First of all, you just don't have a serious business setback when the construction industry the automobile industry, and the capital goods industries generally are booming; and all three of them certainly were booming in the year just closed. Next, as many commentators have repeatedly pointed out, our economy today is substantially broader and stronger than it was after World War I. There is a distinct absence of that vulnerability in the credit, banking, and financial structure which proved so disastrous during previous periods of business downturn. There is absence also of large-scale speculation. At the same time, added strength factors in the way of agricultural price supports, greater stabilization and wider distribution of income, and a more stable wage structure have stiffened our resistance to the cumulative and self-reinforcing deflation which had come to be considered the almost inevitable accompaniment of a business turning point. Growing out of all these factors in 1949 there was an amazing stability of consumer income.

Continued on page 29

*An address by Prof. McNair before the National Retail Dry Goods Association Convention, New York City, Jan. 10, 1950.

New Look in Federal Policies

By MURRAY SHIELDS*
Vice-President, Bank of the Manhattan Company

Commenting on the "new look" in Administration's basic objectives, New York banker interprets these as more sound and less radical than in New Deal days. Sees changed attitude toward taxing and spending and advocates bipartisan economic policy which will analyze President's program so as to avoid gambling with the nation's future.

One of the most significant developments of the postwar period is the dramatic change in emphasis which was evident in the Messages recently presented to Congress by President Truman.

Murray Shields

The importance of this "new look" in the basic philosophy and objectives of the Administration can hardly be over-estimated, for it gives reason to hope that we are on the edge of a reversal in government policies capable of having a profoundly stimulative effect on the course of economic development for a long while ahead.

Evidence of a marked change in the pattern of official thinking is to be found in the fact that there is more sound economics and less radical rhetoric in President Truman's most recent Messages than in any of those issued previously by him or by his predecessor in office. Furthermore, Mr. Truman's obviously more constructive attitude toward business and his willingness to assume that the road to a higher state of public welfare is through rapid expansion of private enterprise is in such sharp contrast to the point of view formerly fashionable in official quarters. And, the realistic optimism with which the President now appraises the future and to which he seems to be prepared to orient his thinking about the problem of government-business relationships is a welcome change from the assumption of economic maturity and stagnation which was used to justify the reforms, controls and doles of the past. This suggests strongly that those with their ears to the ground have become convinced that our people prefer full employment by prosperous business to continuous dependence on government relief or subsidy.

Additional evidence of the degree to which official thinking has been transformed is found in a new attitude toward government spending, taxation, and deficits. There is now decidedly more respect for government efficiency, more determination to make the tax burden less restrictive and more official embarrassment that the budget is unbalanced than we have seen for many years. It was, not so long ago, fashionable to consider public expenditure inviolate, deficits stimulative, and taxation chiefly a means of effecting reforms.

May it not be of the highest significance that the Administration now considers that fiscal radicalism does not ring the political bell as it did before? Finally, the repeated declarations, in this year's crop of Presidential Messages, that the Nation's policies must be directed toward producing maximum economic strength through business expansion and growth is in pointed contrast to the policies advocated by some of the less-than-conservative voting groups. Consequently one is entitled to wonder if the political balance of power is shifting from the radical-liberals to the conservative-liberals.

These developments provide good reason for believing that we are in the midst of a highly important change in Administration thought and attitude with respect to the general direction our economic policy should take. But it is essential to recognize that the change in objective has as yet had no more than a modest reflection in the specific legislative measures advocated by the President. The "new look" appears to involve more of a change in the expression with which official policies are clothed than in what is underneath. It is not surprising, but it is nevertheless disappointing, that the President's legislative program contains the same old recommendations as to labor, regulation, taxation, subsidies, and loans which were previously advocated in order to effectuate reforms but are now advanced as necessary to promote the growth of the Nation and the expansion of its enterprise. It is to be hoped that this inconsistency between objective and program will be resolved in favor of the former, and I believe that it will be for I am willing to take in good faith the President's profession of desire to construct the framework not for a new phase of welfare Socialism, with all its paraphernalia of obstructions to individual and business initiative, but for a new epoch of expansion, progress and prosperity.

Opportunity for Expansion, Progress and Prosperity

The opportunity to do so is unique, for the rate of progress in industrial and agricultural technology has been so great as to furnish the means by which we can rapidly develop vast new industries and reduce costs so that markets can be widened, consumption potentials increased, and production expanded. This cannot be done if incentive is deadened by restrictive taxation, if venture capital is not permitted to come into existence or to flow into enterprise, or if government persecutes industry so that growth is inhibited. But there is no reason to doubt that the technological means now exist for a greater upsurge in production and in national well-being than we have ever seen before.

In the face of such an opportunity to make the Nation prosperous and impregnably strong, it is as urgently necessary that we have a bipartisan economic policy as it is that our foreign policy be held above partisan considerations. The two are in fact interdependent, for it is only if we are economically strong that we shall be able to raise our military potential high enough to provide some insurance against another holocaust. I submit that we are not likely to find a sounder statement of basic economic objectives for such a bipartisan economic program than that the President out forward in his Messages to Congress. And in constructing a bipartisan economic program are we not as obligated to make available to the President our views as to the specific measures likely to to produce the desired results as the President is to accept them in good faith—even if they may be inconsistent with positions taken previously by him?

The reason why it is so imperative that the President's program be subjected to the most searching analysis is that it involves a great gamble with the nation's future. He has asked that the nation underwrite colossal future outlays for a welfare program, including socialized medicine, more liberal unemployment insurance, and comprehensive old age sickness and other benefits, the massive expenditures comprehended in the Brannan Plan, the subsidization by the government not only of low-income but also of middle-income housing, a vast program of assistance to education, the almost unlimited amounts necessary to translate the vague promises of the Point Four program into reality, the aggressive expansion of the loan activities of the many Federal agencies which are expected to grant low cost credit on liberal terms to agriculture, cooperatives, and foreign as well as domestic enterprises, and the vast amounts called for in the grandiose plans for river development, road construction and other public works. It is assumed by the President that the wherewithal for such expenditures will automatically be generated by an expanding economy. But there is a formidable body of opinion among people of the highest competence and integrity that the President's program contains so many specific proposals inimical to economic expansion, that we are running the risk of being in the position of the individual who expands his scale of expenditure not to the limits imposed by his present income, but to his rosy hopes as to how much his income will rise in the next 20 or 30 years. We know that if that individual's guess turns out to be wrong he is sure to go over the financial precipice. And if the nation obligates itself for more welfare than it can pay for it will be running the same risk.

Warning on Welfare Statism

The record of other adventures in welfare statism carry a warning for us. The most recent example is that of the Labor Government in Britain. There, too little attention to the economic prerequisities of business growth and too rapid an assumption of welfare liabilities by the government produced such weakness in government credit that, faced with the option of permitting British Government bonds to decline precipitately or of using support measures which would inevitably involve explosive inflation, the authorities chose the former, with the result that British Consols lost almost one-third of their value. This nation's position is so far different from that of Britain that there is little danger that we shall follow the road which they have traveled. But, the danger cannot be ignored, and it is essential that the President's legislative program be adapted more closely to his new objectives. We can afford more welfare than any other nation on the earth—if our business is prosperous; we shall have neither welfare nor prosperity if we persist in policies which constrain business enterprise.

Therefore, while the President deserves the highest commendation for his statesmanship in reversing the anti-business and anti-growth objectives which appeared to dominate government policy for so long, it is imperative that he seek, obtain, and accept bipartisan counsel in perfecting a more realistic program to attain his new objectives. The stakes in this great gamble with the nation's future are incredibly high, for there is no reason to doubt that the basic economic conditions are so propitious that if the President were to lead the way to the adoption of a really expansionary economic program, the twin spectres of want and war, which have haunted this generation, would be banished for our time. And if I may be permitted the luxury of one prediction it is that sound counsel will in time prevail so that the nation's economic policy will provide the essential ingredient of incentive which will permit private enterprise to lift our people to higher levels of welfare than any proponent of welfare Socialism ever dreamed could be attained.

*An address by Mr. Shields before the Cigar Manufacturers' Association of America, New York City, Jan. 17, 1950.

DEALER BRIEFS

Detroit, Mich.

During the past few months Michigan has had the largest issuance of municipal bonds in its history. It is expected that this will continue. Practically all of this volume is due to the issuance of Limited Tax School bonds. Despite the volume, these issues have been received better than anticipated. In a great many cases they comprise names that had not been held by the public for many years. This, of course, has created what we call "a scarcity demand."—*W. Sydnor Gilbreath, Jr., President, First of Michigan Corp.*

Asbury Park, N. J.

Business in our area had a decided increase in the past month and we have received quite a few inquiries pertaining to Investment Mutual Funds. We are anticipating in the next few months a larger volume of business. — *Martin P. Rubin, First New Jersey Securities Co., Inc.*

Mansfield, Ohio

Business and Markets could be better, if government and labor would be reasonable. Taxes could be lowered and taxable income increased to the Treasury. Labor should consolidate its gains and allow Management to effect economies to reduce prices to the consumer. Securities should be bought with a thought to income, with a declining volume of business. — *Gaylord W. Bahl, Jr.*

Boston, Mass.

Our firm, located up here in Boston, the Hub of the Universe, the City of Culture, is optimistic for 1950 and many years to come.

The United States is growing. The estimated 185,000,000 population 25 years hence, vs. around 150,000,000 today, means more steel needed, more automobiles bought, more textiles used, more buildings erected, more shoes worn, more electricity demanded, more, more, more of everything. A growing country such as ours, gives investors opportunity of prospering as our business corporations prosper. We are of the opinion that an increasing number of people are awakening to the desirability of owning shares in our good companies.—*Gurdon Mead, Chas. A. Day & Co. Inc.*

Harry W. Middaugh With Boettcher & Co.

Harry W. Middaugh

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Harry W. Middaugh has become associated with Boettcher & Co., 828 Seventeenth Street, members of the New York Stock Exchange. Mr. Middaugh was formerly manager of the Denver office of Central Republic Co. and prior thereto was manager of the syndicate and sales departments for Garrett-Bromfield & Co.

Observations . . . .

By A. WILFRED MAY

A Closer Look at the Funds— With Mr. Ruml

The issue has been raised in this column and elsewhere[1] of the participation of the mutual funds in *Blue Chip-itis*—that is of the tendency of the managers of investment trusts, as well as trustees generally and all who are charged with the responsibility of the custodianship of other people's money, to concentrate their investment selection on supposedly safe and well-known issues.

A. Wilfred May

Chief motivation for such flight to the glamor issues—bonds as well as stocks—is the subsequent *alibi* of having lost the client's money respectably and blamelessly. Also motivating the concentration on the well-known issues is the Fund distributors' problem in selling to their uninformed public portfolios containing issues that are not known, irrespective of their value. Thus we are in a kind of Ponzi-like chain of blue-chip "liquidity."

Insofar as such concentration may exist in investment trust operation, they are open to criticism. In the first place the interests of a fund's individual shareholders are harmed if its expert management operating under sizable expense deductions from gross income receipts, devotes itself to the purchase of the Dow Jones Average or its equivalent, with its efforts largely devoted to attempts at general market timing.

In the second place, *Blue Chip-itis* in mutual funds operation has *anti-social* effects, both negatively in withholding sorely-needed new equity capital from the country's economy, and affirmatively in obstructing the constructive use of the small capitalists' savings from devotion to the less well-heeled but worthy and value-laden situations. **Thus fund-managers' responsibilities to the community as well as to the individual tend to be shirked by over-concentration on blue-chip liquidity.**

Extent of Blue Chip-ism

The actual extent of issue concentration in the mutual funds' portfolio management is of course a controversial question. A compilation of the favorite 50 common stocks held by all sizable closed-end and open-end trusts, listed according to issues and dollar amounts of each, recently made by Aigeltinger & Co.,

"The Favorite 50" Ranked by Total Dollar Value
(June 30, 1949)

Stock—	$ Value (Millions)	No. Trusts Holding	Stock—	$ Value (Millions)	No. Trusts Holding
Gulf Oil	$29.2	67	Westinghouse Elec.	$10.6	51
Amerada	26.4	26	U. S. Gypsum	10.5	36
Continental Oil	23.1	55	Skelly Oil	10.4	25
Std. Oil, N. J.	21.1	70	United Gas	9.9	24
Texas Co.	19.9	51	C. I. T. Financial	9.8	27
Montgomery-Ward	19.7	67	Johns-Manville	9.7	34
Sears Roebuck	19.1	45	Phelps Dodge	9.7	37
Phillips Pet.	17.8	62	La. Land & Explor.	9.2	16
No. Amer. Co.	17.3	39	Inter. Bus. Mach.	9.1	21
Gen. Motors	17.0	62	Liggett & Myers	8.9	26
Total of 10 issues $210.4			Eastman Kodak	8.6	32
duPont	17.0	51	Central & Sou. W.	8.4	26
Inter. Paper	17.0	37	Allied Chem.	8.2	17
Kennecott Copper	16.6	56	U. S. Steel	8.2	29
Gen. Electric	16.5	62	Shamrock Oil & Gas	8.2	23
Un. Lt. & Rys.	15.8	22	Penney, J. C.	8.1	14
Union Carbide	15.5	52	Paramount	8.1	34
Std. Oil, Cal.	15.4	36	Standard Oil, Ind.	8.0	37
Niagara Hudson	14.1	23	Yngstwn Sh. & T.	8.0	36
Chrysler	13.8	49	Dow Chem.	7.9	24
Am. Tobacco	13.1	30	Inter. Harvester	7.7	35
Am. Gas & Elec.	12.9	43	Am. Nat. Gas	7.8	27
Goodrich, B. F.	11.1	35	Gen. Pub. Util.	7.7	22
Humble Oil	11.0	19	Middle Sou. Util.	7.7	22
Monsanto Chem.	10.6	30	Deere & Co.	7.3	32
Inter. Nickel	10.6	30	**Grand total**	**$639.3**	

shows that of the $2½ billion total resources available for the holding of cash, bonds and stocks, $639,000,000 is placed in the

1 Dr. Sumner Slichter before the American Economic Association Dec. 30, 1949, said: "A way is needed by which tens of millions of persons of modest means can become owners of corporations. The investment trust is the obvious answer, and I expect to see investment trusts achieve great importance in the next generation. Most investment trusts, however, will buy shares in only well-established enterprises."

Continued on page 89

The State of Trade and Industry

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

The picture of total industrial production for the country a week ago remained much the same as in past weeks. Fractionally higher changes were registered last week, but output continued to hold slightly under the level for the corresponding period of 1949.

In the field of employment, seasonal lay-offs occurring in some localities had the effect of causing both continued and initial claims for unemployment to show a continued slight increase for the week.

* * *

Steel production the past week continued to expand, rising to 97.2% of capacity for the period beginning Jan. 9, 1950. This rate was the highest since May 2, 1949, notwithstanding a walkout in the soft coal mines idling more than 50,000 workers.

With consumers pressing the mills for every pound of sheet and strip available, producers are meeting difficulty in clearing away arrearages, states "Steel" magazine in its current report on the steel trade. Actually, sufficient new business could be booked by the sheetmakers to assure capacity operations into third quarter. All the mills have more tonnage on their books now than they can deliver on schedule. At least two are not yet formally accepting second quarter business, holding substantially more orders than they can get out in the current quarter. Several are entertaining more tonnage than they can accommodate in the first six months, but they are continuing to book new business, states this trade paper. For all practical purposes they are accepting tonnage for third quarter shipment. Some of this forward booking may be insurance against possible order cutbacks which a few sellers expect in second quarter. To date, order cancellations and cutbacks have been minor though consumers are attempting to revise specifications to effect economies as a result of the increased extra charges now in effect.

* * *

The strike of soft coal miners last week against major northern firms was extended into the current week at a number of southwestern Pennsylvania mines.

Numerous locals of the United Mine Workers disregarded a "suggestion" by John L. Lewis, United Mineworkers President, that they return to work and voted to remain on strike. It was expected that mines operated by steel companies would bear the brunt of the action. However, in some other areas, such as northern West Virginia, United Mineworkers' locals voted to go back to the pits.

On Monday of this week the soft coal strike spread to new areas of Pennsylvania as more than 65,000 miners in seven eastern and southern states ignored Mr. Lewis' suggestion to return to the mines. Some doubt, however, was expressed by top coal industry strategists that the strike constituted a "revolt" against Mr. Lewis. It may look that way, they said, but actually, the operators charge, it's part of a deliberate union policy designed to wear down coal stockpiles of steel producers and other industrial consumers.

Developments in the coal walkout on Tuesday reached a point

Continued on page 75

The Budget, Taxes and the Debt

By BEARDSLEY RUML*

Formerly Chairman of Board, N. Y. Federal Reserve Bank

Asserting tools of fiscal policy comprising the budget, taxes and national debt can be powerful instruments for maintaining high level of productive employment, Mr. Ruml defends principle that budget deficits prudently incurred in times of unemployment can, by reducing unit costs, tend to be deflationary rather than inflationary. Says it is no longer true governments must tax to maintain solvency, since with central banking, they can borrow under self-imposed conditions. Contends tax rates should be set to balance budget at high employment level and then "be let alone."

One of the spectacular consequences of a great world war is the enormous speeding up of technological progress and of the application of scientific knowledge. It may be properly questioned whether these technical advances at so rapid a rate are on the whole beneficial. In particular and in detail they seem to increase the material blessings and satisfactions of life. But in the aggregate they force prematurely changes in custom and tradition without time for new custom and new tradition to provide a firm social setting for the new technology.

Beardsley Ruml

We may be certain, however, that no war is worth the scientific and technical progress that accompanies it. We do not regard this acceleration of technical progress as even a token offset to the loss of life and the moral deterioration that inevitably results from war.

The first world war speeded the practical development of the radio and aeroplane. It also made us aware of the extent of illiteracy in the United States and hastened by many years the reduction of this handicap to human freedom.

From the second world war, by all odds the greatest contribution of technology and science was knowledge of the application of atomic energy. The basic scientific insights on atomic fission were well in hand before World War II began. But I have heard it estimated that in 1939, with methods of separation of fissionable materials then known, it would take about 70,000 years to collect enough U235 to produce a bomb. And yet, under the pressure of war necessity and the prodigal expenditure for sheer survival which war releases, a bomb actually exploded after a period of six short years. Except for war, mankind might never have found out how to use atomic energy, or at least, the knowledge might have been delayed for many decades.

There are many other examples of accelerated technical progress coming out of the last world war. Radar, rocket and jet propulsion, insecticides, the use of blood plasma; all illustrate the new applications and discoveries to which our thinking must adjust. We cannot wish these things away, nor abolish them by closing our eyes or turning our backs. The world in which they did not exist itself no longer exists. Management and statesmanship that does not take the new technology into account is living in a dream world and is talking in the past tense.

*An address by Mr. Ruml at the Annual Stockholders Meeting of the Savings Banks Trust Co., New York City, Jan. 18, 1950.

Advances in Finance and Economics

The discoveries and insights coming out of World War II are by no means limited to physics, chemistry, biology and surgery. Advances have also been made in the fields of finance and economics. The full import of these advances is not yet understood, but we do know enough to know that some things that many competent people thought were true are either false or true in a different way than was once believed. Let me give a few examples.

In 1937, an eminent economist advised the Treasury that unless the budget was soon balanced, the interest rate would go to 6%, to 8%, the way it had in France. And yet during the war, the national debt rose from $45 billion to $275 billion on a declining rate of interest.

In 1940, a metropolitan newspaper of high reputation expressed an opinion editorially, which I suspect was generally shared, that it was unfortunate that we were entering a period of defense preparations with the handicap of a debt that had already nearly reached $45 billion. And yet the debt increased six fold and was at no time a limitation to our productivity.

In 1941, we were told that we would have to choose between guns and butter, that to arm for war in two hemispheres we would have to cut our standard of living sharply. And yet in 1944, the general over-all standard of living was at least as high as in 1941, and in addition we produced some $80 billion worth of armament. The miracle of production came out of productivity that had been growing unnoticed beneath the surface of actual output for a period of 15 years.

Let me give one more example of a new insight in the field of fiscal economics. During the 1930's most people believed that a deficit in the Federal budget was inflationary. Today we can see that a nation that has millions of unemployed who want to work and billions of dollars invested in idle plants and equipment is much like a factory or company that has a sizable amount of unused capacity. Under such circumstances, an increase of demand tends to reduce unit costs, and therefore under competition tends to reduce prices rather than to increase them. For the same reasons, Federal deficits prudently incurred in times of unemployment, since they also tend to reduce unit costs tend to be deflationary rather than inflationary as far as the purchasing power of the dollar is concerned.

These discoveries, insights, or whatever you want to call them, in the field of economics and finance are just as real as radar, DDT, and atomic energy. They are not matters of theory or wishful thinking, they are matters of experience and observation. The plain fact is that the war was actually financed on a declining rate of interest. What does this mean? It means that a new relationship has been created between the private money market and the national state. This relationship was created by law in 1913, 1933, and 1934, but it required the impact of a World War to give us the experience necessary for understanding, in part at least, what had happened.

If we look at the financial history of the war, it is apparent that nations were able to pay their bills even though their tax revenues fell short of expenses. Those countries whose expenses were greater than their receipts from taxes paid their bills by borrowing the necessary money.

A government which must depend on loans and on the refunding of its loans to get the money it requires for its operations is necessarily, dependent on the sources from which the money can be obtained. In the past, if a government persisted in borrowing heavily to cover its expenditures, interest rates would get higher and higher — and greater and greater inducements would have to be offered by the government to the lenders. As a consequence, power over the government would gradually shift, in some measure, to the money market, which could dictate the terms on which the necessary loans would be made. Governments in those days found that the only way they could maintain both their sovereign independence and their solvency was to tax heavily enough to meet a substantial part of their financial needs, and to be prepared—if placed under undue pressure—to tax to meet them all.

Taxes

The necessity for a government to be prepared to tax in order to maintain both its independence and its solvency still holds true for state and local governments, but it is no longer true for most national governments. Two changes of the greatest consequence have occurred in the last 25 years which have altered the position of the national state with respect to the financing of its requirements. The first of these changes is the gaining of vast new experience in the management of central banks. The second change is the elimination, for domestic purposes, of the convertibility of the currency into gold or into any other commodity. No longer do private lenders have the final word on the fiscal policies of a national government which does not tax.

This final freedom from the imposition of unwanted control on the national state by private lenders holds true for every sovereign national state where there exists an institution which functions in the manner of a modern central bank, and whose currency is not convertible into gold or into some other commodity. The unsound practices of a reckless, taxless government can and should be controlled by the citizens of a democratic country; but they must exercise this control as citizens, and not as lenders.

The United States is a national state which has a central banking system, the Federal Reserve System, and whose currency, for domestic purposes, is not convertible into gold. It follows that our Federal Government has final freedom from the money market in meeting its financial requirements. Accordingly, the prime consideration in the imposition of taxes has become the inevitable social and economic consequences of the taxes that are imposed. Since all taxes have consequences of a social and economic character, all Federal taxes must meet the tests of public policy and practical effect.

By all odds, the most important single purpose to be served by the imposition of Federal taxes is to aid in the maintenance of a dollar which has stable purchasing power over the years. Sometimes this

Continued on page 83.

San Francisco Exch. Elects New Officers

SAN FRANCISCO, CALIF.—Douglas G. Atkinson of Dean Witter & Co. was elected Chairman of the Board of Governors for the third time at the annual meeting of the San Francisco Stock Exchange. New members of the board elected for terms of two years are: Mark C. Elworthy of Mark C. Elworthy & Co.; Ferdinand C. Smith of Merrill Lynch, Pierce, Fenner & Beane; and Ralph E. Van der Naillen of Douglass, Van der Naillen & Co., Inc. In addition to the above, Howard J. Greene of Sutro & Co.; John P. Symes of Henry F. Swift & Co.; and Ronald E. Kaehler, President of the Exchange, are members of the Governing Board.

Elected to the Nominating Committee to serve for the current year were: Richard P. Gross, Stone & Youngberg, Chairman; Wm. H. Agnew, Shuman, Agnew & Co.; H. H. Davidson, Bailey & Davidson; George A. Heintz, F. B. Keyston Co., and Sherman Hoelscher, Sherman Hoelscher & Co.

Robt. Winthrop Director

Robert Winthrop has been elected a director of United States & Foreign Securities Corp. and United States & International Securities Corp. Mr. Winthrop is senior partner of the investment banking firm of Robert Winthrop & Co. and is a director of National City Bank of New York, City Bank Farmers Trust Co., Green Bay & Western RR. Co., and is a trustee of the Seaman's Bank for Savings.

Ellis, Holyoke Adds Two

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB.—Harold B. Johnson and Clifford G. Rowley have become associated with Ellis, Holyoke & Co., Stuart Bldg.

From Washington Ahead of the News

By CARLISLE BARGERON

The fight in the House over returning to the Rules Committee the power that was taken from it at the last session is of importance to all citizens. It is not just a matter of scrambling politicians, seeking influence and prestige, although that is, of course, what politicians are always doing.

Carlisle Bargeron

It should be remembered that for several years up until the last session, the House Rules Committee could say and did say what legislation, out of the some 3,000 bills introduced during a session, were to be acted upon by the House as a whole. Ever since the days of Speaker Joe Cannon, who held a Czaristic control over the House, the Rules Committee, to which the power was given in the overthrow of Cannon, has served as brake on reckless legislation and on reckless spending. The members of the House, a hodge-podge of Americans of all creeds, racial strains and levels of life, liked this, because they could introduce the most irresponsible bills imaginable with a view to cultivating their constituents but with the realization that nothing would come of them.

However, in the last session, the great wave of "democracy" that is sweeping the country, and as I understand it, India and Asia, prevailed in the House and before the Rules Committee knew what was happening to it, its power to bottle up silly or revolutionary measures had been removed. Under the new order any committee chairman can, after a prescribed period, call up a measure which the Rules Committee had been sitting on, and demand action. The Speaker is supposed to be under compulsion to recognize him when he demands the floor. On paper, this is a return to the Speaker Cannon days. On paper it makes Speaker Sam Rayburn the boss that Speaker Cannon was.

But Sam Rayburn is far removed from Speaker Cannon. With the authority of a boss he would not know how to wield it. An amiable fellow who likes to say that in no other country in the world could such as he have risen to the position he has, and who therefore thinks all is well with our Republic and there can't possibly be anything wrong, the committee chairmen have been running hog wild under him. Some of them are men with a sense of responsibility, some of them are not. Those with the sense of responsibility have chafed about being put under the guns and having to call up measures which they didn't believe in but which demagogic public pressure forced them to call up.

There are 435 members of the House. The theory of our government is that they represent the grass roots. Through them, with all their faults and weaknesses, rank and file America is supposed to have expression.

But the emotions and excitements of the day are not supposed to become law. If the American people want anything they can get it after a period of agitation which proves that they really want it. But the loud voice of today should not become the law of tomorrow. Therefore we have our checks and balances which a Speaker Cannon or a House Rules Committee or a strong Sam Rayburn or strong committee chairmen are expected to be. Rayburn hasn't been that, couldn't be that and as was to be expected, the committee chairmen haven't been that.

The effort now is to get the control of the unwieldly House back to the determined men who compose the Rules Committee. It has a very definite purpose, aside from that of bottling up loose legislation. The effort has for its purpose the checking of the spending spree.

It has become apparent to the thinking members of the House, the number of which I haven't the slightest idea and I am afraid there are not enough, that the way to stop spending is to check the spending legislation or the legislation that involves spending, at its source.

This was never more apparent than in the infamous 80th Congres which among its other acts of infamy made a serious effort to reduce the budget. Chairman John Taber of the House Appropriations Committee, brought into Washington some of the country's outstanding researchers and economists. But everywhere these fellows went, notwithstanding that they came up with all sorts of recommendations for expenditure cuts, they were estopped by legislation, enacted years before, authorizing this and that expenditure.

The fact is crystal clear that before the budget is materially reduced, there has got to be some cleaning out of the cob-webs of legislation. That is not likely to happen.

But legislation authorizing future spending can be stopped. Return of the House power to the Rules Committee is an effective way in which it can be stopped.

I do not know how far the fight to return the power to the committee will get. But its leaders are using the spending argument. They are using it persuasively and they may prevail, because most members taken singlehandedly are right responsible fellows and realize we can't go on the way we are.

Dealer-Broker Investment Recommendations and Literature

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

Appraisal of 1950—Annual review and forecast letter covering a review of the past year, analysis of the broad economic outlook, study of basic business conditions, analysis of leading industries, and a forecast of corporate earnings and dividends—write to manager, research department, H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Bache Selected List—Revised list of issues considered attractive—Bache & Co., 36 Wall Street, New York 5, N. Y.

Bank Stocks—Year-end comparison and analysis of 19 New York City Bank Stocks available Jan. 16—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Common Stock Program for Investors—Listing 44 stocks in 11 basic industries—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Crossroads of the East — Brochure discussing industrial opportunities in New Jersey — write Dept. 1, Public Service Electric & Gas Company, 66 Park Place, Newark, N. J.

Detroit Bank Stocks—Annual analysis—First of Michigan Corp., Buhl Bldg., Detroit 26, Mich.

Graphic Stocks—January issue affords large, clear reproductions of 958 charts complete with dividend records for the full year of 1949 and showing monthly highs, lows, earnings, dividends, capitalizations, volume on virtually every stock listed on the New York Stock and Curb Exchanges, covering 12 full years to Jan. 1, 1950—Single copy (spiral bound), $10.00—yearly (six revised issues), $50.00—A special offer is also being made of three editions of Graphic Stocks, 1924-1935 and 1936 through 1947 and up-to-date current edition all for $25.00—F. W. Stephens, 15 William Street, New York 5, N. Y.

Equipment Trusts—Study tracing their development from the early part of the 19th century—Freeman & Co., 61 Broadway, New York 6, N. Y.

Natural Gas Industry—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Oil Production in Canada—Analysis—Dominion Securities Corp., 40 Exchange Place, New York 5, N. Y.

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

Railroad Income Bond Interest Coverage—Discussion—Goodbody & Co., 115 Broadway, New York 6, N. Y.

What's Ahead for Canada in 1950—Composite opinion of Canadian Outlook—A. E. Ames & Co., Inc., 2 Wall Street, New York 5, N. Y.

Year-End Prices (1949) Foreign External & Internal Securities—Tabulation—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Also available is a tabulation of preliminary New York Bank Earnings.

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American Hair & Felt Co.—Circular—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Boeing Airplane Co.—Analysis—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Consolidated Grocers Corp.—Summary and analysis—J. Barth & Co., 482 California Street, San Francisco 4, Calif.

General Electric & Gas Co.—Analysis—H. M. Byllesby and Co., Inc., Stock Exchange Bldg., Philadelphia 2, Pa.

Illinois Bell Telephone Co.—Analysis— J. P. O'Rourke & Co., Board of Trade Bldg., Chicago 4, Ill.

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

Missouri Pacific—Analysis of the general 4s of 1975 vs. the convertible 5½s of 1949—McLaughlin, Reuss & Co., 1 Wall Street, New York 5, N. Y.

Missouri Pacific Railroad—Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

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

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

South Shore Oil & Development Co.—Analysis of interesting low-priced speculation for brokers and dealers only—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

Southwestern Electric Utilities—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Twentieth Century Fox-Film Corp.—Analysis of current position and outlook—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

United States Fidelity and Guaranty Co.—Analysis—Geyer & Co., 63 Wall Street, New York 5, N. Y.

Washington Suburban Sanitary District—Addresses delivered before the Municipal Forum of New York by T. Howard Duckett; Harry B. Shaw; Townsend Wainwright of Wainwright, Ramsey & Lancaster; and Robie L. Mitchell of Mitchell & Pershing—Municipal Forum of New York, care Shields & Co., 44 Wall Street, New York, N. Y.

Western Maryland Railway—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Etsel Sutton Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Etsel C. Sutton is engaging in a securities business from offices in the Colorado National Bank Building.

Joins Stone & Webster

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Robert B. Thomson has joined the staff of Stone & Webster Securities Corp., 49 Federal Street.

Mutual Fund Manager Views 1950 Economy

By HENRY J. SIMONSON, JR.
President, National Securities & Research Corporation

After reviewing President Truman's State of the Union Message, along with his report on economic conditions and the proposed Federal Budget, Mr. Simonson concludes business activity will continue at relatively high rate during first half of 1950 and stock prices will be generally higher. Says careful selection is required for profitable stock purchases.

Speaking in behalf of our economists and the executive members of our Investment and Research Department, it is pleasing to be able to report that the outlook for business in 1950 is good.


H. J. Simonson, Jr.

We also believe, based upon our estimates of earnings and dividend forecasts, that generally higher stock prices than those currently prevailing are fully justified, although careful selection by industry and issue is still an important requisite for the successful investor.

Following are our views on President Truman's Messages and the economy for the first six months of 1950.

State of the Union

Based upon the expectation of a continuation of the coalition of the Southern Democrats and the Republicans in the second session of the 81st Congress, the composite opinion of the staff as to the likelihood of action this year on the major items contained in the State of the Union Message delivered to the Congress on Jan. 4, 1950, is as follows:

(1) There will be no Civil Rights legislation.

(2) Taft-Hartley repeal is not expected.

(3) Neither corporate nor personal income taxes are expected to be increased.

(4) Some reductions in wartime excise taxes are expected.

(5) The Brannan Farm Plan is unlikely to become law, but farm supports will be continued.

(6) No socialized medicine legislation is expected.

(7) Rent controls will be extended.

(8) The Social Security program will be limited to an extension of the number of persons covered by old age benefits.

(9) ECA program expenditures will be reduced.

(10) Military expenditures will be continued.

(11) Support of the United Nations is assured.

(12) The challenge of Communism will be successfully met—short of war.

(13) Aid from the United States to the unproductive countries of the world (Truman's Point 4) will meet with great opposition.

(14) Creation of the National Scientific Foundation for the peaceful development of atomic energy will be approved.

(15) Aid to housing for those in the middle income groups will be forthcoming.

(16) So-called "Monopoly Laws" will not be enacted.

(17) Aid to education is expected.

Economic Message

It was the composite opinion of the staff that the Economic Message was highly conciliatory to business and that while all the goals sought may not be reached, it was generally apparent that the Government would take steps to stimulate business activity in the event there should be any recession indicated during 1950. Brief comments on the highlights of the Message follow:

(1) Reducing unemployment to 2 million-2½ million seems rather unlikely with the civilian labor force increasing at the rate of approximately 1 million a year, but it does appear that unemployment will not exceed the current 3½ million figure by very much any time during the current year.

(2) The admission that the basic economic problem facing the country is not that of combating inflation indicates a change of heart and a realization of current conditions. Relatively stable prices seem likely with but few increases and price cuts in the various areas of business.

(3) The President's statement that lodging of wage adjustments in the hands of management and labor, indicates the hope that management may get more recognition in the future than it has in the past. The comment "the participants in collective bargaining, particularly in dominant industries, should recognize that wage adjustments affect not only the employers and workers immediately engaged, but also the whole economy" as an indication of Administration policy is recognized as constructive.

(4) Considering National Gross Product at an estimated $259 billion in 1949 and the statement "Productivity per worker should be increased by at least 2 to 2½% a year" there is an indication that any Administration activities that may retard an increase in National Gross Product will be limited.

(5) The five year program of the President to increase Gross National Product to $300 billion

Continued on page 65

William C. Leon Joins Stanley Heller & Co.

William G. Leon, formerly of Dean Witter & Co., is now associated with Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, as senior analyst and director of the stockholders relations department. Mr. Leon is a member of the New York Society of Security Analysts and has had many years' experience in Wall Street and a broad understanding of the importance of maintaining a liaison between corporation management and the financial community.

James Coulter With Mason, Moran & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—James M. Coulter has become associated with Mason, Moran & Co., 135 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with E. H. Rollins & Sons, Inc., and prior thereto he was an officer of Selected Investments Co.

With White, Weld

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Joseph Di Sessa has been added to the staff of White, Weld & Co., 111 Devonshire Street.

Joins A. C. Allyn Staff

(Special to THE FINANCIAL CHRONICLE)

FLINT, MICH.—Robert K. Smith has joined the staff of A. C. Allyn & Co., Inc., Genesee Bank Bldg.

With Slayton & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Robert E. Henske has joined the staff of Slayton & Co., Inc., 408 Olive Street.

Missouri Brevities

Net sales of Brown Shoe Co., St. Louis, for the year ended Oct. 31, 1949, amounted to $80,377,978 which is 5% less than the all-time high record of $84,404,361 in the 1948 fiscal year. Profit after taxes amounted to $2,543,052, equal to $4.84 per common share after deducting dividend requirements on the preferred stock, and compares with $2,555,079, equal to $4.87 per common share in 1948. Current assets at Oct. 31, 1949, were $26,630,950, with current liabilities at $4,579,510, a ratio of 5.82 to 1.

* * *

Scherck, Richter Co. on Dec. 20 participated in the public offering of 400,000 shares of common stock (par $1.25) at $5.25 per share, which was oversubscribed.

* * *

Earnings of Curtis Manufacturing Co. for the year ended Nov. 30, 1949, after providing for Federal and State income taxes amounted to $323,317, equivalent to approximately $1.67 per share on the 193,365 shares of common stock outstanding. This compares with $810,124, or $4.19 per share, for the preceding fiscal year. Walter C. Heckler, President, said "The company has ample working funds to finance its business without resorting to borrowing." Current assets at Nov. 30, 1949 amounted to $2,755,959, as against current liabilities of $341,725.

* * *

G. H. Walker & Co., St. Louis, investment dealers, participated in the underwriting of an issue of Southwestern Investment Co. 5% cumulative convertible sinking fund preferred stock (par $20), amounting to 62,500 shares, which were first offered in exchange for the three issues of outstanding preferred stock. The offering was made at par and accrued dividends.

* * *

Edison Brothers Stores, Inc., has concluded arrangements through Lehman Brothers, G. H. Walker & Co., and Bacon, Whipple & Co. for a loan of $1,750,000 from a life insurance firm under a 3⅛% 17-year promissory note due Jan. 15, 1967, according to Harry Edison, President. The proceeds are to be used to pay for improvements to leased premises and for general corporate purposes.

* * *

Rice-Stix, Inc. for the year ended Nov. 30, 1949, reported net sales of $47,018,478, and net profit after income taxes of $1,103,894. This compares with $56,174,111 and $2,261,679, respectively, for the preceding fiscal year. On Jan. 4, 1950, an extra dividend of 50 cents per share was declared, to be paid with the regular quarterly dividend of 50 cents per share on Feb. 1. At Nov. 30, 1949, current assets totaled $18,566,350, and current liabilities amounted to $2,879,349.

* * *

Illinois Terminal RR. Co. has asked for bids to be received by noon on Jan. 31 for equipment obligations totaling $911,616, the proceeds to be used to finance 100% of the purchase price of nine 1,000 h.p. diesel-electric switching locomotives. For the 11 months ended Nov. 30, 1949, net income after fixed charges and Federal income taxes totaled $699,936, as against $1,362,268 for the corresponding period in 1948.

* * *

St. Louis Southwestern Ry. is asking for tenders of its general and refunding mortgage 5% bonds, Series A, due 1990 to be received by it by noon of Jan. 31. It is prepared to expend approximately $2,000,000, if the bonds are offered on favorable terms. Interest on the bonds accepted for purchase will be paid to Feb. 15.

* * *

Ed. B. Watkins With Titus-Miller & Co.

Edward B. Watkins

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Edward B. Watkins has become associated with Titus-Miller & Co., Penobscot Bldg., members of the Detroit Stock Exchange. Mr. Watkins was formerly an officer of Watkins & Fordon, Inc.

J. Arthur Warner Adds

J Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Joseph F. Conlon, Jr., and Charles J. O'Neill, Jr., have joined the firm's New York trading department.

Effects of European Devaluation

By CRAIG S. BARTLETT*
Vice-President, Central Hanover Bank and Trust Company

Laying cause of devaluation to both damages inflicted by war and to social experiments that have led European countries to live beyond their means, New York banker calls action constructive, since it removes some of maladjustments in price structures. Says success of move depends on whether devaluating countries can prevent prices and wages from rising. Foresees no serious broad repercussions in U. S. from devaluations, and holds no devaluation of dollar is indicated.

On Sunday, Sept. 18, 1949, Great Britain devalued the pound sterling in respect to the dollar from $4.03 to $2.80. In terms of the dollar this was a devaluation of 30.5%. Immediately following this action of Great Britain, devaluations were effected in all of the countries in the sterling area in Asia (with the exception of Pakistan), Africa and the various island possessions. In Europe, Holland, Greece and the Scandinavian countries also devalued their currencies by approximately the same percentage. Devaluations were effected also in France, Belgium, Western Germany and Portugal to a lesser extent while Canada devalued its currency 10%. The Italian lira, although not devalued, was permitted to depreciate and to fluctuate.

Craig S. Bartlett

One may ask, why was it necessary to effect these devaluations? The answers to this question are quite clear. In the first place, Great Britain and the other western European nations suffered heavy physical damage during World War II, as well as World War I, and the productive capacities of the several countries were severely damaged. Partly because of the great devastation and partly because of the heavy cost of social experiments, inflation became very pronounced. Unlike the United States situation where a downward readjustment was effected during the first six months of 1949, prices continued to rise. There was not the increase in productivity of labor and equipment that was true in the United States. Furthermore, most of the devaluing countries had exhausted or nearly exhausted all of their sources and holdings of dollar exchange and gold. These factors made it impossible for these countries to overcome the wide adverse balance of trade with respect to the hard currency areas.

In the case of Great Britain the fundamental distortion has been in existence for a long time. A great many commodities must be imported into Great Britain for its livelihood and, in the past, it had been possible for her to balance her payments through the earnings accruing from tourists trade, investments, insurance, banking and shipping services. The great wars reduced these earnings drastically and Great Britain, and in most instances the other European countries, has been unable to earn a sufficient amount of dollars with which to pay for her necessary imports.

Devaluation, in effect, is a way of paying for the war by lowering the purchasing power of the currency. It is an act of desperation and clearly shows the effects on nations which are living beyond their means. It is a severe, far reaching and brutal tax from which no one can escape!

The Effects on the Devaluing Countries

So long as a sellers' market existed, it was possible for the nations to sell their products in dollar areas as well as sterling areas but with the elimination of shortages, in the United States especially, a buyers' market has developed. Thus, the devaluating countries now have to sell their products at prices that can be competitive in the world's markets. In general, the long range effects should be favorable, for if the affected countries take the necessary measures to prevent a sharp increase in prices and wages

Continued on page 11

*An address before the forum of the American Institute of Banking, Springfield, Mass., Jan. 11, 1950.

Connecticut Brevities

Capital increases have been voted by **World Fire & Marine Insurance Company** and **Century Indemnity Company**, wholly-owned subsidiaries of **Aetna Insurance.** The capital of World Fire & Marine will be increased from $1 million to $2.5 million by a stock dividend. The additional $1.5 million will be transferred from surplus. Capital of Century Indemnity will be increased from $1 million to $2.5 million by issuing 30,000 additional shares of $50 per stock at par to Aetna. These changes are a step in the group's plan to initiate multiple line writing under charter amendments which will permit each individual company to write both fire and casualty lines.

* * *

Connecticut Light & Power has announced that it favors the proposed power development at Enfield which will be a part of a $32 million project of Army Engineers to make the Connecticut River navigable to Holyoke, Massachusetts. When the plan was proposed in 1936 and in 1939, the company announced its opposition, but the new proposal calls for a higher dam capable of producing an estimated 236 million kilowatt hours a year—equal to an average of nearly 27,000 kilowatts per hour. The indicated cost to the company is $18 million.

* * *

Construction has started on **Phoenix Insurance Company's** new office building in Hartford. The new office will have four stories and a penthouse and will include a recreation area, auditorium and cafeteria. The estimated cost is $3,500,000.

* * *

Aspinook Corporation called for payment on Dec. 31, 1949 at 100.50 and interest its entire issue of 5% bonds, due April 1, 1952. The amount outstanding had previously been reduced to $1,792,400 through tenders.

* * *

New York, New Haven & Hartford Railroad has been upheld by the United States Court of Appeals, New York, in its efforts to obtain permission to discontinue service on the Old Colony line. The railroad has been operating trains on the line on a curtailed schedule while the Commonwealth of Massachusetts' appeal was pending.

* * *

At the 1950 annual meeting of **Stanley Works** the stockholders will vote on a proposal to increase the number of authorized shares of common stock from 600,000 to 840,000 shares. There are presently outstanding 564,198 shares on which the Board of Directors proposes to issue a 1 for 6 stock dividend. This would require 183,066 shares and the remaining 87,736 shares is to be free of preemptive rights with authority given to the Directors to offer all or any part thereof at not less than the par of $25 to employees other than Directors.

* * *

The annual report of **Bridgeport Hardware Manufacturing Company** for the fiscal year ended Sept. 30, 1949 shows that earnings per share were $3.26 against $3.11 the year before despite a drop in sales of 4.5%. The balance sheet showed a cash position of $5.24, a working capital of $20.89, and book value of $36.58 per share. Inventories were materially below the level the previous year.

* * *

Stockholders of **New Britain National Bank** voted to change the par value of the capital stock from $100 to $20 to effect a 5-for-1 split and also to pay a 20% stock dividend to stockholders of record Dec. 6, 1949. The change was accomplished by issuing six $20 par shares for each share of $100 par stock and by transferring $100,000 from undivided profits to the capital.

* * *

The 1949 report of **Hartford National Bank & Trust Company** shows net earnings for the year equal to $2.42 per share. Capital, surplus and undivided profits were $25.88 a share. Deposits at the year end were $173,027,591.

Harry L. Perkins With Walston, Hoffman Firm

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Harry L. Perkins has become associated with Walston, Hoffman & Goodwin, members of the New York Stock Exchange. Mr. Perkins was formerly Hartford manager for G. H. Walker & Co.

With Hincks Bros. & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, CONN. — Norman K. Silverman is with Hincks Bros. & Co., Inc., 157 Church Street.

With R. F. Griggs Co.

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, CONN. — Clyde C. Fowler has joined the staff of the R. F. Griggs Co., 35 Leavenworth Street.

J. F. Wattles Opens

WEST HARTFORD, CONN. — John F. Wattles is engaging in a securities business from offices at 97 North Quaker Lane.

Continued from page 10

Effects of European Devaluation

and in the cost of production, competition in the world's markets can be met. It will tend to reduce the unbalance between dollar and soft currency prices and, in due course, should lead to a general restoration of trade on a multilateral basis. If the devaluation is accompanied by the necesary measures and is effective, it could succeed in removing or at least alleviating the dollar shortages.

It is quite evident, however, that just as the effect on the United States will be deflationary, the effects on the devaluing countries must prove to be inflationary in character.

(1) Prices of imported commodities from countries whose currencies have remained stable will increase in terms of the devalued currencies. Where a nation is dependent on foreign imports, the effect of this situation will be more pronounced. Thus, Great Britain will suffer to a greater degree than France.

(2) The devaluation inevitably will be accompanied by moderate increases in prices of commodities manufactured at home from imported commodities. Already some price increases have been effected in Great Britain and obviously price increases serve to counteract the devaluation itself.

(3) It will lead to a decrease in imports and an increase in exports. Thus, the demand for goods and commodities at home will increase at a time when the supply of foreign products is bound to decrease.

(4) With the rise in the cost of living, it is expected that there will be demands for higher wages. It seems likely that some of these demands will be met and, of course, the increase in wages adds to the increased cost of living and the vicious inflationary spiral continues. However, Trade Unions in Great Britain have agreed to keep wages stable during 1950 unless the cost of living rises too fast.

(5) If the increase in wages, prices and cost of production proceeds at a pace equal to the devaluation, then the corrective purpose of the devaluation is lost. Thus it is evident that nothing has been gained in respect to Great Britain by countries which have devalued to the same extent as Great Britain. Furthermore, these nations will gain in respect to the dollar only to the extent that they are able to hold down their costs of production.

What Can Nations Do to Make the Devaluation Effective?

(1) A reduction in total government expenditures could be effected. This would lead to a surplus of the budget which could be used for the purpose of retiring public debt. Obviously, this would be anti-inflationary.

(2) Governmental expenditures for purposes which are not productive in character could be curtailed where an excess amount is being used for capital expenditures or for social experiments. Funds thus released could be used for more productive purposes. The over-employment in domestic capital ventures such as building and public works, and the raw materials employed should be shifted to the production of commodities which can be sold in the world's markets and especially those which might be sold in dollar areas.

(3) An increase in interest rates could be permitted in order to make borrowing more difficult and thus effect a curtailment of capital expenditures.

(4) A lowering of taxation would appear to be desirable where it is possible in order to stimulate private initiative. All classes in Great Britain are affected either by heavy taxation or the inability to find a suitable outlet for such earnings as they have been able to receive.

(5) It would seem desirable to find some solution for the handling of frozen sterling balances. This might be accomplished either through funding, reduction or, what is not likely, cancellation. It is possible that the United States may become involved in the solution of this problem. It has, of course, been easy for British exporters to sell in areas holding sterling balances, but obviously this has permitted commodities to go into those areas without an offsetting return flow of commodities needed in Great Britain. These "unrequited exports" obviously would be better directed to the North American market where their sale could produce much needed dollars.

(6) It would seem desirable to effect a gradual removal of trade and exchange restrictions. Such action would serve to increase multilateral trade and, in due course of time, might aid in effecting free convertibility. Obviously, if the devaluation should prove to be successful, this, in turn, would help to make the Marshall Plan successful.

Why Was the Depreciation So Drastic?

It had been generally expected that Great Britain would devalue and that this devaluation, in turn, would be followed by similar devaluations in the other sterling area countries. However, many had felt that the devaluation would not go below $3.50 and it was not anticipated in any event that it would be cut below $3.20. It would appear that several important reasons prompted the British authorities to make the drastic cut to $2.80.

(1) It was felt that a rate should be established which could be maintained for an indefinite pe-

Continued on page 87

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Henry C. Brunie, President of **Empire Trust Co., of New York,** has announced the promotion of Charles Leslie Rice, Jr., from Assistant Vice-President to Vice-President in charge of the bank's Oil and Gas Division.

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At the annual meeting on Jan. 10 of the directors of **Trade Bank & Trust Co., of New York,** Samuel S. Sander and Ira F. Weiss were elected Assistant Vice-Presidents. Both had previously served as Assistant Secretaries.

* * *

Barnard Townsend, President of **Title Guarantee and Trust Co. of New York,** announced on Jan. 16 the appointment of Winfield A. Scott as Manager of the Municipal Bond Department. Mr. Scott was previously co-manager of the municipal department of Equitable Securities Corp., with which he had been associated since 1945. Active in municipal financing for 30 years, he was a partner in M. L. Moore & Co. prior to the war and before that had his own firm, W. A. Scott Co.

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Harvey B. Gibson, President of **Manufacturers Trust Co., of New York,** has announced that Edmund W. Madden, Assistant Vice-President at the bank's Borough Hall Office in Brooklyn, has been named to head that office, succeeding the late John J. Hayes. Mr. Madden began his banking career in 1921 and has been with Manufacturers Trust Co. since 1931 when the former Brooklyn National Bank was merged with the Manufacturers Trust Co.

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N. Baxter Jackson, Chairman of the **Chemical Bank & Trust Co. of New York,** at the annual organization meeting of the directors on Jan. 12 announced the appointment as Vice-President of George L. Farnsworth, formerly Assistant Vice-President. Mr. Farnsworth is a graduate of the Wharton School of the University of Pennsylvania, Class of 1933, and joined the Chemical Bank in 1934. He was appointed Assistant Branch Manager in 1942, Assistant Secretary in 1943 and Assistant Vice-President in 1947. Appointed Assistant Vice-Presidents were Geoffrey V. Azoy, Melville P. Chamberlain and Edward C. Newfang, formerly Assistant Secretaries; John H. Higgins, formerly Assistant Comptroller; Sumner A. Williams, formerly Assistant Manager, Rockefeller Center Office; and Clifford D. Wooster, formerly Manager, 57th Street at 8th Avenue office. J. Kenneth Townsend, formerly Assistant Personnel Director was appointed Personnel Director. Other appointments were Harold F. Selesky, Assistant Secretary; Robert W. Peck and William H. Schofield, Assistant Treasurers; Emil J. Horn, Assistant Secretary, Corporate Trust Department; Robert C. Kurzweil Assistant Secretary, Seventh Avenue at 38th Street Office; Leonard S. Allen, Assistant Manager, Municipal Bond Department; R. P. Brown, Manager Investment Review Department; Sylvester F. Majestic, Assistant Manager, Foreign Department; Arthur F. McGinness, Assistant Manager, Broadway at 44th Street office and Eustace W. Tomlinson, Trust Officer, Personal Trust Department.

G. L. Farnsworth

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Announcement has been made of the following promotions and appointments at the annual meeting of the Trustees, of the **East River Savings Bank, New York. N. Y.** John P. Heney and Alfred C. Middlebrook were elected Vice-Presidents; Mr. Heney was formerly Assistant Vice-President and Mortgage Officer and will continue in charge of the Mortgage and Real Estate Department. Mr. Middlebrook was formerly Assistant Vice-President, and is in charge of the Bond Investment Department of the bank. Walter H. Nelson and Walter G. Driscoll were elected Assistant Vice-Presidents; Mr. Nelson had been Assistant Mortgage Officer, and Mr. Driscoll, Real Estate Appraiser. Walter E. Baily and Julian M. Bond were appointed Assistant Mortgage Officers. William H. Summers was appointed Auditor.

* * *

William M. Campbell was elected Chairman of the Board of Trustees and Henry R. Sutphen, Jr., President, of the **American Savings Bank of New York** at their annual meeting, it was announced on Jan. 16. Mr. Campbell served as President for 35 years, having taken that office on Jan. 15, 1915. He became a trustee in 1906. Mr. Sutphen has been a trustee of the bank since 1937 and was appointed Vice-President in 1948.

* * *

The trustees of the **Bowery Savings Bank of New York** on Jan. 10 appointed John M. Ohlenbusch, Assistant Vice-President; William C. Sheerin, Assistant Treasurer; and Herbert Schefmeyer, Deputy Auditor, Ralph L. Figgatt, Alwin W. Neumann, Walter H. Tietjen, William H. Auer, and Martin W. Hiller were appointed Principal Executive Assistants. Mr. Ohlenbusch was promoted from Assistant Treasurer. Mr. Sheerin and Mr. Schefmeyer were formerly Principal Executive Assistants.

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Bank Items 1——1——

James T. Lee, President of **Central Savings Bank of New York** has announced that at a meeting of the Board of Trustees Walter J. Rickard was promoted from Assistant Mortgage Officer to Mortgage Officer. Mr. Rickard joined the bank as Real Estate Inspector in 1935.

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Garland H. Hayes, Assistant Vice-President of **Bankers Trust Co., of New York** died suddenly on Jan. 11. He was 47 years old. Mr. Hayes, had been with the bank for nineteen years. He was a native of Whaleyville, Va. After serving as an officer in several wholesale foods companies in the Southeast, and engaging in the investment banking business in Richmond, Mr. Hayes came with Bankers Trust Co. in 1931. He was made an Assistant Secretary in 1937 in the Corporate Trust Department. In 1942 he enlisted in the Army Air Forces and rose to the rank of Lieutenant Colonel in the Intelligence Section. He returned to the bank in 1946 and was promoted to the position as Assistant Vice-President.

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At the regular meeting of the Directors of the **National City Bank of New York** held on Jan. 17, Joseph P. Shaw and Riley P. Stevenson were appointed Assistant Vice-Presidents. Mr. Shaw, who has been manager of the Bank's Fifty-seventh Street Branch since 1945, will be transferred to head office. Mr. Stevenson, Assistant Cashier at the Eighty-sixth Street Branch, will remain on this assignment with the new title.

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Ray A. Ilg, Vice-President of the **National Shawmut Bank of Boston, Mass.,** has been elected a director of the bank, it was announced by Walter S. Bucklin, President, on Jan. 10. After 13 years as Vice-President and General Sales Manager of the Liberty Mutual Insurance Company, Mr. Ilg joined the Shawmut as a Vice-President in 1929. Formerly in charge of Shawmut's advertising and public relations, he is the author of the definitive textbook, "Public Relations for Banks." Besides having formerly been Efficiency Engineer of the Bucyrus Company, he was also, from 1912 until 1914, Director of Industrial Relations of the Federal Rubber Co. and later Director of Industrial Relations at Evansville, Inc. Mr. Ilg is Treasurer of the March of Dimes in Suffolk County and Vice-President and Director of the Workingmens Cooperative Bank as well as a Trustee of the Grove Hall Savings Bank. He is a member of the Boston Chamber of Commerce.

Ray A. Ilg

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Charles J. Huisking has been elected a director of the **Lafayette National Bank of Brooklyn, N. Y.,** according to Walter Jeffreys Carlin, President. Mr. Huisking is President of Conti Products Corp., Chairman of the Board of directors of Heli-Coil Corp., director of the Maltine Co. and the Merchants and Manufacturers Insurance Co.

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Lewis Fuhr, Assistant Vice-President of the **Kings County Savings Bank, of Brooklyn, N. Y.,** was elected to the Board of Trustees of the bank at its January meeting, Charles D. Behrens, President, announced on Jan. 10. Mr. Fuhr, who will complete his 48th year with the Kings County Savings Bank in April, started his career as a junior clerk with the bank in 1901. For the past five years he has been in charge of the Williamsburg office.

Mr. Fuhr is past President of the Savings Banks Officers Association of Group V.

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Joseph J. Casey was elected a Vice-President of the **City and County Savings Bank of Albany, N. Y.,** at its annual meeting of the trustees on Jan. 9. At the same time, it is learned from the Albany "Times - Union," John Boyd Thacher II announced that Donald B. Reagan, associated with the bank since 1934, and Frederick W. Stoltz, who started as a messenger in 1930, were elected Assistant Vice-Presidents. They have been Assistant Treasurers. Mr. Casey, a trustee of the bank, is a member of the law firm of Casey and Honikel and a past President of the Albany County Bar Association. He is a director of Albany Insurance Co. and a member of the American Bar Association, the American Title Association and the New York State Title Association.

* * *

The election of Harold J. Marshall as Vice-President and director of the **Manufacturers National Bank of Troy, N. Y.,** was announced on Jan. 11. Relinquishing his position as an Assistant Vice-President of the **Bankers Trust Company in New York City,** Mr. Marshall will take up his new duties Feb. 1. A further change in the Manufacturers National we learn is the election of J. Don Welch as President, succeeding the late Chauncey W. Cook. Mr. Marshall, newly elected President of the Manufacturers, was born in Moberly, Mo.; he began his banking experience during summer vacations with the Council Bluffs (Iowa) Savings Bank and after his graduation from Notre Dame he again served the bank until his appointment as a National Bank Examiner. Later he became Cashier of what is now the First National Bank of Canajoharie, N. Y., and he is at present a Vice-President and director of that bank. From 1939 until he joined Bankers Trust Company as an Assistant Vice-President in 1944, he served as Secretary of the New York State Bankers Association. He was a member of the first graduating class of the Graduate School of Banking and has served as a lecturer at several chapters of the American Institute of Banking. He is an instructor in the summer school of the Financial Public Relations Association at Northwestern University. He serves as a member of the Board of Trustees of the New York State Bankers Retirement System and as a member of the Executive Council of the American Bankers Association.

* * *

Louis H. Prange has been elected President of the **Bremen Bank & Trust Company of St. Louis, Mo.,** to succeed Robert H. Ballman, who was elevated to the office of Chairman of the board, it is learned from the St. Louis "Globe Democrat" of Jan. 7. Mr. Prange, it is stated, has been associated with the bank since 1903 and had been Vice-President for the last 10 years.

Mutual Funds

By ROBERT RICH

Selling to the New Middle-Class

The Great American Crash, by the most effective teaching method known, experience, instilled in the younger generation of the time the idea that investments weren't "safe." The experiences of their elders, the stories they've heard, and the legends still extant, together with the rise of a paternalistic government and its sales policy of "security and welfare for all" soured this younger generation of the 1920s and 30s on the idea of personal investment in American enterprise, and, long-term, gave the securities business the toughest selling job of the half-century.

This younger generation of the 30s is now Middle Age America, with a sizable share of the National Income, and practically no interest in investments. According to **Selected American Shares** bulletin, this rich, untapped market for investment selling, with incomes between $3,000 and $7,500 a year, receive 51% of the National Income after taxes contrasted with 7% in 1937. And only 8% of this group owned stocks in 1949.

This new middle-class has an aggravated tendency to "hoard" all its savings in "mattresses" and savings accounts, so the most pointed selling argument to be made is the real insecurity of dollar holdings. But this selling talk can't be couched in terms of "dollar depreciation," "negative rates of interest," and a "rising velocity and supply of money."

In simple language, the "Dollar Investor" must be made to realize that his savings in the past, at 2%, in the face of a price level rising at about 10%, effected a capital levy of 8% for his "prudence."

Furthermore, if securities are to be sold to this new middle-income class, to whom investments are as mysterious as Elysium, there might well be a revision of current Mutual Funds sales literature. The technical parlance of the copy, and the confusing layout, more often than not, only confirms the thoroughly instilled belief that stocks are fine—not to own.

It must be remembered that even the words "stock," "security," "bonds," "preferred," and a host of others are completely foreign to the segment of our population which should be most interested in the enterprise sysem. Only by a concerted and basic selling job will Mutual Funds be able to reach this market. And Mutual Funds is a natural "vehicle" for these people's savings.

Keystone Sets 4 New Records

Keystone Custodian Funds had four new records in 1949; assets exceeded the $200,000,000 mark, shares outstanding reached 15,600,000, certificate holders amounted to more than 53,000 investors, and distributions set a new mark for Keystone at 10,500,000.

National Trust Announces Portfolio Changes

National Trust Funds, in their various series, omitted from portfolios, Suburban Propane Gas 4¼s (issue called), Public Service Electric & Gas common, Paramount Pictures, Finch Telecommunications, Inc., Fairchild Camera & Instrument. Additions were Boston & Maine RR. 1st mortgage series RR 4s, 1960, Gulf Oil common, Celanese Corp. 1st preferred, Denver Rio Grande & Western RR. covertible 5%, American Radiator & S. S., Armco Steel, Cutler Hammer, Goodyear Tire & Rubber, Ingersoll Rand, Royal Typewriter, Millins Manufacturing, Shell Oil Company, Bendix Aviation, Acme Steel, Interstate Iron Corp., and Consolidated Edison of New York common.

Concord Fund Directors

A. E. Weltner & Co., Inc., underwriter for the Concord Fund, announced the directors this week to be Dr. Charles F. Roos, Waddill Catchings and Maurice H. Sandberg in New York; Adolph E. Weltner in Kansas City; and Francis G. Goodale in Boston. The State Street Trust Company of Boston is custodian of the assets. The Concord Fund will use the business analysis figures of Dr. Roos' Econometric Institute as a basis from which to shape its investment policy.

The Concord Fund whose total assets at value are $311,851.15 (Dec. 31, 1949) announced its policy will be designed primarily for those investors to whom capital preservation and appreciation are more important than current income.

Management restrictions stipulate that "not over 5% of the assets may be invested in any one company, and not over 10% of any class of a company's securities may be purchased by the Fund."

The Concord Fund registered 200,000 shares of $1 par common stock.

Theodore Young Co. Is Formed in New York

T. R. Young

Theodore R. Young announces the formation of Theodore Young & Co. with offices at 40 Exchange Place, New York City, to transact a general brokerage and unlisted securities trading business.

Mr. Young is a member of the Security Traders Association of New York.

Kuhn, Loeb Co. Places Combustion Engineer'g Stock at $25\frac{5}{8}$ a Share

Kuhn, Loeb & Co. made a secondary offering after the close of the market on Jan. 17 of 32,500 shares of Combustion Engineering-Superheater, Inc., capital stock (no par value) at $25.62½ per share which was the closing price on the New York Stock Exchange on Jan. 17. The issue was heavily oversubscribed and the books are closed.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Robert L. Soener has become associated with Cruttenden & Co., 204 South 17th Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has run into further opposition, not only from the more aggressive selling by Federal, but also from the Treasury's refunding of the February certificates. . . . The 20-month 1¼% note, which is being offered for next month's 1¼% certificates, may signal a minor hardening of interest rates, which could be more evident as we move farther into the year. . . . The backing which the Federal Reserve Board received from the Congressional subcommittee headed by Senator Paul Douglas of Illinois, might also mean the Treasury is going to give some ground on its low-interest-cost policy of financing the deficit. . . . Likewise Federal could be taking this "pat on the back" to mean they should be more independent in carrying out the credit policies of the nation. . . . This might result in somewhat higher rates in future refundings and deficit operations. . . .

Whether there will be a slight firming of interest rates will depend, it is believed, to a considerable extent upon the immediate trend of the inflationary forces, because over the longer term the forces of deflation appear to be the stronger . . . This opinion is based upon the belief the last half of the year is quite likely to bring with its readjustments in business which could accentuate somewhat the deflationary influences . . . Once the psychology of inflation has been dissipated, there will be less need to resort to monetary measures to control the indicators, which are used to express the fears which might exist in people's minds. . . . Also interest rates in the past have not firmed when economic conditions were on the defensive. . . .

SETBACK WOULD BE WELCOME

A further sell-off in the government market, particularly in the longer end of the list, would not be exactly unwelcome to many holders of short Treasuries, because they have been in some instances hoping for just such a thing to take place. . . . Income from holdings of government securities becomes much more important to the commercial banks, when loans are declining or have an uncertain outlook. . . . If prices should weaken there is quite likely to be considerable swapping from shorts into the more distant eligible issues. . . . So far this operation has not been very substantial because many of those who have been waiting for a better buying opportunity in the long eligibles are now scared of the market and are inclined to stand pat and do nothing. . . . It seems to be the same old story; when prices go down, they are all sellers and when quotations go up, all are buyers. . . .

Traders and dealers in some cases were caught unawares by the recent developments and positions have been lightened, which had a minor depressing effect upon quotations. . . . According to reports, however, not too many securities were involved, because it is believed by some a substantial part of the adjustment in the market has already been seen. . . . Many feel it is better to hold the higher-yielding issues, and to take the income from them and to wait for a more favorable time to cut down inventories. . . .

VALUABLE "RIGHTS" INDICATED

Since a premium is indicated for the new note, holders of maturing issues may find there will be more valuable "rights" for these obligations, if there should be a moderate firming in interest rates. . . . This raises the question as to what will be offered to the owners of the 2s due March 15. . . . The March certificates come first, but there is talk of combining these two into one operation. . . . There are plenty of guessses around as to what could be done, but most informed money market followers are not inclined to make predictions. . . . However, nothing very startling is looked for unless there is a substantial worsening of the inflation psychology. . . .

The 2% list, which was under moderate pressure because of the refunding terms for February, was not without considerable support from many of the deposit institutions. . . . While there was no inclination among these banks to be heroes and step right in and prevent quotations from going down a few 32nds, they acquired sizable amounts as prices shaded, a great deal of which were bought at about the low point of the move. . . . It is indicated that the 1952/54s, always a favorite with the commercial banks, came in for the largest buying as quotations showed a tendency to level off. . . . The 1⅜% notes acted quite well and there was good buying in this issue, despite the better return which was available in some of the callable 2s. . . . The absolute maturity and the small premium make this security attractive to many buyers, despite the somewhat lower yield. . . .

MARKET MANEUVERS

Although the longer maturity buyers were inclined to move to the sidelines, while the market was adjusting itself to the new developments, there was nonetheless selective acquisition of the bank bonds, especially the 2½s due 1956/58, and the 2¼s of 1956/59. . . . Some of these purchases were made with new funds, but according to reports most of it came out of shorts, which were disposed of in order to disprove income. . . . The 2½s of Sept. 15, 1967/72 were bought mainly by the out-of-town banks. . . . It seems as though these institutions were well prepared for the sell-off in the longest bank issue and scale-down purchases so far have not worked out unfavorably for them. . . .

The tap bonds have been leaders in volume and despite the unsettled conditions have been well bought on the way down by savings institutions. . . . The Vics have been favored by this group whereas the 1964/1968s and 1964/1969s have been the leading issues for the fire and casualty companies.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Up to last week I've been almost alone in yelling, "Leave 'em alone." We took some profits and the sidelines seemed the ideal spot to lounge in. Then came last week, and sick and tired of watching without participating, I tentatively extended one foot toward the water. You know what happened. I got wet almost up to my neck.

Last Thursday, the day last week's column reached you, the market took a sudden turn downward and before you could ask the man sitting next to you what happened — it happened! The next day the slide picked up where it had left off the day before and the Dow averages reached a low of 193.95.

Off-hand I would say that the reaction isn't as damaging as it would readily appear.

I think the market will rally from here. How far it will go is something I can't answer. But on such a rally I believe we'll get a chance to get out with perhaps better profits than now seem likely.

Before the reaction, Denver, Rio Grande rallied to 31 before it skedaddled with the rest of them. Inasmuch as the profit taking point was 31 I assume you're out of it. It was originally bought at 23. I also recommended three new buys: Cooper Bessemer at 24 or better, came in on the break; Mead Corp., 16 or better, also was available. We took a lambasting in Reynolds Metals. Stock was to be bought between 23 and 24 with a stop at 21. It got down to 23 and then to 21.

Now that you're long again I suggest profits as follows: Cooper Bessemer at 28 or better and Mead at 19 or better. Stop Cooper at 22 and Mead at 14.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Bank operating results and developments during 1949 reflected the general business conditions prevailing throughout the economy.

The readjustment in business which began in the early months of the year was accompanied by a sharp contraction in the volume of outstanding industrial and commercial loans. After the decline had been underway several months the governmental authorities reversed their earlier anti-inflationary policies and began a program of easing restraints on credit. By the latter part of the summer the decline in business was halted and normal seasonal influences caused an increase in outstanding loans. At the same time an active easy-money policy on the part of the government was continued.

For the most part operating earnings of the principal New York City banks were well maintained despite some of these adverse factors at work. The rising trend of bond prices, however, was generally favorable for security transactions and in most cases resulted in higher profits or the elimination of the previous years' losses. Because of their relatively minor significance, however, security profits did not affect total earnings materially in comparison with those of 1948.

To make earnings figures more nearly comparative we have in some cases made adjustments and for this reason, they may not be the same as shown in the published reports.

A tabulation of the operating earnings, profits from securities and total earnings for the past two years is shown below.

	Operating —Earnings—		Profits From —Securities—		Total —Earnings—	
	1949	1948	1949	1948	1949	1948
Bank of Manhattan	$2.10	$2.12	$0.03	$0.10	$2.13	$2.22
Bankers Trust	3.08	3.08	0.22	—0.06	3.30	3.02
Central Hanover	6.83	6.86	0.99	0.58	7.82	7.44
Chase National	2.36	2.57	0.27	—0.20	2.63	2.37
Chemical Bank & Trust	2.70	2.87	0.48	0.17	3.19	3.04
Commercial National	3.20	3.41	0.12	0.20	3.32	3.61
Corn Exchange	4.96	4.93	*	*	*	*
First National	76.65	77.09	2.41	6.90	79.06	83.99
Guaranty Trust	17.44	17.98	0.07	1.29	17.51	19.27
Irving Trust	1.38	1.36	0.05	Nil	1.43	1.36
Manufacturers Trust	4.84	4.76	0.16	0.46	5.00	5.22
†National City	3.47	3.37	0.18	0.10	3.65	3.47
New York Trust	6.54	6.50	0.10	—1.24	6.64	5.26
Public National	4.56	4.68	0.16	0.08	4.72	4.76

*Security profits and recoveries not reported separately but added to valuation reserves. †Includes earnings of City Bank Farmers Trust Co.

Adjustments in the above figures have been made where there has been a change in capitalization. The figures on Public National, however, do not reflect the 10% stock dividend to be paid Feb. 1, 1950.

Concerning the year-end statements of condition, considering the events of the past 12 months, they compare favorably with those of a year ago. The following table shows the deposits, loans and discounts and U. S. Government securities holdings at the end of the past two years for 14 banks.

(000's Omitted)

	—Deposits—		Loans & Discounts		U.S. Govt. Securs.	
	1949	1948	1949	1948	1949	1948
	$	$	$	$	$	$
Bank of Manhattan	1,127,810	1,180,772	462,758	455,974	329,184	344,796
Bankers Trust	1,431,528	1,325,472	576,711	571,153	532,299	441,902
Central Hanover	1,448,101	1,400,785	443,612	425,538	636,351	590,525
Chase National	4,384,572	4,237,000	1,350,507	1,482,834	1,819,414	1,482,078
Chemical Bank & Trust	1,449,656	1,435,190	436,846	560,799	598,546	415,567
Commercial National	176,466	183,678	43,790	48,039	95,944	96,526
Corn Exchange	766,807	772,123	83,709	80,285	466,542	461,605
First National	599,388	523,323	126,947	110,333	316,214	325,693
Guaranty Trust	2,299,856	2,330,237	954,968	1,034,441	1,088,072	959,611
Irving Trust	1,052,448	1,113,182	381,224	429,049	452,414	395,088
Manufacturers Trust	2,281,748	2,223,383	557,375	605,912	1,078,980	970,586
*National City	4,781,197	4,731,275	1,382,264	1,423,085	1,986,755	1,737,912
New York Trust	627,300	642,399	237,059	256,427	267,035	217,199
Public National	505,319	515,991	156,562	140,307	232,144	248,763

*Includes figures of City Bank Farmers Trust Company.

Here too, there are individual variations with some banks such as Bankers Trust and Central Hanover showing increases in all three groups. Others have been able to show gains in the volume of loans outstanding and most of the banks, possibly because of lower reserve requirements, have larger holdings of government securities.

Howard A. Frame Opens

PALO ALTO, CAL.—Howard A. Frame is engaging in a securities business from offices in the American Trust Bldg. Mr. Frame was previously with John R. Lewis & Co. and Dean Witter & Co.

Pyne, Kendall Admit

Pyne, Kendall & Hollister, 52 Wall Street, New York City, members of the New York Stock Exchange, will admit F. Leighton Meserve, member of the Exchange, and Arthur G. Bowman to partnership on Feb. 1. Mr. Meserve has been active as an individual floor broker.

The British Gold Reserve

By PAUL EINZIG

Commenting on increase of Britain's gold reserve in last quarter of 1949, Dr. Einzig contends it is temporary, because result is due largely to inclusion of non-recurring items, and does not necessarily indicate success of sterling devaluation. Points out much of reserve increase arises from payment of sterling debts incurred in anticipation of devaluation.

LONDON, ENG.—The announcement made by Sir Stafford Cripps on Jan. 4 that during the last quarter of 1949 the British gold reserve increased by $263 million to $1,688 million gave rise to a certain amount of optimism about Britain's gold position and prospects. Beyond doubt, the increase exceeded even the most optimistic anticipations. The reserve rose above its level on June 30, which means that the entire loss incurred between that date and the devaluation on Sept. 18—when the figure was down at about $1,340 million—has been recovered. On the face of it, this result appears to justify the conclusion that, after all, the devaluation of sterling has been a successful operation. In spite of this the announcement of the good result was not followed by a recovery in the rates for sterling in overseas markets. The discount on transferable sterling in New York, for instance, remained over 10%. Nor was there a recovery in British Government loans.

Dr. Paul Einzig

The reason for this unsatisfactory response to what is undoubtedly good news is that most people believe that it is too good to last. Even though the official statement claims that only about half of the improvement is due to non-recurrent factors such as the covering of short positions in sterling and the replenishment of supplies of British goods which were allowed to become depleted in anticipation of the devaluation, expert opinion regards this estimate as over-optimistic. It is certainly not justified on the basis of such figures as are available concerning the increase of British exports to the Dollar Area. During the first two months following the devaluation the increase in the volume of such exports was barely sufficient to offset the loss caused by the lower dollar yields due to the devaluation. Possibly the position was better as far as Sterling Area exports to the Dollar Area was concerned. Even so, it must be borne in mind that the full extent of the improvement following on the devaluation was not the increase of the gold reserve by $263 million but the difference between its decline by some $300 million between June 30 and Sept. 18 and its increase by some $340 million from the latter date to the end of the year. The full extent of the improvement in a little over three months was therefore something like $640 million, or over $200 million per month.

The extent to which this improvement was due to higher exports to the Dollar Area must have been a bare fraction of that figure. Nor could the cuts in dollar imports account for very much, since most of these cuts were not fully operative. Moreover, part of the improvement in the balance of payments through larger exports and smaller imports was offset through the resumption of leakage caused by the discount on sterling in overseas market, as a result of which part of the proceeds of the increased dollar exports did not reach the Treasury. It seems therefore probable that a much larger proportion than the official estimate of 50% must be attributed to non-recurrent factors.

The question is, will the non-recurrent factors continue to operate? It seems probable that most of the sterling debts incurred in anticipation of the devaluation have been covered by now. On the other hand the temporary increase of exports to replenish abnormally depleted stocks of British and Sterling Area goods is likely to continue for some months. What is more, even in so far as these exports have taken place they may not have been paid for. Thus, even though it would be unduly optimistic to expect the gold reserve to maintain its present rate of increase during the first quarter of 1950, the figure to be published at the beginning of April is likely to be relatively satisfactory. Allowing for Marshall aid, the uncovered part of the dollar gap, though it will be larger than it was during the last quarter, is not likely to be alarmingly large.

The prospects for the more distant future are, however, less encouraging. By the second quarter of this year the non-recurrent factors will have produced their full effects, and the gold reserve will depend on the permanent factor, the dollar drive and the cuts in dollar imports. The outlook for the dollar drive is still very uncertain. In certain lines it is very promising, in others considerably less so. Much depends on the Government's willingness and ability to curtail domestic demand and exports to soft-currency countries. The latter problem is particularly difficult. If the countries of the Sterling Area are required to cut down their dollar imports they are likely to insist on importing more goods from Britain or other European countries to replace the goods formerly imported from the Dollar Area. Under the proposed intra-European clearing system Britain is liable to lose dollars if Sterling Area countries should buy large quantities of continental goods.

One thing is certain. The devaluation of sterling now appears to have been justified in a negative sense. But for it the drain on the gold reserve would have continued, and by now its amount would have declined in all probability below $1,000 million. In the absence of devaluation the complete exhaustion of the dollar reserve might have taken place in the course of 1950. The devaluation has certainly stopped the drain, and has even temporarily reversed it. There is no reason to suppose that, had sterling been devalued to an even larger extent, the result would have been more satisfactory. Nor is there any reason for believing that a second devaluation would improve the result.

William C. Juen Joins Newhard, Cook & Co.

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, ILL.—William C. Juen has become associated with Newhard, Cook & Co. of St. Louis. Mr. Juen was formerly partner in Wm. C. Juen & Co. and prior thereto was connected with Fusz-Schmelzle & Co.

Continued from first page

Business and Finance Speaks After the Turn of the Year

adjustment last year, people showed almost no tendency to curtail their buying. The total volume of retail sales held up throughout the year at close to the high levels of 1948. Eventually it became evident that people were buying more goods than industry was producing. In consequence, sales expectations had to be adjusted upward, new orders had to be increased, and factory output had to be expanded.

There is every reason to expect that consumer buying during the second half of 1950 will be equally well maintained. The continued high volume of sales currently is an indication that people have confidence in the future. There is a general appreciation that incomes today are better protected than they have ever been in earlier years. Our immensely strong financial situation, and our freedom from any credit or monetary stringency, is likewise reassuring. Consumer confidence is strongly supported by the record volume of individual savings, which forms a large backlog of potential purchasing power.

There is no foreseeable reason for believing that these bases for national confidence will be any less strong during the closing months of 1950 than they are today. No evidence has appeared of any important speculative maladjustment or excessive credit expansion, like those which, in the past, have often initiated or prolonged a business downturn through forced liquidation. We must be on guard against any development of this nature. In the absence of some such maladjustment, no business setback is likely to get very far, as last year's experience demonstrated.

Industrial output this year will be supported, in part, by a continued volume of unfilled demand in such fields as capital goods, automobiles, heavy construction, and housing. Some observers feel that business must decline as these backlogs are used up. One must keep in mind, however, that it is always easier to visualize a decline in goods that are currently being produced than to forecast the new factors that will arise to replace them.

Yet it is well known that our industrial development has been built upon a continuing progression of new products which have given successive support to industrial activity. Today we have the advantage of the unprecedented technical developments of the war and postwar years, which are rapidly being applied in bringing out new types of consumer goods and in reducing production costs. We are at the beginning of an era in which technical achievement based on new discoveries in electronics, in chemistry, in synthetic materials, in metallurgy, and in many other sciences, will play a very substantial part in our industrial progress. It is inconceivable that such an era of scientific advancement in a rapidly growing nation should not see business continuing to push strongly ahead.

Industry is alert to the opportunities which have been opened up. The record volume of business expenditures for new plant and equipment, in the years since the war, has very largely reflected the determination of businessmen to make use of new discoveries and improved techniques to improve their production efficiency, to turn out new and better products, and to broaden their markets.

These developments provide an additional basis for confidence in our continued industrial progress through 1950 and in later years.

HERBERT ABRAHAM

President, The Ruberoid Co.

For the building products industry the year 1949 was, in marked degree, a period of transition—from the abnormal conditions of the immediate postwar years, when excess of demand over supply kept sales at high levels throughout the year, to the normal seasonal pattern of prewar days, with materials in adequate supply and sales again following the curve of favorable building weather.

Herbert Abraham

The result, in my opinion, is a healthier situation — one in which distributors of building material can purchase with greater confidence and in which manufacturers can plan production and develop sales policies on the basis of important factors known in advance.

With respect to the present situation in the building industry as a whole, some interesting statistics have been published recently in a special feature bulletin issued by the U. S. Department of Commerce. For the year 1950, according to this bulletin, total new construction in the United States is expected to reach a total of $19.25 billion, or about the same as the total estimated by the Department for 1949, which was, as a whole, a good year.

It will be noted that the figures quoted refer to new construction only. In addition to this, there is the huge backlog of repairs and modernization work accumulated before, during and since the war. Production of the materials adapted to this kind of work ordinarily accounts for a substantial proportion of the output of numerous manufacturers.

It will thus be seen that, at the start of this new year, there are in our industry's situation various significant factors of an encouraging character.

MORE STATEMENTS IN SUBSEQUENT ISSUES

Quite a number of statements either were received too late for publication in today's issue, or for mechanical reasons, could not be accommodated herein. These will appear in subsequent issues of the "Chronicle." —EDITOR.

BENJAMIN ABRAMS

President, Emerson Radio and Phonograph Corporation

In 1949, television amply fulfilled the prophecies that were made for it. The so-called "infant" industry took giant strides in the direction of maturity. Yet, amazing as its growth has been, the future holds even greater promise of large-scale expansion. At the moment, we stand on the threshold of the greatest 12-month period in electronic history.

Benjamin Abrams

In this great forward movement of the television industry, Emerson has played—and will continue to play—a leading role. Emerson production in 1949 will be three times that of 1948. And Emerson plans for 1950 are expected to double the output of 1949. Such growth is convincing evidence that Emerson has firmly established a position of leadership in the television field.

The immense popularity of Emerson Television in 1949 was based on three things—great increase in value, better performance and a steady procession of mechanical and electronic improvements. Early in the season, Emerson developed the large expanded picture, widely copied by others. Emerson likewise developed and was first to introduce the circuit and mechanics for integrating FM/AM phonoradio with TV on a single chassis. Still another first was the FULL performance AC/DC television. These and other Emerson features, such as super powered long distance circuit, simplimatic tuning, "Miracle" picture lock and automatic gain control circuit, won universal acceptance by the television public. Emerson, in 1950, will continue to pioneer simpler, more trouble-free, less expensive television, with the constant aim of giving the public even greater value and improved quality.

Emerson plans for 1950 also call for material increase in the production of radio receiving sets. The past year has proved conclusively that both television and radio have a permanent place in the American home. Throughout 1949, public interest in radio has not diminished and broadcasters have maintained the high level of programming which made radio such outstanding entertainment. There is a definite trend toward simultaneous television and radio broadcasting, which would give both systems the benefit of the best possible programs. For these reasons we do not foresee any material decrease in the sale of radio sets even though television production and sales continue to rise. The normal demand for radio sets is expected to be in the neighborhood of ten million units annually for some time to come.

Thus, from every aspect, the coming year will be a highly rewarding one for the Emerson dealer and distributor organization. In order to keep pace with the increased demand for television receivers and the continuing demand for radio receiving sets, we are planning a large scale expansion of our production facilities. Emerson advertising and sales promotion will keep pace with this greatly enlarged sales potential.

The year 1950 will also bring increased stability in television production and sales. While rapid improvement in television quality will occur, no radical changes or innovations can be looked for. Greater sensitivity and better definition in pictures will undoubtedly be achieved, as well as improvements in cabinet design. But the much discussed color television will not be available in 1950. Indeed, it may not be a factor for the next five years.

Instead of premature changes, expansion in television will come in an orderly manner through such developments as the expected early lifting of the "freeze order" by the Federal Communications Commission. This will bring television within the reach of many more people and consequently will open up new markets. Also, the linking up of many additional centers by coaxial cable will make available to a far greater audience, the better programs which now stem from New York and Chicago.

All of these factors should insure a production in 1950 of between 3½ and 4 million television receivers. The extent to which dealers may capitalize on this great opportunity will depend largely on their ability to equip themselves amply to finance and service a much greater volume of business than they have handled heretofore. Radio and television, already a billion dollar business, will develop in the next few years to one of the top six industries in the United States. There are ample opportunities for all to progress. By constructive planning and devotion to the best interests of both the public and the industry, we can all look forward with confidence to a rewarding future in television and radio.

HARRISON L. AMBER

President, Berkshire Life Insurance Company

There will be a lot of talk in 1950 about the bigness of life insurance. Too much is going to be expressed about the size of individual companies, assets of life insurance companies and their place in the economy of our nation. There will be very little said, unless the insurance companies say it, about the tremendous amount of service rendered by the insurance industry. The billions of dollars which will be paid to beneficiaries of life insurance policies and to policyholders themselves will not make headlines but they are the biggest headlines in the business.

H. L. Amber

You cannot stop the size of life insurance companies or the size of the industry as a whole so long as it renders the kind of service which has been rendered over the past one hundred years. Life insurance did not start out to be big necessarily; it started out to render a needed service to humanity. Now that it has succeeded, it is being subjected to accusation of being big. It could not have rendered the kind of service it has rendered had it not grown to such size. Size is made up of individual companies and the large companies have contributed greatly to the advancement of service of life insurance.

1950 will be a prosperous year for life insurance, in my opinion, because it has rendered and is rendering the kind of service which is necessary for individual and national economy. How can the young GI, for that matter any man with a family, protect his family except through life insurance. Certainly he cannot save sufficiently to do it, therefore life insurance must prosper; it must grow or else our whole economy suffers.

S. C. ALLYN

President, The National Cash Register Co.

In almost every field, 1950 will be a test of management, with the principal problems being to keep sales, production and costs in balance. The seller's market, together with huge backlogs are a thing of the past for industry in general.

S. C. Allyn

Nineteen-fifty may well prove to be the first normal year in business in the past decade. It will not have to contend with some of the abnormal influences which so seriously affected life and business in the "forties."

Economists are almost unanimous in pointing to a year of good business conditions with national income, production and employment at high levels. In fact, there is so much unanimity on the business outlook that one is inclined to ask the following questions:

Will the automobile and building booms continue without a readjustment? Will there be an ebb in the capital goods expansion? What effect will lower income ahead for the farm communities have? At the peak of prosperity, what does it mean to have the government accounts in red ink?

As far as the Office Equipment industry is concerned, I think it is faced with several special conditions which operate to insure a well-maintained demand. Perhaps the most important of these is the necessity for reducing costs in every type of business. Higher labor costs, without recent increases in volume, have narrowed profit margins so much in the average business that cost reduction has become one of the major problems facing management. Costs of all kinds have risen to such an extent that profit margins have been impaired. Mechanization reduces operating costs and therefore creates a demand for labor saving machines, such as those manufactured by this company.

Today, no management can afford to overlook a possible saving, and a dollar saved in the office is just as important as one saved out on the production line.

In the realization that new products will be demanded constantly by the fields it serves, the company enlarged its Product Development department during the past year and is following an extensive program in this direction. Research activities are projected well into the future and include work with electronics as well as established mechanical principles.

Within our own business, 1950 will see the announcement of some new machines and the release to the field of various improvements affecting the present line. The extensive engineering and research program being carried out is the most important element of all in our evaluation of future opportunities.

Sales in the Overseas field in 1949 were substantial. It is expected that volume in this division of the business in 1950 will equal 1949. Devaluation and the dollar shortage have had little effect on our overseas business as the possibility of both developments had been antici-

Continued on page 18

Continued from page 16

Business and Finance Speaks After the Turn of the Year

pated. Manufacturing facilities established through overseas plants supply a considerable part of the overseas market. The operation of these plants is not affected either by dollar shortage or devaluation.

Through new machines and further development of existing machines, the Company has entered new fields and expanded old ones. Its accounting machine business alone is now equal to its total business before the war. High labor costs in offices, the 40-hour week, overtime premiums, social benefits—all have helped to create a greater appreciation of the advantages of mechanization of record keeping. Because of this and the constantly increasing need for business information, we look forward to a well-maintained demand for our products.

HARRY A. ARTHUR

President, Blue Ridge Corporation — American Cities Power and Light Corporation. (Investment Companies)

There seems to exist good reason for moderate optimism for business and more so for equity security markets in 1950. This favorable view should be tempered by a realization that we are launched upon uncharted economic seas and anything may happen in the more distant future.

Forming an opinion as to what general business and equity security markets will do in 1950 is largely a matter of appraising the prospective action of our government. In the past, the tried economic processes were the principal basis for developing a concept of future trends in the economy. This was a complicated matter but not impossible of solution because one could rely upon experience and logic and the accuracy of one's foresight was in direct ratio to one's knowledge and clarity of thought. Since politics make the motives unorthodox, to say the least, actions taken are often volatile and inconsistent with the underlying economic structure. Consequently, there are no established patterns to be accepted for guidance. However, this unpredictable political factor is now the major element in forecasting economic events and the only practical basis for judging the outlook.

There are certain reasonable expectations to be built on that basis for 1950.

The development of a deep deflationary swing, normally to be expected at this time, can be discarded as unlikely. There is almost a certainty that the Administration will use the full force of its not inconsiderable power to forestall it. A substantial increase in taxes would be deflationary, but this is hardly likely in a campaign year.

Despite the fact that we are reaching the point of full competitive pressure throughout industry, there are many elements of strength in the picture, such as the good liquid position of more or less everybody, defense and Marshall plan spending, agricultural price supports, building programs, Veterans' insurance payments, social security, etc. and a strong and controlled credit structure, all of which should keep the economy from slowing down seriously, at least during 1950. These factors will probably continue to be supported by deficit financing and will produce an inflationary psychology from time to time.

As to equity security markets, the unimpaired business conditions give a good base for expectation of no serious breaks in the prices of stocks of well established and managed companies where dividends are well covered. The longer range factor of increasing investment consciousness of the general public, spurred by high dividend yields at present prices, support the thought that there should be strength rather than weakness.

ARTHUR K. ATKINSON

President, Wabash Railroad Company

At Jan. 20, 1949, as the "Chronicle's" Review and Outlook Issue for the then current year was going to press, the area lying between the Sierra Nevada Mountains and the Mississippi Valley was in the throes of the severest blizzard recorded in its history. Repercussions of the long period of disrupted transportation in that vast territory were nationwide and alone rendered invalid most of our best considered forecasts; but the blizzard came in a period of industrial unrest followed by critical labor disturbances in two key industries: a 42-day strike in steel and the slowdown strike which still persists in the coal fields; both industries being major contributors to the earnings power of the Wabash Railroad, which itself was closed down completely for eight days and disorganized for days longer by an inexcusable strike of certain of its own employees.

Arthur K. Atkinson

Every business, whether large or small, must be constantly alert to government regulation and competition, but I believe the critical situation which the railroads face today is the most outstanding example. Being the first of the large industries to be regulated, we have operated under Interstate Commerce Commissoin control for more than half a century. Not only are our revenues controlled by rate regulation, but our accounting, financial, borrowing, and inter-railroad relations are constantly under the surveillance of some government bureau or commission. While our costs for materials and supplies began rising in 1940 and have continued upward at an accelerated pace until recently, it was not until July of 1946 that freight rates were increased.

Notwithstanding all of these adverse factors, Wabash Railroad Company came through the year with an earnings record of more than $5 per share upon its common stock.

That we look forward hopefully to the year which lies ahead does not mean that the railway industry is not beset with difficulties of the most serious character.

Foremost among these is subsidized competition by air, by land and by water. Where its competitors are receiving subsidies to enable them to live and to compete, the railroad industry is being taxed to make the subsidies for its competitors possible. While we must spend huge sums for maintenance and real estate taxes on our roadbeds, the airlines, truck lines and barge lines use facilities costing millions of dollars and paid for out of the public treasury. President Truman recently pointed out that the Federal Government is now spending approximately $1½ billion annually for regulating and promoting certain branches of the transportation industry. The President named specifically Federal aid for roads, airports, river and harbor improvements and navigation; and I should like to emphasize that no part of this huge expenditure goes for promoting the railroad industry. But the railroads are not asking for Federal subsidies. All we ask is a chance for fair competition with other transportation agencies with a minimum of Federal Government interference. The increasing diversion of business from the railroads to other carriers could soon be reversed if the railroads had the same opportunities to adjust rates and also had the freedom from control now enjoyed by our competitors.

It is my view that we will have no substantial improvement in business during the early part of 1950; however, in the absence of major labor difficulties or other equally disturbing factors, a reasonable growth in business may well be anticipated during the balance of the year. Wabash Railroad Company goes into 1950 determined to fit itself to efficiently handle such increase in traffic as may be tendered it. What its profits will be is an unhappy imponderable, dependent wholly upon the question as to what part of its legitimate earnings the government tax-gatherers will permit it to retain.

COLONEL F. J. ATWOOD

Vice-President, Remington Rand Inc.

The over-all cost of doing business should not be expected to change materially during the next 12 months.

While labor efficiency is improving gradually, the resulting gains may be offset by increased labor, transportation and other costs. Also, recent metal supply interruptions can be expected to have an adverse effect upon rates and costs of production for some months to come.

F. J. Atwood

The influence of government spending, veterans' bonus payments and the present abundant money supply can be expected to prevent a receding tendency in most business activities for the next six months. The political and tax outlooks have a tendency to guide future planning along conservative lines. Operations thus planned provide for a slight retrenchment in molding future developments to stabilized business patterns.

Relying upon the law of supply and demand as a controlling factor, we should not expect commodity prices to advance generally during 1950. Inventories have been brought into better balance during the past year as a result of improvements in sales management and as a result of production materials having become more generally available.

Competition is active. Our experience has been that sales techniques, for the first time in over 10 years, are being streamlined to achieve pin-pointing of specific markets. We have learned that the potential market is copious, but that sales organizations must be retrained and geared to the expanded and diversified prospects. Sales sights must be raised and sales personnel alerted to a highly competitive tempo.

Production materials meeting special requirements are more readily available which in turn reduce processing or fabrication costs. Likewise, material requirements of manufacturers have become better stabilized and more advantageous procurement conditions now prevail. Continued changes in organizational structures of many companies should provide for further efficiencies and further reduce wasteful procedures.

Utilization of modern business systems and improved office machines provide, at low cost, basic information needed for the guidance of management. With the rapid mushrooming of growth in government and business, there still is a sizable gap to be filled by top management in applying the most recent developments created by the office equipment industry in methods simplification and mechanization.

FRANK A. BACH

President, Fidelity and Deposit Company of Maryland

Fidelity bonds (sometimes referred to as "Dishonesty Insurance") constitute the largest single line written by our company and as we are one of the largest fidelity writers, it seems appropriate to devote the major portion of this brief article to that line. In my opinion our industry will sell substantially increased amounts of fidelity coverage during the current year. There are several reasons for this prediction.

Frank A. Bach

Since the period immediately preceding World War II, rates on certain fidelity classifications, more particularly blanket bonds, have been reduced by as much as 75%, with an average reduction on all such classifications of approximately 60%. Paradoxical as it may seem, substantially broader coverages were made available concurrently with these drastic reductions in rates. Through the closest supervision and curtailment of operating costs, combined with an unusually favorable loss ratio, our industry has been able to pass on to its insureds savings the magnitude of which is apparent from the following comparison:

Fidelity bonds written in 1949, for which insureds paid premiums estimated at $40,000,000, would have cost approximately $100,000,000 at the prewar rates.

There was a very marked upward trend in fidelity losses in 1949 and there is every reason to believe that this trend will continue through the current year. Based on my 45 years of experience in the business, I can say without reservation that never has the cost of this protection been so low, or its value so great.

Our industry is better equipped than ever before to sell this coverage. Wartime and early postwar manpower shortages have been largely eliminated and practically all companies through Home Office training schools and similar media have developed organizations well grounded in this line and eminently qualified to serve agents in promoting its sale. We have also observed that more agents and brokers are becoming fidelity conscious, that is, are recognizing the necessity of dishonesty coverage in adequate amounts as a vital part of any sound, well-planned insurance program, and credit men, as well as bankers, in increasing numbers are requiring prospective borrowers to submit data as to the amount and character of fidelity coverage carried on their employees. Such factors naturally stimulate sales—hence from the viewpoint of increased production, we are quite optimistic regarding the outlook for this line.

Recognized reporting authorities estimate that public construction and engineering contracts awarded this year will be slightly in excess of the 1949 volume. Accordingly, as a major portion of contract bond premiums results from public construction, it is reasonable to assume that our this year's writings in that line will be slightly in excess of last year's, and it is my opinion based on the facts now available that 1949 contract bond writings were the largest in the history of our industry.

Other surety lines should produce premiums about equal to those written in 1949.

The outlook for our business naturally depends on many factors, including fair and reasonable premium rates, our earnings on invested assets and general economic conditions, and while there are elements of uncertainty, the indications are that 1950 should be a satisfactory year for the fidelity and surety business barring abnormally high losses.

H. W. BALGOOYEN

Secretary, American & Foreign Power Company, Inc.

The electric power industry in Latin America is looking toward another year of capacity operations in 1950. Despite the tremendous postwar expansion in electric power facilities, the demand for power in most areas continues to exceed available supply. Most of Latin America is still in the early stages of industrial development and, although living standards are rising, much of the population still is without the conveniences of modern living, for which an economic supply of electric power is indispensable.

H. W. Balgooyen

A large part of the privately-owned electric industry in Latin America has been financed by North American investors, and their enterprises are among the leaders in the recent large-scale development. The American & Foreign Power Company Inc. system, alone, has spent more than $140,000,000 since the war in expanding and improving its utility properties; and probably a larger amount has been spent for the same purpose by a Canadian company, the Brazilian Light and Traction Company.

Recent published reports indicate that both Foreign Power and Brazilian Light have reached the point where

Continued on page 20

Continued from page 18

Business and Finance Speaks After the Turn of the Year

reserves and current earnings must be supplemented by substantial outside financial assistance, if they are to continue to keep pace with the growing demand for power in the territories they serve. Foreign Power recently obtain a credit of over $8,000,000 from the Export-Import Bank to assist in financing the construction program of its Brazilian subsidiaries, and it has filed applications with the Bank for additional credits on behalf of its subsidiaries in Brazil, Mexico, Chile, Cuba, and Guatemala. Brazilian Light, earlier this year, announced the completion of negotiations with the International Bank for a $75,000,000 loan to assist in financing further development of its electric and telephone services in Brazil.

It must be emphasizd, however, that the problem of financing the necessary expansion of the electric power industry, so fundamental to the industrial growth and general economic development of Latin America, involves more than obtaining additional dollar financing. The privately-owned electric power industry must find a way to promote a more active interest and a greater financial participation in its business on the part of local investors and administrators of public funds. Although capital accumulations are not large in Latin America as compared to more developed areas, private savings and the resources of social security institutions constitute a substantial reservoir of potential investment capital. Latin Americans, however, have favored investments in land and other real estate or in high-profit commercial ventures, rather than in industrial undertakings that may take a relatively long time to "pay off." The public utility industry is particularly handicapped in efforts to enlist local capital by the comparatively low return it can offer; and the threat of government competition, where it exists, is not only a contributory cause, but frequently a result, of the inability of the private utilities to raise the large amounts of capital required for necessary expansion.

One of the most urgent tasks of public utility management, therefore, is to educate the consuming public, and convince the regulatory authorities, as to the industry's need for more remunerative rates—rates sufficient to cover inflated costs of operation and maintenance and provide a margin of profit that will attract new capital. The consuming public and the authorities in the more progressive countries are showing an increasing awareness of the problem and, in many recent instances, have provided badly needed rate increases to both local and foreign-owned utilities.

North American investors in Latin American utilities not only must be concerned about the adequacy of service rates; they have the additional problem of converting local currency income into dollars to service their investments. This has been difficult in several countries although, in most instances, there is no real "dollar shortage." Dollar earnings from exports and tourist services are much larger than before the war, even when allowing for present higher prices. Moreover, prospects have been materially improved in several countries by the rise in coffee prices. It is true that import requirements are greater, particularly for machinery and equipment to speed their industrialization. However, the exchange required to meet full service charges on dollar investments represents, for most countries, only a small percentage of foreign exchange receipts; and the realization is growing that a record of satisfactory exchange treatment for existing foreign investments is the surest way of attracting the new investment capital that these counries so urgently need.

A. E. BARIT
President, Hudson Motor Car Co.

Hudson Motor Car Co. has just completed one of its most successful years.

By invading a lower-price field with the new Pacemaker, Hudson has broadened the company's market, and with its lower-priced entry, Hudson now offers the exclusive "step-down" design in a wide price range.


A. E. Barit

Business prospects for the coming year are excellent for a number of reasons. In the automotive business, for example, the need for cars for replacement alone is still very great as is evident from the large number of old worn-out vehicles still in use. Another important factor is that the automobile-using group is ever broadening with the establishment of new families at a very rapid rate. It is well to bear in mind, too, that the population growth of our country, which has been progressing at an unusually rapid rate for some years now, augurs well for our future market.

Another factor worth mentioning is that the average individual income of the American people has been sharply increased in recent years. This is certain to have the effect of adding to the automobile-using group.

Not only do the American people have money in greater abundance than ever before but credit is also readily available to them.

While the income of certain segments of our economy may be somewhat less than in the previous year, the income of each segment will apparently still be sufficiently large to enable buyers to satisfy their needs for automobiles and other necessities.

From the standpoint of general business conditions, it is pertinent to mention that most of the unhealthy business practices which came into being as a result of the severe material and commodity famine have been largely eliminated. This, of course, contributes to confidence in the current business structure.

Sales volume was the largest in the history of the company. With the introduction of the new Pacemaker model to supplement its already popular Super and Commodore series cars, Hudson is offering to the automobile buying public a smaller car in a lower-price field embodying all the principles of the famous "step-down" models which have been so enthusiastically received by the motoring public. The essential characteristics of "step-down" design permit the car to be built lower to the ground, still providing unsual head room within the body, and ample road clearance. It also provides beautiful free flowing lines, easier, surer handling, smoother riding and safer driving. With such a design exclusive in Hudson cars, I am confident that we will be able to capture more sales than ever before.

Approximately 17,000 persons now are employed by the company and payroll rates are the highest in the company's history. Hudson has further strengthened its distributing organization with additional zone and large parts warehouses which have been added for quicker and better service for customers and dealers.

A recent independent survey points out that 40% of the 35,000,000 cars being driven today are 10 years old or older. The survey further says that America's potential market will increase 15% in the decade from 1950 through 1960. This means that Americans will increase their present expenditures for goods and services from $178,000,000,000 a year to $206,000,000,000.

However I should like to warn dealers and salesmen against over-confidence in the belief that large demand automatically insures success to all units of industry. One result of the postwar adjustments which already have been accomplished, is that we again are conscious of such natural laws as "supply and demand" and "the survival of the fittest." Their influence is being felt very strongly. I regard this as a very healthy situation.

Although there is a heavy demand, there is a more careful approach on the part of the buyer. That is why I believe Hudson faces a good year in 1950. Our products, with their "step-down" design, appeal to the most discriminating buyer. We believe, and our Hudson owners confirm, that our products offer more value on a dollar for dollar basis than any car in any price class. Our sights are set on strengthening our position in the automotive field through continuing to offer more value than any other producer.

J. D. BARNETTE
President, First Bank & Trust Co. of South Bend

Measurement of the basic soundness of the economic business structure cannot be made in a vacuum where forces may be isolated in order that the measurement be carried on under laboratory conditions. It is possible, however, to assess with some degree of certainty the weight some of the individual forces may be expected to carry in the complicated interplay factors affecting business in 1950.


J. D. Barnette

Savings is one such individual force, and savings deposits of the public in banks and in the form of savings bonds, as only two examples of reserves people may call upon, constitute a back-log that may safely be counted upon to serve as a stabilizer of business conditions during the year. These savings are at an all time high, and the American people, conscious of their need for reserve funds, are better provided with such funds today than in any previous year.

Bright hopes for 1950 based on this and other factors of soundness should not cause us to discount that ever-growing obligation on the part of management of individual businesses to be alert to adverse conditions that may appear in any one particular field of activity. As markets become more generously supplied with products of industry, keener competition is bound to be experienced. In cases where any considerable falling-off in volume materializes, more favorable break-even points will have to be established. This will call for the exercise of economy measures of the well considered kind which maintain profits in the face of reduced volume.

The year 1950 will need complete cooperation of management, labor, and investors all working toward the good objective of wider enjoyment of increased industrial productivity. By securing this cooperation, we can afford spreading among greater numbers of our people, higher living standards with reduced costs.

EDWARD F. BARRETT
President, Long Island Lighting Company

The task of a public utility company is to provide the reliable and adequate gas and electric service required to keep pace with the territory it serves. On Long Island the task is a very real one.


Edward F. Barrett

The rapid growth of the area served by the Long Island Lighting System Companies continued during the past year, and it is apparent that the coming year will require us to extend and expand our facilities at about the same rate.

In 1949, our System Companies connected over 29,000 new electric customers, representing a gain of more than 11% over a year ago. It is difficult for one to visualize what this growth means to Long Island because it is principally represented by new homes and developments scattered over a large area. However, on the basis of population gain it is the equivalent of adding an entire new city of nearly 100,000 residents to our electric lines and gas mains.

Naturally, such continued expansion requires a program of looking, planning and building ahead on the part of a public utility. The first 40,000 kilowatt turbine of the Long Island Lighting Company's new Port Jefferson power plant placed in operation in December 1948 was a major factor in enabling us to maintain a production capacity of 13% above our late December 1949 peak demands. While this is considerably above the margin of safety of the electric utility industry as a whole, the continued growth of our territory will soon require the output of the second unit of equal size due for competition late this year.

Aided by the present open winter, construction is also being expedited on a new 5,000,000 cubic feet gas holder at Glenwood Landing, L. I., which is scheduled for completion this year. A new catalytic gas plant is being built at the same site for processing natural gas when it reaches the New York area.

We expect to receive natural gas from Texas and Louisiana by the Fall of this year and the Long Island Lighting System has already started activities to be ready to connect to this source of natural gas when it becomes available. The receipt of this gas will enable us to expand substantially our gas business and at the same time effect economies in our System operation.

Another favorable development anticipated during 1950 is completion of the reorganization and consolidation of our three System companies, the Long Island Lighting Company, Queens Borough Gas and Electric Company, and Nassau and Suffolk Lighting Company. This has been pending for several years. The Plan of Consolidation has been approved by the Securities and Exchange Commission, and the New York State Public Service Commission has found that consolidation is in the public interest. We are now awaiting a decision by the Federal District Court on the application of the SEC for the enforcement of the plan.

In retrospect, the year 1950 marks the 40th anniversary of the founding of the Long Island Lighting Company. At its beginning the company had 35 employees whereas today more than 4,500 persons are employed to serve over half a million customers we supply with gas and electricity.

Viewing the future, all of the various foreseeable factors combine to place our System in an unusually favorable position. By following our policy of endeavoring to visualize the future, we will be ready to meet the continuance of the rapid growth which we have enjoyed during recent years.

E. R. BARTLETT
President, Hooker Electrochemical Company

There seems to be a rather general feeling that business for the first half of 1950 will continue at a high level, at least as good as during the latter part of 1949 and perhaps better. Hooker Electrochemical Co. is a relatively small factor in the huge chemical industry but a larger factor in the branch of this chemical industry having to do with the basic production of chlorine and caustic plus the manufacture of a large and varied group of chemicals dependent in a major degree upon these basic materials. We see no reason to disagree with the general feeling about the business trend in the first half of 1950. We, however, look with concern to the uncertainties of the latter part of this year. We fear the increasing interference of the national Government in the normal course of business and believe that artificial stimulation is in the long run extremely undesirable. Government statements and actions are based too much on political expediency and a growing sense of paternalism.


E. R. Bartlett

Continued on page 22

Continued from page 20

Business and Finance Speaks After the Turn of the Year

If changes are made in the income tax structure there are indications that these are likely to be harmful rather than beneficial. Correction should be made in the discriminating double taxation on corporate earnings paid out in dividends but the chances do not appear optimistic.

However, the chemical industry is based on solid foundations, it is adequately financed and conservatively managed, it has had a tremendous growth in recent years along widely varied lines and we feel that this growth will successfully continue. We hope the growth will resemble a steadily rising plateau with only shallow valleys of poor business and only small hills of unusual activity.

JOHN T. BEATTY
President, United Specialties Company

Our plant is largely in the automotive, truck and tractor original equipment field and we feel that 1950 will show continuous activity in that industry, perhaps only 5%-10% lower than '49.

We had some difficulty during 1949 in obtaining sheet steel and are experiencing some trouble presently on that score, but we anticipate in a few weeks that problem will no longer exist and that we will be able to take more business than we did last year from the same automobile companies, which we hope will party offset the reduction in the general automotive line.


John T. Beatty

Inflation money is easy money, and it looks like there is going to be a lot more of it during 1950. This is the money that is being spent for necessities and luxuries.

Beside business in 1950, the most important thing going to take place during that year will be the November elections, and all of the House and a third of the Senate will run again for office. If businessmen do not interest themselves in politics, the regulations that will come from the second Truman Congress will be so significant from a businessman's standpoint that the policies set will probably seriously affect business in late '50 and '51.

It seems to me that we have just been lucky since 1948 because there were enough members of what Truman calls "his" Congress among the Republicans and the State's-righters to prevent the whole socialistic program from becoming law. Any businessman who has any love for his country should get busy to protect it—save it, is a better word.

GEORGE B. BEITZEL
President, The Pennsylvania Salt Manufacturing Co.

In spite of the serious threat to business in coal and steel strikes which marked the final quarter of 1949, general business conditions were at a high level as the year ended and there seems to be no reason now apparent why they should not continue at this level for at least the first nine months of 1950 and quite possibly for the entire year.


George B. Beitzel

This is the picture as it appears from the viewpoint of the chemical industry, which has the advantage of being close to the basic industrial economy because it supplies virtually all manufacturing and processing industry.

Looking at business in general, it now appears that large backlogs of demand are being satisfied—we are now able to obtain almost any goods we want. Expanded production by manufacturers in recent years has made this possible. Consumer demand, however, still is continuing strong. There is a good indication that it will continue to do so in that, despite the steel and coal strikes, savings deposits have increased steadily and money rates have continued low and in some cases have lowered.

Manufacturers, in bringing their production to the point where it meets demand, have at the same time brought incomes up to the point where this demand is continuing strong. This has put us into a phase of true prosperity.

This more normal situation, of course, now is resulting in more healthy competition and a general increase in selling activity. In our own company, for example, we are strengthening our sales organization both by adding new men and increasing their effectiveness by training and other means.

While over-all conditions appear good, we have noticed in one or two of the many industries who are our customers temporary periods of weakness. One example was the general condition in the textile industry during the summer of 1949. This condition has since improved, however.

We note another fact which may affect general conditions this year. The period from 1946 to 1949 was one of very extensive expansion and replacement of plant equipment, and in many cases this necessary construction work has been completed.

In our own case, for example, we completed last year a program of improvements costing in the neighborhood of $15 million. These have now begun to show a healthy return on their investment and at present the only construction under way is a $250,000 addition to our plant at Calvert City, Ky.

This does not mean that this type of expansion will cease to be an important factor. Rather, it indicates that the essential construction to catch up with demand is nearing completion and we are now probably entering a different phase—the expansion and development of many of the products and processes which have had to wait until the more immediate necessities were taken care of.

Another factor which will certainly have a marked effect on general economic conditions is the action of the Federal government in regard to taxes and further deficit spending. However, as we enter the new year it appears that more and more people, both within the government and out, are aware of the potential dangers in these fields and there is good reason to hope that they may be kept in hand.

A. N. BERGFELD
President, Jefferson Bank & Trust Company, St. Louis

While it is true that banking, and business in general have enjoyed a number of years of good earnings, and so-called prosperity, yet this is a result of artificial stimuli engendered by political considerations rather than sound business principles.

How long business can survive under these false premises is anybody's guess.

C. H. BLACK
President, American Can Co.

With the supply of materials adequate for the first time since the war, the container manufacturing industry turned out approximately as many containers during the past year as 1948's record equivalent of 28 billion No. 2 cans.

We are entering 1950 with the demand for containers undiminished from a year ago, and it is likely the rate of production will continue well into the coming year unless adverse conditions, such as poor growing weather or interruptions in the flow of supplies, interfere.


C. H. Black

Impetus for the postwar rate, which is some 70% higher than prewar, resulted from the continuing trend of increasing public demand for canned products and the resultant increase in the number of products now being packaged in metal containers.

The use of metal containers for packaging both food and non-food products is opening new markets for these industries. The potentialities of these new markets has recently been pointed up by the growth of the frozen concentrated juice business. First marketed in 1946, the pack of canned orange juice concentrate this year will require an estimated 27 million boxes of fruit, nearly three times the amount used for the pack a year ago.

Public popularity of the product has created a market supplementary to the one already established for the still popular "single strength," canned orange juice. Industry estimates have placed the volume of fruit required for the 1949-50 pack of single strength juice at about 18 million boxes, the same amount as used in the previous season.

A significant development in connection with the packaging of beer in metal cans is the trend toward home consumption of the beverage and away from out-of-home consumption. A recent national survey showed that among urban beer drinkers, consumption at home increased from 34% in 1940 to 43% today.

The return of adequate container manufacturing supplies and the ending of restrictions on the use of tin and on the quantities of containers permitted for certain products gave further encouragement during the year to the development of new markets for canned food and non-food commodities.

Production of fiber containers and others of both fiber and metal, which Canco also manufactures, has remained high because of still growing public demand for this type of package for milk, frozen foods, salt, drugs and many other products.

To meet the continuing demand for metal cans and fiber containers, the container manufacturing industry through the year further expanded production facilities through the construction of new plants or increasing productive capacities at existing plants. As part of American Can Co.'s postwar program new plants were completed at Indianapolis, Ind., and Hillside, N. J., and construction was started on plants at Milwaukee and Baltimore. Additional facilities also were installed at Canco plants at Tampa, Fla.; Houston, Tex.; Portland, Ore.; and in other areas.

The opening of new markets for canned products has meant added revenue to the producers of the products going into cans. It also has meant more jobs in the container industry. During the year at American Can Co., we employed more men and women that ever before, totalling approximately 33,000.

The number of products, food and non-food, now going into cans, runs into thousands, and the container manufacturing industry has not yet determined the potentials of the can. Food products packaged in metal containers range from live lobsters and whale steaks to frozen lemonade. Another potential field may be indicated by the "canning" of such things as explosives, electrical instruments and drills.

LEONARD G. BLUMENSCHINE
President, The Best Foods, Inc.

The year 1950 should be one of unusual progress in the packaged food industry. Recent years have brought many packaging and processing innovations which have enabled American consumers to buy better quality foods more economically and in more convenient forms. This trend should be accelerated still further in the 12 months ahead.


L. G. Blumenschine

Our industry has advanced a long way in a relatively short time from the unsanitary cracker barrel and open pickle crock to our present packaging methods. New methods and new materials are becoming available daily. Fortunately, quality has kept pace.

Wondrous new products are coming from the industry's research laboratories by the hundreds, but our chemists know that new items are a secondary concern with them. Their first and basic job is the constant improvement and maintenance of high quality in every branded food already on the market. Not only must the quality be high and the nutritional values outstanding, but there must be uniformity. That means the same top standards not just now and then, but in every single package produced. The industry's bill for quality control is high, but necessarily so.

The past year produced rather wide gyrations in the cost of the major ingredients for some of our leading products, such as mayonnaise and margarine. We hope these are leveling off and that America will dine better than ever and less expensively in 1950.

O. C. BOWDEN
President, Sterchi Bros. Stores, Inc.

With major strikes improbable . . . with government pledged to further expansion of the public housing program . . . with credit and money easy . . . with the $2,800,000,000 veteran bonus, the major portion of which will be spent, and with personal incomes pretty well assured of reaching an all-time high, then one can hardly help but look to the New Year fairly confident of a continuation of the improvement trend such as has been experienced since August and which was only slightly interrupted because of the coal and steel strikes. Prices are now fairly stable and from all appearances will remain so. Demand created during and since the war for both furniture and appliances is far from satisfied and we feel will continue to assert itself in the year to come. 1950—or at least the first six months—should be a banner year in unit sale, if not in dollars. Trends are up—employment is at a high level—people have money and are going to spend it. 1950 will be another good year because the opportunity to make it so will be at hand.

E. S. BOWERS
President, Atlantic, Gulf & Pacific Co.

A glance at any general map of the United States reveals one of the greatest natural systems of rivers, intracoastal waterways, and tidal estuaries in the world. Their value is vastly increased by improvement and interconnection as continuous waterways.

There are over 65,000 miles of potential navigable waterways in the country and we have improved only 28,000 miles of them. With a coastline of over 30,000 miles, including that of the Great Lakes, we have only about 190 improved harbors.


Emerson S. Bowers

The building of new harbors, interconnecting channels, along with modernization of old canalized waterways, all planned to bring about a fuller utilization of regional water transportation facilities, will result in great local and national benefits. Surely, a forward moving nation cannot neglect the steady development of these great natural and permanent assets. One sound reason for continued waterway development is of course, that low cost water trans-

Continued on page 24

Continued from page 22

Business and Finance Speaks After the Turn of the Year

portation is a vital factor in solving one of the most burdensome problems of the nation—high cost of distribution. Every new and every expanding industry using large quantities of raw material seeks a location where water transportation is available. The railroads are benefited, too, through the distribution of finished products into areas where water transportation is not available. The use of deeper and deeper draft vessels is another reason for waterway improvements. The larger the cargo the lower is the transport cost per ton mile. Few people realize that 85% of all the steel made in America is made from iron ore transported from Upper Lake Superior ports to the steel manufacturing areas along the Lower Lakes at the almost unbelievably low cost of approximately 8/10ths of a mill per ton mile. Nowhere else in all the world is there such low cost transportation.

Even many well informed persons do not associate low cost transportation and civic development with river and harbor improvements. They have no idea that such improvements tie in directly with national defense. Few know that every Navy Yard in the nation is on a waterway improved by the Federal Government. Waterway improvements are vital not only to commerce but to the defense of the nation as well.

When we consider the intrinsic value of waterway development, and realize that it must keep pace with other national growth, we cannot be other than optimistic with respect to the outlook for The River and Harbor Construction Industry. It is making a vital contribution to the growth and strength of America.

LYMAN B. BRAINERD

President, The Hartford Steam Boiler Inspection and Insurance Company

After a decade of unsatisfactory underwriting results, the boiler and machinery insurance companies appear to be heading toward better times. The unofficial experience figures for 1949 show definite evidence of continuation of the trend toward improvement which first became discernible in 1948. The 1949 figures show written and earned premiums to be about $35,000,000 and $34,000,000, respectively—both being records for the industry—while the ratio of incurred losses to earned premiums was approximately 23%, a reduction from the 28% of the previous year. Taking everything into account, the year was the most satisfactory one the underwriters have had since before the war.

Lyman B. Brainerd

A forecast of what the boiler and machinery companies may expect in 1950 must be based on a consideration of the extent to which there have been changes in the factors accountable for the poor underwriting experience of the past 10 years. All of these factors were related to the production of war material and to the abnormal pent-up demand for peacetime goods in the immediate postwar years. During those hectic times industries were operating at full throttle with heavy overloading of power plant equipment. In many cases this equipment was being run without proper maintenance or overhaul, and by operating personnel relatively inexperienced in their duties. To further add to the difficulties, new power plant equipment and spare parts were in extremely short supply, so that worn out equipment had to be continued in use in order to meet production demands. The insurance companies were also hard pressed to maintain adequate engineering staffs, as men of mechanical background were eagerly sought for service in the armed forces. Moreover, the inflationary trend in our national economy greatly increased operating expenses and, as is frequently true in the insurance business, the level of premium rates did not keep pace with rising costs and adverse loss experience. Each of these factors played its part in the generally unsatisfactory results.

During the past few years there have been changes which have served to eliminate or minimize the effect of many of these adverse influences. In many lines of manufacturing, production has overtaken the pent-up demand for consumer goods so that operating schedules are now being geared to current consumption, thus bringing to an end much of the overloading of power plant equipment. At the same time, availability of new power plant equipment and of repair parts has increased to the point where much of the old equipment, which bore the grunt of the war years, can now be discarded or held in reserve. More stable employment conditions have materially bettered the efficiency of power plant operating personnel and, for the same reason, the inspection forces of the insurance companies are operating with increased effectiveness. Improvements in inspection techniques have also made a major contribution to the reduction in accident frequency. In the last quarter of 1948 the long overdue increase in premium rates went into effect country-wide, and this was reflected somewhat in both written and earned premiums for 1949. However, as most boiler and machinery policies are written for a three-year term, it will be almost two years more before the full benefit of the rate increase will show in earned premiums.

There seems to be every indication that the favorable trends of the past couple of years will continue well into 1950. With industrial production at anything like its present high level, written and earned premiums should show further gains. Loss ratios are not easy to predict, but there is no reason to expect that 1950 will bring any material increase.

However, as is the case for all forms of insurance, expenses of operations are continuing to mount. A marked continuance of the spiral of inflation could, of course, result in the need for a further increase in premium rates in order to enable the boiler and machinery insurance companies to produce a reasonable operating profit. The year should provide a fair test of the adequacy of the current level of premium rates.

HENRY BRUERE

Chairman of the Board, The Bowery Savings Bank, New York City

America's 531 mutual savings banks started the new year with resources of $21.5 billion and deposits of $19.2 billion owned by 19.3 million persons. During the past year deposits increased $800 million of which dividend credits accounted for $350 million. Thus, depositors saved $450 million of new money—a 2½% increment. With indications that in the new year a high level of business will continue, it may be expected that 1950 will register a similar growth in deposits. Even though the dollar buys considerably less than it did, and the government spends increasing amount for public welfare and assistance, since the war Americans have demonstrated their continuing will to save. Per capita savings in the United States have increased 140% from 1939 to 1948. Adjusted to 1939 dollars, the increase was 39%.*

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Henry Bruere

The vast expansion in accumulated liquid savings of individuals has sharpened competition among the different types of savings institutions for stewardship of savings funds. United States Savings Bonds, mutual savings banks operating in 17 states, thrift departments of commercial banks, life insurance companies and savings and loan associations, all have competed for the savers' dollars. This competition for individual savings will continue during 1950 and will be augmented by aggressive sales efforts to sell participations in equities by the investment trusts.

Mutual savings banks still have 54% of their assets invested in United States Government securities. Eleven per cent of their funds are invested in other securities, principally corporates. Only 29% are represented by mortgage loans. However, during the past three years these banks have reduced government bond holdings largely to increase investments in mortgages. A large part of these mortgages are insured by the FHA and represent new housing loans. The Bowery Savings Bank, for example, has added over $200 million of such loans to its portfolio in the past two years, providing homes for thousands of families.

What opportunities for investing savings bank funds will be available in the new year?

The telephone industry has substantially completed financing its expansion program. Railroads have substantially completed financing new equipment. Estimates of new financing by electric and gas companies point of declining volume. Savings banks' corporate investments are principally in these categories. As the supply of these securities decreases the yield advantage over government bonds likewise decreases because of rising prices. Corporate securities therefore are not likely to be too attractive for savings banks in the immediate future.

Mortgages will continue to be the major outlet for savings bank funds. Recent legislation in New York and Massachusetts, where 74% of the Mutual Savings Banks' assets are concentrated, now permits the banks to make FHA mortgage loans throughout the country. Metropolitan savings banks are making and will continue to make increasing use of this wider lending power. New York State banks made over $20 million of loans outside New York and its adjoining states during the last quarter of 1949, the first period when such loans were legally available. They have on hand $39 million in commitments scheduled for 1950 and 1951 delivery. In addition, some $52 million of nationwide mortgage loans are in process with commitments expected to be issued in the near future.

In 1948, FHA and VA mortgages accounted for 39% of loans made, compared with 34% in 1947. Figures for 1949 are not yet available. The trend towards insured mortgages continued in 1949 and is likely to continue in 1950, especially if FHA insurance of large, multifamily rental projects under Section 608 is extended beyond the present expiration date of March 30, 1950. If the authorization to insure such developments under the very attractive low-equity financing of the present law is not extended, the savings banks in the larger centers will be hard-pressed for investments when their backlog of commitments is exhausted. Recourse to some extent would be made to financing multi-family housing under Section 207 of the Housing Act, but, as regulations now stand, the larger equity investment required from the builder under this section would reduce volume.

If savings continue to increase, when the housing demand is more nearly satisfied and mortgages remain in limited supply, recourse will no doubt again be had to the government bond market. The question will then arise whether the Treasury will take heed of the need for an outlet for funds which are saved by the people, to stabilize their incomes and hence the general economy, and offer bonds at incentive yields. Except when national need arises and government deficit must be financed, the best outlet for savings funds is in the building of cities, public utilities and providing homes for individuals. But so important is it to encourage thrift that a solution of the problem of the adequate investment of savings funds is of as great concern to a wise administration of the government as it is to the thrift institutions themselves.

*"Personal Savings in New York: a Record of Steady Growth," *New York State Commerce Review*, Vol. 3, No. 11 (November, 1949), p. 9.

HON. STYLES BRIDGES

U. S. Senator from New Hampshire

The question, "What's Ahead in 1950," is of greater significance at the mid-point in the twentieth century than it has been in the recent past of these United States.

In my opinion, the next decade will mark a turning point in the primary issue of this generation—Will our people continue to sell their liberties to an ever-enlarging bureaucracy which promises them security instead of freedom? I am convinced that this question will be decided in the next ten years and surely any legislation which affects this issue during the first year of the decade will be prophetic.

Sen. Styles Bridges

I expect that the Congress, controlled by the Democratic Party, will do little or nothing toward enacting Truman's Fair Deal program. The reasons for this are threefold. First, the Republican minority will vigorously oppose the Administration's slave state proposals and, second, the statesmen in the Congress who are elected as Democrats are more devoted to the principles of free government than they are to schemes to insure their re-election. This combination of forces in the Congress will be sufficient, I forecast, to stop the Fair Deal drive.

The third factor in the situation, in a final analysis, may have the greatest effect. This is a purely political factor. The Trumanites, because of the 1948 upset, (which I am confident is explained by the fact that 25,000,000 eligible electors did not take the trouble to vote) expect to use the same desperation formula for re-election in 1950.

Obviously, the Fair Dealers can't promise all things to all men if they have delivered on their promises of 1948. And, quite as obviously, they did not have the mandate from the people in 1948, as they would have us believe, or they would have delivered on their promises. Thus, since the Fair Dealers themselves do not want action during this Session of the 81st Congress, it is unlikely that much in the way of new legislation will be approved.

The big job of this Session is to cut back government spending and balance the budget. I hope at least a 5 billion dollar cut in expenditures will be made. These cuts should come, I believe, in the bureaucratic aspects of our government which will certainly have no place in the national picture during years of prosperity. If we can't balance our budget during good times, how can we expect to weather any years of adversity which may lie ahead?

Truman has asked for increased taxes. I feel sure the Congress will not respond to his request. There is a drive in some quarters for repeal of war-time excess taxes as a sop to the consumer in an election year. Proponents of this plan state that revenue to replace that furnished by the excise taxes would be raised by increasing taxes on corporate earnings. The idea of replacing a tax, which at least has the merit of being honest and easily seen, for further hidden taxes is not a desirable method of operation, in my view. If we are successful in cutting the budget sufficiently we should reduce taxes and not simply juggle the method by which they are collected.

Personally, I shall continue to stand against creeping socialism in our government and I shall oppose as vigorously as I can the spread of Communism in the United States and throughout the world. I shall stand for economy in the operation of the Federal establishment, a demobilization of the army of bureaucrats which resists efforts toward economy, and every move which will enable my fellow Americans to further improve their condition in this life through their own efforts.

Continued on page 26

Continued from page 24

Business and Finance Speaks After the Turn of the Year

C. H. BUFORD

President, Chicago, Milwaukee, St. Paul and Pacific Railroad Company

I look forward to a reduced volume of rail freight traffic in 1950. I believe the first six months of next year will be about as good as the corresponding period of 1949, and that the traffic volume will show some tendency to recede during the last six months. However, it is difficult at this time to forecast what the percentage of decrease will amount to.

C. H. Buford

Agricultural prospects in our territory for 1950 are somewhat less hopeful than a year ago. Soil moisture conditions are spotted. In some sizable areas in the northern Great Plains, sub and surface soil moisture is quite deficient. It is expected that wheat and potato acreage will be restricted, and the government is also expected to restrict 1950 corn acreage. With less wheat, corn and potatoes to market and an estimated 10% general decline in farm prices, farmer income will doubtless be below that of the last few years, although considerably above the 10-year average.

It is my opinion that the manufacture of heavy commodities, including farm implements, will be somewhat reduced.

With the completion, late in the fall of 1949, of our freight car program, we do not expect to construct or acquire any new freight or passenger cars during the year 1950, for the reason that I believe that our accelerated programs during the last few years have made our ownership of freight and passenger cars sufficient to handle our traffic during the year.

The condition of our motive power has continued to improve and I believe we are in good shape to handle any and all traffic offered in an efficient manner. We do, however, expect to supplement our fleet of Diesel-electric locomotives during the year. Our new locomotive program for the year 1950 will involve an expenditure of about $5,500,000. Our improvement budget for existing equipment and for road property is estimated to require an additional $9,000,000. These expenditures will contribute substantially to industry and employment in our territory.

HARRY A. BULLIS

Chairman of the Board, General Mills, Inc.

What does 1950 hold for the milling and cereal industry? Prospects depend on two major factors, the supply of raw materials and the market for flour and cereal products.

The Farm Situation

The bumper crops of 1949 relieved any shortages which may have existed previously. Supplies of farm products are now ample to meet requirements for domestic consumption, export, and carryover.

Harry A. Bullis

Ample supplies of agricultural products are often accompanied by low prices and unstable markets. However, the recent amendment to the Agricultural Adjustment Act, which supports prices of many farm products at fairly high levels, gives assurance that agricultural prices will be fairly secure from violent fluctuations. The policy of our government in carrying out the provisions of the Marshall Plan is a stabilizing factor particplarly if there should be burdensome surpluses. While farm income in 1949 was not so high as in 1948, agriculture is still highly prosperous.

Therefore, it would appear that for the coming year the flour milling and food industry can look forward to a fortunate combination of circumstances as reflected by ample supplies of raw materials, generally stable commodity markets, and prosperity among our principal suppliers, the farmers.

Consumption of food continues high. When people have good incomes they want more meat, and more dairy and poultry products. High demand for these products permits the farmer to feed his surplus grains profitably, and so contributes to farm prosperity.

The Market for Flour and Cereals

Our heavy industries, including construction, pay high wages, and therefore the workers in those industries are the farmers' best customers. The outlook for construction, steel, automobiles, and other durables, is very good as we enter the new year. These high-wage industries are the keys to prosperity, and as long as they have full employment and full operating schedules there will be a good market for food and other consumer goods.

About one-sixth of our working population is engaged in agriculture. This means that five-sixths earn their livelihood in industry, trade, services, and professions. It is evident therefore that the prosperity of the agricultural population is dependent to a large extent upon the prosperity of the other five-sixths.

Our Expanding Economy

Industrial prosperity is essential to our country's welfare. The American people need to realize that they have a tremendous interest in keeping industry growing and in providing incentives for business to expand.

Industry must be prepared to employ an ever-increasing labor force. To accomplish that, it is necessary for industry to keep growing, building more plants, enlarging its facilities, and supplying new products and services.

We in business should do our utmost to teach the people that high levels of productive employment—that is, jobs for themselves and their children—are directly dependent upon continued high rates of investment by business in new plants and equipment. We should show people that it pays to encourage greater production because production is the source of income to give us food, shelter, and recreation; to pay the costs of government and of aid to Europe; and to give us some measure of national and personal security.

In the year ahead the market potential for basic goods, and particularly for foods, should be at least equal to that of any prior year. There will be new mouths to feed, and the record number of youngsters added to our population during the past decade will be a year older.

The demand for better foods is growing with the constantly rising level of income and education. Stability of food prices will help to make it possible to satisfy that demand even more completely.

Assuming that public and business psychology will continue to be optimistic, I do not look for any broad-scale economic reverses or widespread unemployment which would reduce food consumption. Rather, there is every reason to believe that the volume and quality of foods consumed in the United States will reach a new high in 1950.

LOUIS BURFEIND

President, Asbury Park and Ocean Grove Bank

Frankly, I don't know what's ahead for business in 1950, but we are making fast all lines in the event of a premature hurricane, which we sometimes get on the shore, and are sometimes known to be inland.

Seriously, we look for another good year, provided we have a hot and sunny summer, which benefits our hotels and concessioners, whose business is reflected in the mercantile trade. Of course, you must realize that Asbury Park is a summer resort and our business is distinctly seasonal.

HON. HARRY F. BYRD

U. S. Senator from Virginia

Creeping socialism in the United States is steadily infiltrating the privacy of individuals, the policies of business, agriculture and labor, and the prerogatives of local, state and Federal governments.

This creeping socialism will soon become galloping socialism if the program of President Truman is adopted. Whether you call it welfare state, collectivism or something else is academic. The fact is that state socialism is converging upon this nation from at least four directions and unless checked, will destroy the system of government that has made America the greatest nation in all the world.

Harry F. Byrd

In one direction there is an increasing stream of government competition such as that which results from the development of huge valley projects and tremendous so-called business loans such as those to Lustron and Kaiser.

In another direction there is the continuing threat of government controls such as those requested at the beginning of the 81st Congress on prices, wages, employment practices, commodity allocation, consumer credit and bank requirements. Much of this legislation advocated by the President is still pending.

In the third direction there are proposals to add more taxes to the tax burden which already, in some instances, is close to confiscatory. Last year the proposal was for $4 billion in new general revenue taxes and $2 billion in new payroll security taxes. This year the proposal is for $1½ billion in new payroll security taxes, and new general revenue taxes of an unannounced amount.

In the fourth direction there is a crushing onslaught of deficit spending and debt which result from Federal expenditures through 100 different programs already spreading out from among the 60 principal Federal departments and agencies (with 1,000 units). It is through these give-away programs that Federal plans, administration, control and regimentation are extended over individuals, agriculture and business with a deluge of borrowed billions in financial aids, grants, subsidies, and payrolls, pensions, payments and virtually every other form of government advance and contribution.

These elements of socialism have been overtaking us gradually for years, usually accepted in the name of some emergency, but as the emergencies disappeared, these insidious programs, which eat away at the free enterprise foundation of our democracy, have remained.

How far we have already gone toward government control of our lives and business can be measured by the fact that 17 million individuals are now receiving direct, regular payments from the Federal Government, the Federal payments to business are equal to more than half of corporate profits after taxes are paid.

The President's recommendations to the new session of Congress this week, and last, were simply for more of the same, plus a demand for three more measures which, if adopted, will irrevocably commit us to state socialism, from where there is no retreat.

The first of these clincher programs was for more socialized housing. Part of the vast public housing program has already passed, and, exclusive of the new proposals, the part already passed, within 10 years, is estimated to cost $20 billion.

The second clincher program is socialized medicine which, within 10 years, will cost $20 billion annually.

The third, and crowning program is the so-called Brannan Plan. The most accurate thing Mr. Brannan has said about this plan is that he cannot estimate the cost. It is opposed by both of the great farm organizations—the American Farm Bureau and the National Grange. Despite this, politicians are exerting their most powerful effort to force this socialistic plan upon both the farmers and consumers as a sop to labor leaders. The American Farm Bureau estimates that its application to milk alone would cost $2 billion annually.

There is no retreat after socialism becomes entrenched, primarily because the state usurps not only the machinery of agricultural, mineral and industrial production, but also the sources of wealth and capital which would be required by private enterprise to recapture its vitality.

Those who think they are benefiting from Federal payments and expanding Federalized programs should take a look at England. In all that great country there are today only 70 Britons with net incomes of $16,000, after taxes. The so-called well-to-do in England have already been liquidated. But the worst of the British situation is that the liquidation of the middle income group has extended to an alarming degree. Evidence of this is that there are only 320,000 Britons having incomes from $2,800 to $5,600, after taxes. If we like what we see in the socialistic government of England, then we are justified in stuffing ourselves with gratuities from a paternal central government until we bankrupt the greatest nation in all history.

But, I for one do not believe that America wants to go the way of England. I am opposed to these socialistic programs. I believe that so long as we can keep this country financially sound, the door will not be closed to the recovery of the freedom of private enterprise in democracy. Let us never forget that the last hope of freedom-loving people in the world hangs upon maintaining the integrity of our American money. The key to this fiscal solvency is balanced budgets in time of peace. Today we are enjoying the greatest prosperity in history, and we are at peace. Yet the President proposed in his recent message that we indefinitely embrace deficit spending. If we cannot balance the budget now, in this era of prosperity, when can we?

It is my considered judgment that, unless the Congress balances the budget for the year beginning July 1, 1950, it will not be balanced until we go over the precipice of financial disaster. The reason for my conclusion is that a recession of 10% in the present national income—which means the aggregate of the income of all the citizens of this country—would result in a loss in tax revenue of $5 billion, as the loss in tax revenue occurs on a basis of $1 in tax revenue for every $4 reduction in national income.

In anticipation of another recession, even though minor, the blueprints are already prepared for the government to embark upon still more great spending programs in the effort to prime the pump to maintain the present, or even higher, level of prosperity. With even a little recession in general prosperity, reduced Federal tax revenue and increased pump priming spending together will add tremendously to the deficit.

Let us remember, too, that continued deficit spending and socialism are inseparable twins. The government cannot extend its program of socialism without spending huge sums such as for socialized medicine, socialized housing, socialized farming, etc. And resistance on the part of the taxpayers will be so vocal that it is doubtful that this much new taxation can be obtained.

So we must fight those twins of evil—state socialism and deficit spending—just as we would fight an invasion of a hostile power.

Balancing the budget is first and foremost in the preservation of our security. Those who, wilfully or otherwise, would destroy the American enterprise system would destroy the freedom of people everywhere. We alone are bearing the standard of freedom today. Without the light from our torch freedom and progress will perish from the earth. Without American solvency, there would be no deterrent to communism abroad. It is no exaggeration to say that there is literally nothing on earth more important than the fiscal integrity of the government of the United States and the financial stability of our free enterprise system.

Continued on page 28

Blair, Rollins & Co. Formed by Consolidat'n


V. D. Dardi Warren H. Snow

Formation of the new investment banking firm of Blair, Rollins & Co., Incorporated, was announced (Jan. 16) by V. D. Dardi, Chairman of the board, and Warren H. Snow, President. The corporation is a result of the consolidation of the business, effective immediately, of the two nationally-known investment firms of Blair & Co., Inc., and E. H. Rollins & Sons Incorporated.

Blair, Rollins & Co. Incorporated will function in all phases of the investment banking business and will underwrite, distribute and deal in United States Government, State and municipal, railroad, public utility and industrial securities, investment trust shares and Federal Housing Administration mortgages.

In addition to Mr. Dardi, who prior to the consolidation was Chairman of Blair & Co., Inc., and Mr. Snow, heretofore President of E. H. Rollins & Sons Incorporated, officers of Blair, Rollins & Co., Incorporated, include Charles F. Hazelwood and James J. Sullivan as Senior Vice-Presidents. The board of directors of the new firm consists of Messrs. Dardi, Snow, Sullivan, Frank B. Bateman and Burton A. Howe.

Main offices of the corporation are located at 44 Wall Street, New York City. Branch offices will be maintained in 20 leading cities: Albany, Atlanta, Boston, Buffalo, Chicago, Detroit, Grand Rapids, Los Angeles, Manchester (N. H.), Philadelphia, Pittsburgh, Rochester, Scranton, St. Louis, San Francisco, Springfield (Mass.), Washington (D. C.), Wilkes-Barre, Williamsport (Pa.) and Wilmington, Del.

The new firm, it was stated, will give particular attention to financing business expansion through issuance of equity securities. A primary objective of Blair, Rollins & Co. Incorporated will be to make available to the investor "a type of service to fit his particular requirements, whether a small, medium or large investor, whether an individual or an institution, whether he wants to buy securities in enterprises of the rapidly growing industrial Far West or in the old-line companies of the Middle East and the East," it was stated.

With the business of Blair & Co., Inc., reaching back to 1890 and of the former Rollins firms to 1876, the consolidated firm "has an accumulated experience which qualifies it for the job it has cut out for itself," according to the statement.

Burton A. Howe will be a director of the new corporation with offices at the firm's New York address, 44 Wall Street. Both he and Mr. Snow will be substantial stockholders of the ownership company, Blair Holdings Corporation.

With Zuckerman, Smith

Zuckerman, Smith & Co., members of the New York Stock Exchange, announce that Harry Levine is now associated with the firm in its midtown office, 1441 Broadway, New York City.

Continued from page 26

Business and Finance Speaks After the Turn of the Year

ALEXANDER CALDER
President, Union Bag & Paper Corp.

The year 1949 was a good year for American business in general and for the kraft paper industry in particular. Personal income in 1949 amounted to about $212 billion, equal to the great year, 1948. The FRB Index of Industrial Production closed the year at approximately 175. In tune with all this general business activity, the kraft paper and paperboard mills produced in the neighborhood of 4.2 million tons of product—a decline of less than 4% from the 1948 record.

Alexander Calder

As we look forward into 1950, there is no good reason to expect any serious let-down in the industrial tempo. It may be that things will transpire which will bode no good to the long-run health of our economy, but they are not likely to do any immediate harm. I am thinking especially of unbusinesslike handling of our national fiscal and financial problems. In the short run, it is likely that careless spending and world-wide generosity with American resources will be stimulative to business.

The kraft paper industry will probably produce in 1950 tonnage at least equal to that of 1949, 4.2 million tons, representing a sizable share of total per capita paper consumption of more than 350 pounds annually. This compares with a per capita consumption of only eight pounds in the rest of the world.

Union Bag and Paper Corporation with about 350,000 tons of production in 1949, expects to do at least as well in 1950. Prices have declined during 1949 to reflect the return of competition. In 1950 there is no reason to anticipate any substantial further price decline. As a matter of fact, the low profit per dollar of sales on certain paper products suggests the likelihood of some firming of the price structure in those products.

The largest cloud on the horizon at the beginning of 1950 is the one which is made in Russia. We cannot be free of war uncertainties as long as an aggressive dictatorship pours out its floods of mendacious propaganda and its incessant calls to hatred among men.

It seems to me that we must learn to live in this unpleasant atmosphere. As we in America continue to manufacture and distribute goods with such efficiency as to spark economic recovery throughout the world, we cannot fail to aid the cause of freedom in the year ahead.

ALLARD A. CALKINS
President, The Anglo California National Bank of San Francisco

The flow of money in the veins of business is a useful measure of the health of business. The banker is in a particularly favored position to take the pulse of business and to know the past and present state of its health. He is usually quickly aware of a slackening or quickening of the pulse of business, but he is not peculiarly endowed with the gift of prophecy; it is with due humility that I comment on the prospects for 1950.

Allard A. Calkins

The year 1948 recorded the postwar peak in wholesale commodity prices. The last months of 1948 and the first half of 1949 witnessed the accomplishment of an adjustment in business, especially in inventories. Business improved consistently during the last six months of 1949. Although major strikes obscured the improvement in indices of business activity, the evidence was present in rising trends of bank deposits, bank debits and commercial loans. We look forward with confidence to a continuation of these trends well into 1950.

The most urgent of needs accumulated during the war have been filled, but many wants backed by the ability to buy remain unsatisfied. Some potential buyers have increased their savings awaiting greater value—lower prices—in some cases, cr better quality. The industrial plant of the nation has been expanded and improved, productivity has been increased and greater efficiency is possible in operations. These factors will make it possible for industry to offer greater value to consumers and yet earn profits that will sustain production, employment and trade.

All evidence points clearly to good levels of activity in the construction industries, especially in residential construction and public improvements. Adequate housing will require years of activity in residential building. Schools, water and sewage systems, roads, gas and electric services and commercial centers will be required to supplement the housing construction. Banks will participate in financing these activities through real estate loans to home owners, commercial loans to contractors and purchases of bonds issued to finance the public improvements.

The third basic division of our economy is agriculture. To a large extent the prosperity of agriculture depends upon the prosperity of manufacturing and construction industries. High levels of employment in industry and trade in prospect for 1950 will provide broad markets and good demand for the products of agriculture.

There is, however, the further requirement that agricultural prices be properly related to quantity of production so that a profit will be realized by the producers. The continuation of wartime price support policies has prevented a necessary readjustment of farm production to peacetime levels; and the incentive to improve efficiency has not been present to the same extent as in manufacturing industry and trade. The period of postwar adjustment in agriculture will continue into 1950. Farm income will probably be lower, but farming will be profitable.

With business active and a good balance between manufacturing, construction and agriculture, with consumer income at high levels and with savings to back up unsatisfied wants, conditions are favorable for a continuation of good earnings for banks. I believe that the outlook for banking in 1950 is for a continuation of growth and satisfactory earnings.

HARRY C. CARR
President, The First National Bank of Philadelphia

Banking is essentially a service industry. Serving as it does the entire community at large, namely, business, individual enterprises, and various governmental activities, it is probably less susceptible to the ups and downs of the economic cycle than other industries in so far as its earnings are concerned.

Harry C. Carr

But, it is dependent in its operations and in its earnings on the climate surrounding it and in which it must live and with which it must cope. Any predictions as to the future, near or otherwise, of the banking industry, consequently, must first endeavor to appraise the climatic conditions that may surround it in that future.

It would appear, accordingly, that consideration should be given to those climatic conditions created, first, by the conditions of industry, second, by the income and general welfare of the individual members of our total population, and third, by the condition of and the action of governmental bodies, particularly the Federal Government. All three have their important influences on banking, upon the total resources of the banking industry, and on the total operating earnings of that industry. Each has its influence, but it is, of course, the combination of all that provides the correct answer.

It should be a proper premise to say that which is probably well recognized, namely, that the banking industry is in a stronger and better position to serve the people generally than it has ever been in its history, so that its own inherent situation would appear to offer little to be criticized, at any rate, in so far as soundness is concerned.

Taking business as the first element, it is the writer's belief that demand for goods, both durable and nondurable, and from both individual consumers and corporate consumers alike, continues to remain unsatisfied. With the large amount of liquid funds available for useful expenditure, and with a great amount of unutilized credit further available, there would appear to be no reason why that unsatisfied demand should not be fulfilled. If the above assumptions are correct, then business generally should continue to be good, and probably should continue during 1950 at the general rate of operation during 1948 and 1949. If this is correct, then the climatic condition set by business for banking will remain good.

The relationship of the individual in the community at large to banking, in so far as the effect on the general welfare and earning power of the banking industry is concerned, has been in recent years entering into a new phase. Of course, the banks have always acted as depositories for the funds of individuals. But for many years the banking industry as a whole had not considered that it should play a part in supplying the current relatively small needs per individual of the individual wage earner. It had left that function to be exercised and developed by companies organized for that specific purpose, known under the general name of finance companies or small loan companies. In very recent years, however, the banking industry has more and more addressed itself to satisfying the needs of such individual small borrowers by loans direct to them, and probably today two out of every three banks in the United States are performing that function, and in an increasingly adequate and important manner. This has served to bring about a relationship between the mass of individuals and the banking fraternity which simply did not exist before except in isolated cases, and the question then is how will that new relationship persist during 1950, and what will be its effect during that year on the banking industry as a whole.

At the present time there would appear to be total loans to such individual borrowers by finance companies, small loan companies, banks and others giving credit, totaling approximately $18,000,000,000. This compares with a peak figure in 1929, before the depression, of about $7,600,000,000, and, accordingly, might appear to be high in relation to that figure were consideration not given to the fact that the total national income today is running at the rate of about two and one-half times what it was in 1929. The writer believes that looking at the 1929 situation as above described in retrospect, there is little indication that the total amount of credit at that time was an excessive strain on the economy, and consequently, believes that the total amount of credit now outstanding is not excessive. If that is a correct conclusion, then it would appear that the climatic condition as regards the banking industry's relationships to its individual personal customers would remain good and continue so throughout 1950.

What about the climatic conditions imposed by government? The writer has used the word imposed designedly because in its relationships with the Federal Government the industry is practically subject to the dictates of the United States Treasury Department. That department has dictated so far that it will pay to the banking industry for the quite large services which that industry renders to the government, a rate of return or a compensation lower than objective appraisers consider is proper and fair. Hopes have been held from time to time that the Treasury Department and the Federal Administration may come to realize that this sort of imposition is not altogether healthy for the economy as a whole, but so far those have been merely hopes, and it requires a pretty starry-eyed optimist to believe that those hopes will materialize, at any rate, in 1950. (No reference is made to Federal Corporate Income Taxes because these are applicable to all corporations, but the percentage of the banking industry's earnings taken for this purpose constitutes a heavy charge.) Under those conditions, the climate afforded by government for the industry to exist under does not hold much promise of improvement from the rather dreary outlook of the last few years.

Adding together the three things enumerated above, which have no common denominator, is a mathematical impossibility. Arriving at the combined result is purely a matter of guesswork or judgment, whichever one wishes to call it. It is the writer's feeling that for the banking industry as a whole, the weight of evidence is probably about equally balanced, and that 1950 may show operating results for the industry approximately the same as for 1949. For the shareholders of banks, this is manifestly nothing to get excited about, but, if this conclusion is correct, it is merely a further indication of the long range stability of bank earnings.

W. S. CARPENTER, JR.
Chairman, E. I. du Pont de Nemours & Company

In considering what we may expect in business for the year 1950, it may be profitable to look back over recent years for a moment. In doing so we find that during the last four years we have experienced a very high rate of industrial activity and commerce in the exchange of goods and services. Also, we can hardly fail to recognize that over that period there have been a number of factors of an unusual character which have served to stimulate this industrial activity.

W. S. Carpenter, Jr.

As the result of the employment of our industrial plant over the course of the war period in the manufacture of products for the armed services, large segments of industry were confronted at the end of the war with the necessity of making heavy expenditures for repairs and renewal of plant, as well as for the enlargement of capacities which might normally have been made over the previous period.

Because of the scarcity of many peacetime products during the war both of a semicapital and consumer goods type, we found ourselves at the end of the war with a vast accumulated deficiency of such goods. Industry was, therefore, faced with the burden of overcoming these shortages by producing goods during recent years at a rate substantially larger than normal consumption.

Also, it has been possible and desirable to export the products of American farms and industry in quantities greatly in excess of the amount of imports.

In addition to this, the national policy seems to have indicated the carrying on of a huge arms program.

These and other influences contributed a great and unusual demand upon production and provided a corresponding consumption.

It is probable that these excessive demands have been in large part satisfied over this period of four years. If so, we face a period of transition in our economy, from one of extraordinary demand and consumption, to that of a more normal course. In fact, it is possible that we have already passed through a part of that transition. In considering what may happen in the future the question naturally arises—what will replace these extraordinary elements in our economy.

If these assumptions are reasonable, then American industry in the future must depend to an increasing ex-

Continued on page 30

Continued from page 3

Retail Outlook for 1950

Actually the figure for 1949 of approximately $210 billion will be only fractionally below the 1948 figure of $212 billion; and personal consumption expenditures, though running below the 1948 ratio to income, have remained remarkably stable throughout 1949 at an annual rate of approximately $178 billion.

How Retailers Acted

Then, also, in seeking to explain why we did not have a downward spiral in 1949 we should assign substantial credit to the behavior of businessmen, and particularly I think this is true of retailers. Businessmen are entitled to praise for their behavior in 1949 on at least three counts: First, they managed inventories effectively; there was relatively little merchandise speculation, judged by previous experience; inventory adjustments were made early, and losses were taken promptly. In the second place, price policies, especially in the retail field, were kept flexible; markdowns and the offering of special values helped to maintain volume. In the department store field it is probable that the physical volume of merchandise moved in 1949 was practically as high as it was in 1948. Without prompt price adjustments this could not have been accomplished. Then in the third place, businessmen had the courage, in the face of an adverse political outlook, to go ahead with their programs for capital expenditure. On all these scores business deserves praise, though it probably won't get it.

In assessing reasons why we did not have a serious business depression in 1949 we must not forget the cold war. We do not live under the illusion of continuing peace which characterized the 1920's, but rather we visualize ourselves as existing in an interim of armed and uneasy truce. The difference is important; it has a marked effect on our scale of economic activity. In fact, for the purpose of bringing about the long-hoped-for collapse of American capitalism, Stalin might have been smarter if he had called off the dogs in the postwar period and allowed us once more to wall ourselves in with the comfortable illusions of isolationism.

In coming closer to an appraisal of the present business situation it may be inquired specifically what caused the upturn in the middle of 1949. At the time there was some surmise that advance ordering in anticipation of the steel strike marked the turning point. This may have been partly true, but more basic were the facts that inventory adjustment had been substantially completed and that the fundamental strength of backlog demand reasserted itself. In appraising this exceedingly important factor of underlying strength of demand for consumer durable goods and for business capital goods it must not be forgotten that there are powerful growth factors at work. Population has increased, productivity has increased, new inventions and discoveries have multiplied, our horizons have broadened, and the accomplishments of the wartime period have served to shake us out of the lethargy of mature economy concept. So following the completion of inventory adjustment this basic backlog demand reasserted itself. At the same time, the stability of consumer income, as well as the stability of the ratio of expenditure to that income, helped to restore balance and minimize the rocking of the boat.

Postwar Boom Is Over

In the light of the developments during 1949, and particularly during the second half of 1949, where do we stand today? One thing that we can probably say with certainty is that the big postwar boom is over and competition has returned. With somewhat less certainty, but still with considerable confidence, we can probably say that we have accomplished a major postwar inventory readjustment without getting involved in a downward spiral of deflation. Production, as measured by the Federal Reserve Index, dropped off 17% from the high point of a year ago in November to the low point in July, and has now moved up approximately 7%. Wholesale prices dropped approximately 10% and still remain at their low. These movements may be termed a rather mild readjustment though still a definite one. But there remain some important unanswered questions. Have we really made a transition into a new postwar normal period, perhaps in some respects resembling the 1920's but with an expanded and greatly strengthened economy? Or did the readjustment end too soon and are they still unhealthy elements in the economy that will require correction before we can say with assurance that we are embarked on a new normal? Do we, as some observers think, face, from here on, a stationary or gradually declining economy with mounting unemployment because of the high wage scales that are tending to price labor out of the market and the continuing social antipathy to business profits that tends to prevent adequate accumulation of capital for replacement and expansion?

But these latter questions are long-range ones. Let's tie ourselves down more specifically to the outlook for 1950, first for business in general and second for the department store business. There are the usual list of critical factors to be evaluated:

(1) *Consumer income*—Not only for retail business but for business in general the trend of consumer income is highly important. Although the total figure for 1949 was very little below 1948, the current trend is downward, the latest available figure being that for October, which was at the annual rate of $208 billion. This slightly downward trend may be offset to some extent by the effects of the minimum wage and also by the monetary value of various fringe benefits obtained in recent wage settlements. Likewise there is, of course, the temporary boost of about $2.8 billion arising from the veterans' insurance payments. On the other hand, farmers will probably take some cut in income in 1950. But on the whole it appears that no great decline in total consumer income is to be anticipated, at least for the first half of 1950.

(2) *The spending ratio* — Of their disposable income (after taxes) of approximately $191 billion at an annual rate, consumers are now spending roughly $178 billion. This ratio appears fairly stable. It could be augmented by a more liberal use of consumer credit; and this development appears probable, in fact to such an extent that the growth of consumer credit may well be a serious problem by the end of 1950. On the other hand, looking at the next six months we must not forget that the incidence of two quarterly income tax payments during the first quarter of the year tends to restrain spending, and also that some minor deterrent to spending might arise during this period from delay, accompanied by long-drawn-out discussion, in the repeal of wartime excise taxes.

(3) *Basic supply and demand situations*—Three major areas in which business activity was sustained at a high rate during 1949 were building construction, automobiles and other consumer durable goods production, and business plant and equipment production. Activity in all three of these areas historically has tended to run in cycles, fundamentally because such goods have a long life; i.e., they are consumed gradually over a period of time and not all at once. In all three of these areas activity bids fair to be sustained at a high rate during at least the first half of 1950. In all three of these situations, however, there could well be some tapering off in the latter part of the year. Construction now under way will carry through at a high rate for the first six months; at some point, however, the building boom is going to flatten out; such a development is definitely forecast by the decline in the number of marriages. Most estimates on the automobile business envisage a falling off of 8% to 10% from the record-breaking production of 1949. Obviously competition is going to be more in evidence, and this applies also to other consumer durable goods. Business spending on plant and equipment during 1949 dropped off in the fourth quarter in contrast to its behavior during the two preceding years. Estimates envisage a decline of about 14% in the first quarter of 1950; but plant and equipment spending hinges on many changeable factors, among them the ability of business to obtain funds for expansion (and just now, it may be remarked parenthetically, the stock market seems to be offering some encouragement along these lines).

In the area of consumer nondurable goods it should be borne in mind that textiles have staged a substantial recovery from their decline in the early part of 1949 and hence may be due for another readjustment period sometime in 1950. In the food sector, prospects for somewhat lower prices should release some purchasing power for spending on other consumer goods.

During the postwar years up to 1949, inventory accumulation was

Continued on page 31

Continued from page 28

Business and Finance Speaks After the Turn of the Year

tent upon purchases for current consumption. If we may assume that the confidence of the public is not importantly disturbed by unusual events, it is not unreasonable to expect that such a condition will flow normally. To be sure, there are a number of elements. particularly in the political field both foreign and domestic, which may induce a gradually increasing anxiety upon the part of our people. However, in anticipating so short a period ahead as one year, it is probable that such a disturbance of confidence on the part of the people as a whole should not be sufficiently sudden or important to upset the present stability in our current, economic life. In view of these circumstances, it is reasonable to suppose that we should be able to carry through the year 1950 without too great a change from present conditions.

JAMES L. CARSON

President, The Bank of Toronto

In Canada the tide of prosperity has continued during the year just ended. Industrial production is at a peacetime high. Capital expenditures continue to be heavy. Purchasing power remains strong and retail sales are above those of a year ago. American capital is flowing into Canada and employment is plentiful. Thus far Canada has avoided a recession of the type experienced in the United States.

James L. Carson

Exports are vital to Canada's economy. Looking ahead, the sale of our export surpluses is not too assuring, largely because Britain is likely to have fewer dollars to spend in Canada. We must be realistic and appreciate that if she is to remain our second largest market we must be prepared to increase considerably our purchases from her.

Canada's economic life is closely linked with that of the United States and, with British purchases diminishing, Canada will be even more heavily dependent on United States and other markets. It is interesting to note that over the past 30 years the United States has sold more goods to us than she has purchased from us, to the extent of $7 billion. Canada is the United States' best customer. There should be a give-and-take policy. This all makes for the advancement of international understanding and goodwill between nations—a most desirable objective. Can we not hope for a reduction in tariffs and a simplification of Customs procedure, so that more Canadian products can get into the American market and bring the trade between the two countries into better balance.

The Canadian North has possibly the greatest reservoir of undeveloped wealth in the world. To date less than 20% of the total area has been explored, mapped, surveyed or appraised and less than half of this part has been prospected. The spectacular development in oil production in Alberta is just one instance of what the future has in store.

Another arm in our national strength is water power resources. In the St. Lawrence and Hudson Bay watersheds and the numerous rivers of British Columbia we have something like 100 million potential horsepower, which is enough to drive the machinery of a top-ranking industrial nation and to supply its homes.

The range of minerals is so great as to include nearly every species of importance, and in no mean quantities. The mineralized area is so vast that there would appear to be ample reserve of gold, copper, lead zinc, titanium, asbestos, iron, coal, uranium, oil and natural gas, to maintain current production and possibly to double it in the next quarter century.

As we are now in 1950, the year which marks the turn in the 20th century, we can appropriately view the changes which are taking place, because by every test this is one of the most remarkable eras in the world's history. Canada is not at the top of the world, but its place is increasingly important.

In the production of nickel, platinum, asbestos, radium, uranium and newsprint, Canada stands first in the world. In hydro electric power, aluminum and gold, and in the export of wheat, we are second. Canada stands third in copper, zinc and silver, and fourth in lead. In volume of external trade we stand second per capita, and third in gross volume. In living standards we are second, and our prosperity is reflected in the fact that our gifts, loans and contributions arising out of the late war totalled $6 billion.

While the 20th century may not be ours alone, it is one in which we are forging ahead and should continue to forge ahead. Our economic development has been tremendous. We are at the threshold of a new and greater economic era. Ours is a great heritage—economic, political and spiritual. We must take an increasing share in shaping human destiny, and in so doing let us also have due regard for sharing our privileges and opportunities and at the same time safeguarding our priceless liberties.

LEWIS G. CASTLE

President, Northern Minnesota National Bank of Duluth

The mining of iron ore, together with timber and shipping, constitute three major industries in northern Minnesota, and Duluth is the gateway to these enterprises. For the coming year ahead it appears that activity will continue close to the volume maintained in 1949.

The wholesale and retail business, although reduced percentage-wise, is continuing on a sound basis, and our harbor will also be the gateway for grains coming from the Far West, as it has been in the past. Considerable building and new construction is anticipated for 1950, and on the whole we feel that a broad view of conditions in this area permit a fairly confident preview of business for the coming year.

JOHN S. COLEMAN

President, Birmingham Trust National Bank

It is expected that the level of production and sales in this district in 1950 will be about the same as last year with more competition in many lines of business.

Strikes in the steel and coal industries were detrimental to business activity and some adverse effects are still being felt. However, department store sales during the recent holiday season approximated those of last year.

John S. Coleman

The steel and iron companies look forward to doing about as much business as in 1949. Construction will also no doubt remain on a high level which means that the demand for lumber, cement and other building materials should remain good.

The State of Alabama is experiencing a fine industrial growth. Alabama Power Co., the largest electric utility in the state, has under consideration plans for an expenditure of approximately $20 million for additional generators, new extensions, rural electrification and increase of other facilities. The capacity of the steam plant at Chickasaw near Mobile is being increased 40,000 kilowatts and that of the Gorgas plant near Birmingham is being increased by 100,000 kilowatts. This increase will give a capacity of 290,000 kilowatts at Gorgas, making it one of the largest steam generating centers in the South. The Southern Natural Gas Co. has just announced plans for a proposed $32.5 million expansion program to meet increased demand, particularly in the Birmingham area. It is contemplated that $18,360,000 will be spent in 1950 and $15,160,000 in 1951.

In some sections of the state the outlook for the farmer is not as good as in recent years. The cotton crop estimate for 1949 is 865,000 bales compared to production in 1948 of 1,197,000 bales. This decrease was due to extensive rainfall and to the boll weevil. The severe reduction this year in cotton quotas will cause the displacement of tenant farmers and others in a number of sections. While a majority of the farmers appear to have favored a quota restriction they did not anticipate that the reduction would be so drastic in so many individual cases. The peanut growers while not as numerous as cotton planters are experiencing similar difficulties with quota allotments.

The production of blooded cattle is constantly increasing and greater diversification of crops and scientific planting are leading to a sounder economic condition in agriculture.

DUNLAP C. CLARK

President, Central Bank, Oakland, Cal.

Government policies are likely to have a pronounced effect upon business trends in 1950. Some of the possibilities are disturbing, particularly the proposals for new expenditures and increased taxation.

Dunlap C. Clark

The return to deficit financing has inflationary implications. Stimulus may be provided for too sharp and temporary an upturn in business which in the long run would be injurious to the economy. The inevitable downturn would be hastened and intensified were an increase made in already burdensome tax rates.

The best hope for continuance of prosperous conditions without either boom or depression lies in a reduction in governmental expenditures and avoidance of increase in taxation. In fact, lower taxes are urgently needed, particularly in the field of excises to aid certain industries, and in individual surtax rates and the treatment of dividends to afford more incentive to investment in equity securities.

Because of the uncertainties regarding action by Congress on expenditures and taxes and the possible effects upon economic conditions, it is obvious that opinion upon the trend of business during 1950 will be a matter of continuous appraisal.

Government policies in other fields as well will have a bearing on business trends. If inflationary dangers again become acute, there will be renewed agitation for new credit controls. Experience under the emergency controls authorized by Congress in 1948 bore out the fears of banking groups that adverse effects would outweigh the advantages. Major reliance on voluntary credit restraints promises the most satisfactory results.

The business situation may be affected also by other government policies such as those relating to labor, big business and international affairs.

If wise counsels prevail in Congress and in the executive branch of the government, high levels of business activity and employment should prevail throughout 1950. The adjustments responsible for a downward trend in business during the first half of 1949 were on the whole, desirable. While conditions may become unsatisfactory in particular localities and industries, there is basis for conservative optimism as to business prospects in general.

In the Metropolitan Oakland Area, a particularly beneficial local factor will be the opening of several new industrial plants early in 1950. These include the first unit of the multimillion dollar General Foods' plant; the American Blower Corporation; the Longview Fibre Company; and the Andre Paper Box Company, to mention only a few of the major ones.

In the first 10 months of 1949, 58 new plants and 77 expansions of existing facilities in Alameda County were announced. With a combined investment of some $12,000,000, these projects are expected to create 1,100 new jobs when completed.

Although industrial growth in 1949 fell below that in the previous year, encouraging signs of renewed interest in plant locations were evidenced in the closing months of the year. All in all, the Oakland Area seemingly enters 1950 with prospects more favorable than most sections of the United States.

ROBERT H. COLLEY

President, The Atlantic Refining Company

In 1950 the oil industry will be faced with several problems. Some of these are new, some continuing; some are common to all industry, some peculiar to oil. I will discuss briefly a few of the more important ones to indicate what their probable influence will be on our affairs.

Robert H. Colley

First, what is the public's demand for petroleum likely to be? Probably more than in 1949 by about 6%, that is, by 350,000 barrels per day. Of course, demand for petroleum depends on general business. The present outlook for general business conditions in 1950 is favorable. It looks as if the total volume of spending by individuals, businesses, and Federal, state and local governments will be at a level higher than the current rate, and consequently business activity will increase, at least through the first half of the year. For the year as a whole, total industrial production is expected to be 5 to 10% higher than in 1949.

The short-term problem is well in hand. There is now no question that the oil industry will be able to supply all the demand forecast for 1950. But there are still long-term oil supply problems. First, oil must be found this year to replace the oil taken out of the ground last year. This is a big job, calling for the discovery and development of two billion barrels. More than that, to meet an increase in demand of 350,000 barrels per day—128,000,000 for the year—will require over a billion barrels of additional reserves, since only about 10% of new reserves can be taken out the first year.

Second, the oil industry realizes its responsibility to the public to be prepared for any national emergency. This means that besides developing reserves sufficient to care for expected growth of demand, there must be provided a margin of safety. This is an especially acute problem because of the uncertainty of the extent of our own pretroleum resources, which were used freely for many years to supply oil to foreign countries. To provide this margin, most of the industry considers it of utmost importance to go to all parts of the world to seek oil, besides thoroughly exploring the United States. This is a problem of great concern to the American people, for the following reason:

There is now little doubt that the potential oil resources of the rest of the world are greater than those of the United States. Unless America encourages its oil industry to enter the foreign field, this abundant supply might become firmly controlled by foreign operators, even by potential enemies. Then one day this nation might find itself seriously worried about the adequacy of its oil supply.

During 1950 competition will be intensified. Productive capacity will be higher in relation to current demands than at any time since the war; internal competition will be keener. Moreover, the industry faces sharper outside competition, particularly from natural

Continued on page 32

Continued from page 29

Retail Outlook for 1950

a major stimulus to business activity. In 1949, inventory declines had the reverse effect. For 1950 the most reasonable assumption is that neither inventory accumulation nor inventory depletion will greatly affect business activity significantly; if anything, accumulation is a little more likely than depletion.

The net export balance during the past three years has helped to sustain business activity. In 1950 the prospect is for a decline in the net export balance. But exports and imports are not a matter of large moment in our total picture. Probably in no other country except possibly Russia are the actual economic effects of foreign trade of less importance than they are in the United States. It follows that our national policy in these matters should be governed by the objective of restoring world trade generally rather than by calculations of immediate direct effects on our economy.

Expects Fairly High Level of Business in 1950

The net probable balance of forces in the several supply and demand situations just enumerated seems to argue for a fairly high level of business activity during the first part of 1950 (partly this is true because of some temporary supply deficiencies caused by the steel strike) and for some lessening in this degree of activity in the latter part of the year.

(4) *Labor and Employment*—The present level of employment is steady at approximately 59.5 million, unemployment standing at slightly under 3.5 million. Even if the same rate of employment continues, it is to be expected that the unemployment figures will rise because of the advent of some 600,000 new workers on the scene yearly. It is a fair guess that unemployment will probably exceed 4 million sometime before the end of 1950 and may reach 4.5 million. Important wage changes during the year seem to be improbable, though there will presumably be a gradual edging up of fringe benefits. Aside from the existing coal strike, no very serious labor disputes seem likely to hamper production in 1950.

(5) *Government Spending and Taxation*—The sober fact is that government spending will rise in 1950. (I was about to add the words "as usual," but let's not let ourselves get hardened to these high government expenditures; on the contrary, we ought to yell to high heaven about them.) President Truman has called for a Federal budget of $42 billion, and state and municipal expenditures once more will rise. The Federal budget will not be balanced, since spending will not be cut and no net increase in taxes is likely. Wartime excise taxes probably will be removed, at least to some extent; but the difference may be made up in slightly higher corporation taxes and/or higher taxes on upper-bracket personal incomes. The net result of government fiscal policy (if it can be called a policy) in 1950 will be a continuation of deficit spending. In the short run that tends to augment business activity; in the long run the piper will have to be paid.

(6) *Prices*—As always, prices are the key factor in the situation. One of the important reasons why we did not have a serious business depression in 1949 was that the wholesale price level dropped only about 10%. We ordinarily do not have serious business depressions accompanied by such a small price decline. It should be noted, however, that whereas the production rate has gained about 7% from its bottom in July, prices are still at their low point.

On the monetary side there can be no doubt that continued government deficits are inflationary. Also it may be noted that, contrary to the situation a year ago, bank loans are now rising, thus augmenting the supply of money. To conclude from these facts that prices will rise in 1950 would be an unwarranted inference. Monetary conditions of inflationary potentialities do not in and of themselves cause a rise in prices. To trigger off a sharp advance in prices it takes a burst of business and/or government activity in placing orders that begin to mop up available supplies; this could happen in 1950, but there is no indictation that it will. Not all monetary factors, it should be noted, point in the same direction. The widespread currency devaluation of 1949, which may not yet have been completed, will continue to exert some deflationary influence in the American domestic situation during the coming year.

All Goods in Ample Supply

So far as the effect of supply and demand factors on price is concerned, it is quite clear that there are no longer any significant merchandise shortages. Practically all goods are in ample supply, and there are in fact serious problems with respect to our mounting agricultural surpluses. Hence the basic supply and demand factors may be regarded as pointing toward a somewhat lower price level in 1950. Were it not for government price supports, much lower agricultural prices would be on the cards.

Prices are influenced not only by monetary factors and supply and demand factors but also by businessmen's expectations. Today business sentiment is notably better than it was a year ago. During the last three years we operated under the shadow of an anticipated postwar inventory liquidation depression of the 1921 type. Now we seem to have got through an important inventory adjustment without any very serious consequences, and hence business has stopped looking under the bed every night for the bogey man. (Parenthetically it may be remarked that perhaps there is some element of danger in this situation; it is the unadvertised depressions that are likely to be the bad ones.) It is probably true also that there is a somewhat better feeling between business and government today than there was a year ago. Businessmen know that Congress is a bulwark against any very radical legislation in this election year. Perhaps also they can now differentiate a little more accurately between campaign literature and serious economic programs. If business slacks off toward the middle of the year and unemployment grows, there will be talk of increased deficit spending, particularly in anticipation of the election. In spite of the long-run dangers inherent in such deficit spending, the prospect of it would be bullish on business expectations. Let's not forget also that we may be due for some warmup of the cold war in 1950, either through trouble in the East or through the attempted liquidation of Tito. Such a warmup of the cold war could easily result in larger military appropriations and in some commodity stockpiling. Such developments would likewise contribute to bullish expectations. Altogether, therefore, the state of mind of businessmen in 1950 seems more likely to operate on the plus side than on the minus side in its influence on price movements. Perhaps the total result of all these factors bearing on prices will be somewhat of a standoff, or at least a retardation of downward price tendencies.

Summary

To summarize the general business outlook: essentially the boom is over and competition is here; we have got by the postwar inventory readjustment, but we do not yet know what faces us in the way of readjustment in the construction, automobile, and business plant and equipment industries; altogether, 1950 should be about as good a year as 1949. If I may be rash enough to translate these generalities into something more specific so that you can hang me from the yardarm next year, I should look for the following:

(1) *Business Activity* — The Federal Reserve Index, now at approximately 175, is likely to range between 170 and 180 for the year.

(2) *Prices*—The general wholesale price index, now at 151, will probably slip off a little, into the 140's. The consumer retail price index, now at 168, is also likely to drop a little, perhaps to the lower 160's, with most of the decline in food prices.

(3) *Employment*—The number of jobs may well remain between 59 million and 60 million, at least for most of the year. Unemployment, now a little under 3.5 million, will probably rise to 4 or 4.5 million.

(4) *Business Profits* — In general, business profits will be moderately lower in 1950 than in 1949, because of the tougher competi-

Continued on page 35

Continued from page 30

Business and Finance Speaks After the Turn of the Year

gas. The continued growth in natural gas productive facilities and the construction of pipelines to many new markets are challenging the oil industry.

Increasing competition will keep the industry on its toes; will benefit the public. It will mean further increases in the quality of products, to permit more efficient use of automobiles, heaters, and other equipment. It will mean also that oil will find its lowest possible price level in accord with the free interplay of supply and demand.

And speaking of prices, I should like to point out that, in spite of the many inflationary forces tending to raise all prices, including oil prices, the public still gets a lot for its money when it buys oil. For example, since 1941 the price of a gallon of gasoline—including taxes—in Philadelphia has increased only two-thirds as much as the average retail price of all other kinds of goods, and only one-half as much as the price of food. At that, more than one-fourth of the price its direct gasoline taxes.

All the problems and influences described above will affect Atlantic as they will the rest of the industry. We expect to do our full share in meeting demands in 1950 and in preparing for the longer future. Our capital outlays for productive facilities will be about one-eighth less than in 1949 and 1948, years when we still had on our hands the job of replacing facilities worn out during the war, but they will be at a level far in excess of any earlier year. Many millions of dollars will go into searching for oil and drilling wells; the completion of two new pipelines; new lubricating oil equipment and other refinery improvements; storage facilities; new service stations, and other projects.

We are planning to make such expenditures at near-record levels because we are betting on the continued growth of America. We are confident that the standard of living of this country can be expanded, if essential freedoms are preserved and if incentive is provided for the exercise of the initiative and individual energy which have made America great.

W. H. COLVIN, JR.

President, Crucible Steel Company of America

The general program of voluntary inventory reductions which first became evident in the last quarter of 1948 together with the forced reductions incident to the strikes in steel and coal resulted in deficiencies, which are still to be made up, and created other situations with inventory accounts substantially out of balance which are being corrected. This will take a few more weeks. Thereafter, the impact of world-wide currency depreciation and American tariff decreases, both at a time when American labor and other costs are being increased, will reveal this country's excess capacity to produce steel for the domestic market under the conditions which will then exist.

W. H. Colvin, Jr.

SIDNEY B. CONGDON

President, The National City Bank of Cleveland

The prospects for the banking business in the year ahead hinge largely upon the progress of the Nation's economy. Banking is the servant of general business: of agriculture, of mining, of manufacturing and of distribution. What happens in general business finally is reflected in banking.

Sidney B. Congdon

In considering the outlook for business in general, and thus for banking, there is ground for encouragement in the trend of recent banking data. Checking accounts of individuals and businesses are slightly higher than a year ago, and they represent a considerable gain in potential buying power because of the lower prices which now prevail. It is also gratifying to note that savings accumulated with commercial banks, savings banks, savings and loan associations and life insurance companies are likewise higher than last year. Thus our families have increased their security, and in so doing have given tangible evidence of their confidence in the future of our economic system. It is heartening to observe that individual thrift, for which there is no substitute, is still practiced by so many of our people.

As we reach the turn of the year, there are other indications that there will be good business at least in the early part of 1950. Personal incomes after adjustment for lower prices are at or slightly above the level of a year ago. Surveys of consumer buying plans suggest that automobiles and appliances are going to move in good volume. Construction contracts have been running at a high level, so that vital industry will be off to a good start. Capital expansion by business hardly can be expected to attain the peaks of recent years, but the slack may be taken up by greater construction of schools, roads and hospitals.

A good year for general business should mean a good year for banking. We are hoping that total loan figures will at least match the 1949 level, with a possibility of moderate growth in real estate and consumer loans. The average level of investment portfolios should be up in 1950. Higher total figures for loans and investments combined, however, may not bring an improvement in net earnings unless some upward adjustment is permitted in the level of interest rates.

Unfortunately, there is one particularly discouraging aspect in the general outlook. The expenses of the Federal Government continue at an excessively high level, and despite the heavy tax burden Government expenditures again are running beyond income. The day of reckoning is bound to come, and the sooner we as a nation face that fact the better off we shall be in the end. That is a theme which often has been repeated. But it cannot be reiterated too often, for fundamentals do not change.

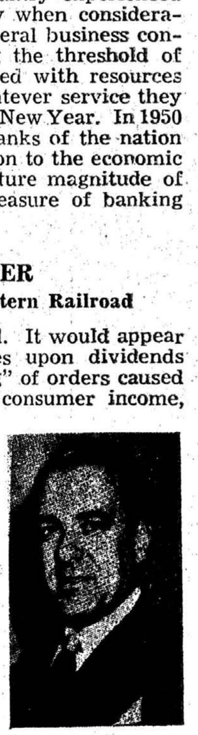
On the whole, the banks of the country experienced a successful year in 1949, particularly when consideration is given to the adjustment in general business conditions. The banks now are crossing the threshold of 1950 in a strong position and equipped with resources of money and manpower equal to whatever service they may find opportunity to perform in the New Year. In 1950 as in the past, the privately owned banks of the nation will strive to increase their contribution to the economic advancement of our country. The future magnitude of that contribution will be the best measure of banking success and progress.

J. RUSSEL COULTER

President, Toledo, Peoria & Western Railroad

The first half of 1950 should be good. It would appear that way, basing prediction premises upon dividends from veterans' insurance, the "backlog" of orders caused by the steel and coal strikes, high consumer income, large personal savings, etc.

Perhaps, however, located as we of the Toledo, Peoria & Western Railroad are in the heart of the Midwest farm belt, our thoughts are too earthy. It is my personal opinion that these are all favorable indications — which, unfortunately, are more or less valueless as absolute measurements. The more difficult to gauge items are what determine "short-term" business fluctuations. We know by all statistics that 1950 will be good, but we also know it may not be.



J. Russel Coulter

What our railroad is watching closely is the fluctuating optimisms or pessimism of the retailer and wholesaler, politics, and the weather, all highly speculative guesses. The T. P. & W. depends upon traffic for income. If retailers and wholesalers cut inventory, manufacturing—and traffic—slows down, cumulatively.

A major factor in our economy is the farmer. Interestingly enough, the future of the farmer lies in the weather—not in Washington. Acreage reduction—then poor crop weather, can mean financial loss for the farmer in spite of government price support. A crop failure is a crop failure whether corn is 50 cents or $5.00 a bushel.

The farmer is in good shape today (except for sky-rocketed fixed real estate taxes), but he knows better than anyone else when to quit buying. In the Midwest, many farmers can live on their milk sales, but they pay their taxes, buy their machinery, their trucks and cars, their furniture and barns with crop and livestock profits. Poor crop prospects can reduce their manufactured purchases to almost nothing in a period of weeks. They will know by June or July, but not until then. No purchases, frozen inventories, halted manufacturing, unemployment and repetition, by logarithmic cumulation. Not a pleasant prospect, but a possibility.

Individually, the T. P. & W. Railroad has continued to improve its roadway and facilities and stands in an excellent competitive position for the next few years. Rolling stock is modern and the roadbed can now stand greatly increased speeds.

Financially, the road is in sastifactory position. Like all railroads, it is in less favorable long-term position than the subsidized competitive transportation mediums, such as trucks, airplanes, and barge lines of which the fixed costs of taxes and maintenance are smaller and more flexible by government decree. While no marked change in these governmental policies are expected in 1950, it is hoped that fair competition will be instituted in the foreseeable future.

While 1950 looks good on paper, our railroad is going out after business, not waiting for it to knock on the door. At our National Sales Conference in December, all our traffic men (who are called salesmen in other industries) expressed a belief that we can increase traffic this year. Every means of modern advertising and salesmanship is being explored, evaluated, and incorporated as applicable. If it is a bad year for the Route of the Prairie Marksman, it will be in spite of our efforts, not because of our lack of effort.

R. W. COURTS

Partner, Courts & Co., Atlanta

For the 10 years ended 1947 the average annual volume of shares traded on the New York Stock Exchange was less than the volume of 1901. The past four years, with American industry at an all-time high in production, sales and earnings, the average annual volume has been slightly above 1901. Government policies and tax structure have practically destroyed the market for venture capital securities. The failure of these markets means that American industry has not been able to secure sufficient amounts of venture or risk capital.

Richard W. Courts

Today it is apparent that Senators and Congressmen have become disturbed over this situation. Likewise Administration officials seem determined to encourage the public securities markets. In addition, commercial business promises to be highly satisfactory in 1950. In the meantime liquid savings in the hands of individuals have reached a colossal sum estimated as high as $260 billion. The average yield on 30 high-grade common stocks is about 6½% compared to 2.61% average yield on high-grade bonds. Corporations can now afford to distribute a more liberal portion of earnings as dividends. Stocks seem to be the only form of property that has not been inflated. With government deficits apparent for 1950 and 1951 it means still more money will be pumped into the market, meaning more inflation. It therefore seems to me that the investment banking industry will enjoy a splendid and profitable year in 1950, particularly in the underwriting and distributing of venture capital securities.

Since the first World War this country has been a creditor country, but has failed to act as a creditor. We have continually sought unsound methods to sell more goods to debtor countries than we bought from them, resulting in gifts and unsound loans. We should now reverse that policy, plan to become larger consumers, plan to consume the major part of our own production plus a part of the production of debtor countries. Such a plan would put those countries to work for us. They would help build this country and help to provide our countless needed capital assets of the future. Such a plan would provide an expanding economy and prosperity in this country that would spread to other parts of the world enabling foreign countries to discharge their debts to us and in turn buy more goods from us. Most of all, it would obviate the necessity of continuing gifts and unsound loans by us. To effect such a program will require that we adopt a Federal tax structure that will permit corporate and individual initiative to function at their best. If along with such a program the government should practice economy in givernment, we would be off to a long period of sound prosperity that nothing could puncture other than war. In the absence of such a program I feel we should all recognize that the good year ahead could prove only temporary.

BROWNLEE O. CURREY

President, Equitable Securities Corporation

In 1949 the investment banking industry enjoyed a good volume of business and generally satisfactory market conditions. Unit profit margins were absurdly low in comparison with margins in other industries, but there was a profit. The tax structure was unfavorable, and the political environment was something less than ideal. In view of the high level of the nation's prosperity, 1949 wasn't as good a year for investment bankers as it should have been, but nevertheless it was a good year. The year 1950 promises to be equally good, perhaps a little better.

Brownlee O. Currey

The demand for securities from institutional investors, fed by continuing large purchases of insurance and large time deposits, and further bolstered by growing pension funds, will undoubtedly be strong. Personal income will remain high, and a somewhat better demand may be expected from individual investors.

Furthermore, the supply of securities will again be generous. Federal financing for new money in 1950 will probably be in larger volume than in any year since 1946. There is a strong likelihood that the Treasury will offer marketable securities (other than bills) for new money for the first time since the Victory Loan Drive of 1945. While it is too early to estimate the aggregate amount of such financing, the total is apt to be substantial. Generally speaking, American industry will spend considerably less on new construction in 1950 than in 1949 for the reason that most companies have now completed their postwar expansion programs. It follows that industrial emissions will be smaller in the aggregate in 1950 than in 1949. Of course, there are exceptions, the most notable being the electric and gas utilities. Last year the nation's privately owned electric

Business and Finance Speaks After the Turn of the Year

utilities spent $2.1 billion for new construction and expansion, and capital expenditures for 1950 will probably be at about the same level. Largely in an effort to meet the booming demand for natural gas, the gas industry spent $943 million for new construction in 1949, and may spend even more in 1950. Both the electric and gas utilities made record breaking capital expenditures in 1949, and there is a good chance that both will establish new records in the current year.

In the field of municipal securities, it appears almost certain that 1950's new issue volume will exceed all previous records. Most recent estimates indicate that the several states and their various subdivisions will spend $4.1 billion on construction in 1950. Not all of this huge total will be financed by the issuance of securities, but on the other hand a sizable amount of bonus payments to World War II veterans will be financed by State bond issues. In 1949, the states and their subdivisions issued securities in the aggregate amount of $2,989,972,551. The comparable total for 1950 is expected to be in excess of $3 billion. And an additional $500 million, or more, of tax exempt obligations will be issued by various Federally-aided housing authorities. Thus, total tax free emissions for the year will probably be well above the $3.5 billion level.

In view of the multitude of factors influencing securities markets, it is perhaps foolhardy to make any sort of prediction in January covering the full year. Nevertheless, on the basis of the present outlook, it appears that 1950 will bring no drastic changes in bond prices or money rates, and that the current year will see a somewhat improved stock market. It seems reasonable to expect the 2½% rate on long term taxable Treasuries to be maintained in 1950, and it is not likely that the rate on one-year certificates will rise above 1¼%.

If the U. S. Government issues pursue a relatively steady market course, as anticipated, corporate obligations will undoubtedly do likewise. Tax exempt bonds, too, are strongly influenced by Governments, but the pressure of sheer volume could bring about some weakness in tax exempts, particularly in the case of long term obligations.

In brief, it appears that relative stability will characterize the bond market in 1950, and that whatever movement occurs is more apt to carry prices slightly lower than to push them higher.

It now looks as though increasing confidence on the part of the public will make for improved stock prices in 1950, despite the outlook for somewhat lower corporate earnings. Without hazarding a guess as to the extent of the expected rise in equity prices, it may be said that stocks will probably fluctuate within a higher price range in 1950 than was the case in 1949. And if the anticipated improvement in stock prices materializes, a sharp increase in the volume of equity financing may well be one of the outstanding features of the 1950 new issues market.

C. DONALD DALLAS

Chairman of the Board, Revere Copper and Brass Inc.

We must expect copper to be in tight supply for some time to come, despite high rates of operation at the mines, because the government's accelerated stockpiling program is superimposed on a brisk industrial demand for copper products.

C. Donald Dallas

A few months ago the industry was disturbed by an almost complete cessation in sales of copper. This was a temporary situation and worked out very soundly for the industry. The price was brought down from its peak of 23.5 cents per pound, slumping to 16 cents and then recovering to 18.5 cents.

Inventories meanwhile were considerably reduced, and fabricators' stocks as well as those of their customers, were at a low point as 1949 drew to a close. Industrial demand revived in the third quarter and consumption was close to the highest levels of the postwar era. Producers of copper met this stimulus by going on a six-day-week basis without, for the time being, bringing the metal into easier supply.

Since copper is tied closely to the general level of business, it is not surprising to learn that the strong position of our industry is due to the continued high rate of operation of the principal copper using industries, of which we might name building and construction, electric and public utility and the automotive as the outstanding consumers which are also extremely active and confident of the future.

Domestic producers in 1949 were unable to meet the needs of industry and government for copper in the United States. We estimate domestic production of copper for the year at 896,000 tons. This includes newly mined copper plus old scrap returned for processing. As against this, for the 12 months, deliveries of copper to fabricators totaled some 1,043,000 tons, and stockpiling can be estimated at about 170,000 tons. There was thus an effective demand for 1,213,000 tons of copper, which domestic production failed to meet by 322,000 tons, the deficit being made up, as in former years, by net imports of copper.

Because copper is one of the few basic materials in which we are not self-sufficient, and the market for the metal is established on a world-wide basis, it is pertinent to consider production and consumption in foreign countries. We find that in most foreign markets, there was no such late spring and early summer slump as we experienced here. Foreign production, however, was affected slightly by the fall in U. S. prices.

The net result was little change in basic relationships. In 1948 the United States accounted for 60% of world consumption, and for 43% of world production. We estimate the corresponding figures for 1949 at 55% of world consumption; 41% of world production.

The immediate outlook for the copper industry depends upon one's appraisal of the many complicated factors which enter into the state of manufacture, trade and finance.

My own judgment is that for the first six months of 1950 we can reasonably count on a continuation of approximately the levels of the last quarter of 1949. Copper was then going into industry and stockpiles at the rate of more than 115,000 tons a month. If to be conservative we reduce this forecast to 110,000 tons a month, the indicated level is still eminently satisfactory to producers and fabricators and makes necessary the importation of at least 30,000 tons a month to supply the consumer demand.

The question may arise as to whether this is not an "abnormally" high rate of absorption, unlikely to continue for long. It is useful to approach the answer from the statistician's viewpoint of pounds per capita of copper consumed. This figure was 18 pounds in 1948; 17.3 pounds in 1949, and if my forecast is close to the facts, there will be a return to the 18-pound level in the first six months of 1950. In each case these figures include stockpiling which, while not consumption in the usual sense, has precisely the same effect on the market as industrial consumption.

In some quarters it has been held that we must expect a return to what is described as "normal" copper consumption of 10 pounds per capita. This figure was

Continued on page 34

Continued from page 33

Business and Finance Speaks After the Turn of the Year

reached by the convenient device of averaging consumption of the 10 years 1931-40, inclusive. These were in the main years of the great depression or much restricted activity and do not provide a sound basis for appraising the period ahead. We might consider 1939 as more nearly a normal year. There were 12.2 pounds per capita consumed in that year, without stockpiling and without anything approaching the exceptional demands now caused by military production and the European Recovery Program. It should also be noted that there is a long-term trend to greater per capita consumption.

Part of my optimism concerning the forthcoming six months arises from the consideration that measures to increase the consumption of copper taken by the fabricators of copper, my company among them, are having a genuinely stimulating effect. Copper tube for plumbing and for radiant panel heating, as well as copper sheet for flashing and other building uses, is gaining constantly in acceptance.

The only foreseeable development that can affect this picture would be a return of the copper import excise tax. This tax, which is two cents per pound under the reciprocal trade treaties, is scheduled to be reimposed after June 30, 1950, unless Congress acts to continue the suspension now in effect. In view of the statistical position of the copper market, as well as the urgent need to keep copper prices competitive with those of other metals, it is to be earnestly hoped that Congress will vote for continued free imports of copper—one of the few materials with which our neighbors and friends overseas can acquire dollar balances.

Since the mining companies have gone on a six-day-week basis, involving payment of overtime wages, it must be assumed that price and demand are satisfactory to them, and that they have no need of a tariff.

The independent fabricators feel strongly tha the way for prosperity for both producers and users of copper is to promote wider use of the metal, not to adopt policies which are all too reminiscent of the cartelization and other restrictive practices which in the long run have proved so disastrous for European industry.

C. E. DENNEY
President, Northern Pacific Railway Company

Northern Pacific Railway freight traffic and revenues in 1950 are expected to reflect an anticipated drop in agricultural products, brought about as the result of cutting the spring wheat and potato acreage in Washington, Montana and North Dakota under government price support programs.


C. E. Denney

Likewise, with a droughty fall, this has resulted in reducing the sub-soil moisture reserves in the grain growing territory; however, with substantial spring moisture, this should make for an average crop.

Offsetting this to some extent will be an anticipated increase in movement of lumber and lumber products due to the heavy demand in the building industry, both urban and rural.

We estimate the Northern Pacific operating revenue for the first six months of 1950 will be approximately that of 1949. Northern Pacific's program for additions and betterments to roadway and equipment carried out during the last 10 years is nearing completion, and the amount expended for labor and material and for equipment will be less in 1950 than it was in 1949.

A sizable order for freight cars and motive power is scheduled for delivery during the coming year.

A. E. DUNCAN
Chairman of the Board, Commercial Credit Company

Our Company has just closed the biggest and best year in its entire history. Our outstandings in instalment receivables have not yet reached their peak, so we anticipate satisfactory results in our financing operations during 1950.


A. E. Duncan

Our Insurance activities and operating results were much better in 1949 than in 1948 and should continue to make a good showing during 1950.

During the first six months of 1949, our Manufacturing operations and net income thereon, like those of many other manufacturing companies, were considerably less than during 1948. The last six months of 1949 showed very substantial improvement and the results for the year will be satisfactory, although less than for 1948 when they were abnormally high.

All in all, we look for a good year in 1950. Our concern, however, is to what extent is our current National prosperity based upon an unsound permanent foundation and temporary expediencies. During 1949, our Country experienced its greatest volume of business, the largest earnings thereon and with but little unemployment. Current operating expenses of our Government, without provision for any debt reduction, is running several billion dollars in excess of expected total income for the fiscal year. Resort again to deficit financing through increase of borrowed money, instead of curtailing Governmental expenditures, emphasizes the unsoundness of our present Government fiscal policy. Corporate and personal Federal Income Taxes are already so high that many individual investors no longer have either the funds with which to purchase equity stocks or the net income incentive to justify the risk thereon.

When will we stop following England's policies and experiments, which are leading directly to State Socialism, which is next door to Communism?

HARRY W. DAVIES
President, The Syracuse Trust Company

I sincerely share the opinion of most of my industrial friends that 1950 will be a good year, but I must immediately qualify this statement by recalling to your mind that competition in all lines, including banking, is back to stay. The day of the salesman has returned and even though by all statistics available the consumer has plenty of money to spend, he is not spending it with the same carefree recklessness that has characterized much of the spending of the last several years.


H. W. Davies

We seem destined to deficit financing. I wish we might avoid the Federal deficit which seems certain for the next fiscal year, because although deficit financing means larger bank deposits and resultant larger bank earnings, it also means a mortgage on future earnings and a still greater burden on the coming generation. I feel that by now we have proven ourselves to be the friend of all, a really benevolent Uncle Sam to all the world and subject to severe criticism if we wreck our own health by trying to do the impossible.

I see a great danger in easy credit, and I fear the consequences of the "no down payment sales". Surely sales without equity in the purchaser, while perhaps effective in producing sales volume, will not stand the test of time.

By and large we have been a sensible people—fighting only when attacked—trying each in his individual way to earn a living and make his place in society, but now there seems to be a strong tendency in some quarters to try to "Plan our economy" so that a few at least will not have to give but only receive. I liken this planning and the resultant attitude to a barrel of apples that is left standing too long exposed to the elements. One bad spot soon develops and, if not attended to, soon spoils the whole apple and then another and another until finally the whole barrel is lost.

We have worked long and hard for what we have in these United States and our childrens' children are entitled to the heritage of clear thinking and hard work. Let's hope that sanity will prevail.

C. McD. DAVIS
President, Atlantic Coast Line Railroad Company

Southeastern 1950 business prospects are favorable.

A year ago, the outlook was less encouraging; uncertanty prevailed, and there was a less confident expectation for the immediate future. Now, the consensus apparently is that for several months, at least, business in most lines should be better than in 1949. Substantial factor supporting this view are the likelihood of continuing increases in farm income, expenditures for construction, and the output of electric energy, all of which in 1949, from data thus far available, recorded better showings than in 1948—frequently referred to as the peak year of Southeastern postwar business activity. Additionally, manufacturers' sales, less in volume in 1949 than in 1948, may reasonably be expected to improve in 1950.


C. McD. Davis

Of even greater significance in supporting this view are remarkable changes that have so strikingly affected the Southeast's economy in the past two decades. These changes, their impact upon the region, and their attendant atmosphere nurturing creative effort and diversified enterprise, are so widely known as to require no elaboration. From the adoption of more modern and profitable agricultural practices, improved manufacturing and production techniques, higher cultural and living standards and the increasing interest that venture capital is displaying, there has been established in the Southeast an economy whose prosperity is unlikely to be retarded by more than temporary setbacks. None of these appear on the 1950 horizon.

Among other ways, this movement is expressed in the growing diversity of occupational pursuits not found when the Southeast was primarily agrarian. The great industrial expansion has demanded a broader employment of skills; and the intelligent utilization of natural resources, newer farming methods, advancing educational standards and technological research have encouraged even more progressive development, promoting a healthy, stable, well-rounded and integrated economy.

The consideration of these factors, plus the knowledge that plants of appreciable size will locate in the Southeast in 1950, and that others will expand their operations, adding to the Southeast's growing share in producing the nation's manufactured wealth, leads inevitably to the conclusion that next year's business prospects are favorable.

LELAND I. DOAN
President, The Dow Chemical Company

We are optimistic concerning the 1950 outlook for the chemical industry. Supply will probably exceed demand in some of the older lines of industrial chemicals but sales of the new products should hold up well.


Leland I. Doan

In general, demand should be as high or higher than in 1949. If sales are lower than 1949 they should not be substantially lower. We estimate the profit margins will stay about the same.

GEORGE S. ECCLES
President, First Security Bank of Utah

I believe we can be somewhat optimistic in looking ahead to the year 1950, so far as the business outlook is concerned in the Intermountain Territory. Of course conditions in this area depend largely on national conditions and it appears to me that in the national picture for 1950, there will be very little let down in activity. The major problem now is the settlement of the coal strike.


George S. Eccles

After the first of the year the $2½ billion Soldier's Insurance disbursement will be made, which will increase the consumer market. The national budget provides for continued large expenditure for foreign aid, farm subsidy, public housing and our Military Program.

It looks as though the national budget will show a cash deficit of $5 billion. This in itself is inflationary. I doubt that there will be any tax increase and there will probably be some relief in many of the excise taxes. So far as our Utah and Idaho territory is concerned, the agricultural outlook is good. There has been considerable mechanization on the farms, which reduces cost of production. There will be good prices in practically all lines of livestock and agriculture due ot the subsidy program of the government. Prices will not be at their peak but should be sufficient to show satisfactory income. I believe we will see an increase in the number of both sheep and cattle. Our dairy industry is sound. Canning prices are holding fairly well and the national inventory picture is good. There should be increased sugar beet acreage throughout the territory.

Farm income has been good for many years and the position of the farmer in his relationship to the general economy is very much in balance.

There is to be substantial increase in electric power both in Utah and Idaho, which will aid in industrial expansion.

Although there is some curtailment in some of the mining industries, due to the price of lead and zinc, it appears there will be continued expansion in the copper industry with the completion of the copper refinery and the acid plant at one of our large smelters, as well as increase in industries to make use of the steel that is being produced in this territory.

The chemical development in Southern Idaho is very important and is expanding.

There will continue to be increased demand for our coal and increased production will be possible when the coal strike is settled.

There is reason to be optimistic as to the future oil development. Tremendous expenditure is being made in Southern Idaho by the Atomic Energy Commission at Arco. All of this will assure stabilization in our employment and in the payrolls of this area, and will be reflected in continued good business activity.

There will be increased demand for housing, need for school buildings and a tremendous amount of road rehabilitation and construction work.

The condition of the banks is excellent with adequate credit available for all sound purposes.

I do not think there has been undue debt expansion in our area and we still see increase in savings of the

Continued on page 36

Continued from page 31

Retail Outlook For 1950

tion and the high break-even points.

Perhaps the chief question in regard to the business outlook today is whether the second half of 1950 will be as good as the first half. Many business commentators seem to be rather cagey and noncommittal in regard to the second half of 1950, probably because experience over the last two or three years shows clearly that it is in the second half year that a majority of business forecasts go awry. Most of the logics of the situation, particularly the plausible expectations of a tapering off in the important construction, automobile, and capital equipment industries in the latter part of 1950, point to less favorable figures for the second half year. This prognosis is the easy one to subscribe to, but I am not wholly persuaded by it. For the past three years we have noted a patter of lower business activity in the first half than in the second half, and I have not yet been convinced that this pattern is unrelated to the activities of the U. S. Treasury in receiving and disbursing funds. (I referred previously to the two income tax payments which now fall in the first quarter.) Furthermore, as I have tried to indicate, there are some non-logical factors in the situation; and perhaps these ought to be accorded more weight in an election year. So personally I am not yet quite ready to subscribe to the view that general business will be poorer in the second half of 1950.

Now to turn specifically to the outlook for the department store business in the spring of 1950 I should expect the following:

(1) *Sales*—Number of transactions should compare favorably with the spring of 1949, probably plus 2% or 3%.

The average sale, however, will be slightly under last year.

Some further readjustment of consumer spending as between soft goods and hard goods is to be anticipated. The prewar relationship has not yet been reached, and furthermore the long-run trend is probably toward higher expenditures for durable goods in relation to soft goods.

Repeal of wartime excise taxes will help if it comes promptly. Long drawn-out discussion without action, however, will have an adverse effect.

The composite result will probably be department store dollar sales in the first half of 1950 running somewhere between 0% and 5% below the spring of 1949. For the whole year 1949 department store sales are off about 6%, whereas total retail sales are off only about 1½%. In the spring of 1950 I should expect this gap between total retail sales and department store sales to be narrowed somewhat but not closed entirely.

(2) *Gross Margin*—Initial markup should be somewhat better than in the spring of 1949 because of the strong efforts made by many stores during the past year to raise this figure.

Markdowns should show improvement, since inventory adjustment is now substantially completed. On the other hand, prices are still tending slightly downward, and therefore markdowns will continue somewhat above normal.

The result should be a gross margin percentage at least 1% of sales above that realized in the spring of 1949.

(3) *Expenses* — In spite of the continuation of serious wage pressures, dollar expenses should be lower in the spring of 1950 by reason of better control and the elimination of "fluff."

With only a slight decline in sales volume, expense percentages should hold even or perhaps be slightly reduced below the experience of the spring of 1949.

(4) *Profits* — If the foregoing assumptions with respect to sales, gross margin, and expenses are realized, net profit in the spring of 1950 should increase substantially in dollars, probably by at least 25% over the distinctly poor performance in the spring of 1949.

Now, having spent practically all my allotted time in speculating about the general business and department store outlook for 1950, I am going to conclude by saying to you that I don't think these cyclical problems, that is, these year-to-year fluctuations in sales, expenses, margins, and profits, are by any means the most important ones for you to be thinking about. In my opinion there are some long-run problems seriously affecting the future of the department store's position in the distributive picture which are far more worthy of the attention of top executives. Before I sit down,

Continued on page 37

Continued from page 34

Business and Finance Speaks After the Turn of the Year

people which indicates a sound underlying financial condition.

We must not become overly optimistic, because some of the national policies are still unsound. We all know that a $5 billion deficit in our national budget during a period of prosperity is not sound. Also higher taxes would be bad because they would throttle incentive and ambition. There is need for economy in our government and we should go very slowly in any expansion of our governmental services.

CYRUS EATON

Industrialist and Banker, Cleveland, Ohio

The American business outlook for 1950, and for the rest of the Twentieth Century, depends in no small measure on the recognition by managment and by government that ours is a capitalistic nation, and that to make our system work every American must become a capitalist.

Cyrus S. Eaton

Every one of the more than 50,000,000 men and women who work in the mines and mills of America, and in the factories, fields and offices, ought to have a stake in the American system. If ever the $10,000,000,000 a year that the people of the United States now gaily risk on bingo and other kinds of betting could be channeled into venture capital investments to increase the productivity of our mammoth industrial machine, there would be an abundance of the good things of this life for all Americans.

The most important task for management, in achieving this goal, is to gain the confidence and cooperation of labor. When management stops resorting to legal and governmental compulsions over labor, and takes up constructive and direct dealings with labor and its leaders, then the great unions and their individual members will want to become investors in industry and business.

The urgent job for government is drastic reform of the agencies and commissions, Federal and State, whose rigid bureaucratic controls now constitute an almost complete barrier between business and the individual investor.

The 5,000,000 farmers who own their own land, buildings, implements and livestock, and who work the harder for that ownership, know the pride of proprietorship. If the rest of our working people can be given a corresponding incentive to success, American capitalism will have nothing to fear from any other ism on earth.

A. G. ELAM

Southern Commercial and Savings Bank, St. Louis

Superficially 1950 should be good. With $50 billion to spend heedlessly and a mandate to **"borrow, borrow, borrow—spend, spend, spend—elect, elect, elect!"** the New Year's Eve Party in which we are unwillingly compelled to participate should be prolonged throughout the year. Like most parties of this type everything will be lovely, hilarious, stimulating and noisy, but of short duration. Then comes the cold, gray dawn of the next day when we face stark realities with accompanying headaches immediately followed by melancholy and depression. Definitely this is an artificial prosperity built entirely upon sand and cannot endure!

A. G. Elam

Deficit spending, except in emergencies, is not only extremely dangerous but foolhardy. This brand of socialism continued for a few years will surely lead us into National Bankruptcy as it has every country which has tried it. No person, business, or government can survive extravagances such as we daily are meting out to fulfill the selfish interests of the vote-getters. If the present bureaucratic ideologies prevail for another year or two, and taking the last 16 years as a criterion it should remain thusly for some time because it has been politically expedient, our American way of life will be no more and we will have lost our dearest heritage—our **Freedom!**

Up to now too few people have realized the presence of this socialistic octopus which is rapidly destroying us. Recently I have interviewed many persons in many states, including Alaska, about these socialistic tendencies, and almost without exception, he or she voiced definite apprehension. Apparently they have dusted off the old arithmetic book and found the answers are shocking. They now see how uneconomical and stupid it is for them to send their hard-earned money to Washington to be sent back to them less large deductions for bureaucratic salaries, etc.

This same simple arithmetic specifically states that no individual, business or government can long exist or endure where the output is larger than the income, therefore, these same people are asking themselves such questions as these: "How many of these bureaucrats are successful businessmen?" "If their theories are sound, why are most of them considered failures in their professional or business life?"

The time has come when the people of the United States should lay aside party prejudices and combine their strength in applying pressure to the brake that will stop this prodigality—1950 would be the ideal time! —the polls would be the ideal place!

ALFRED EPSTEIN

President, Pfeiffer Brewing Company

Two distinct trends continued in evidence in the brewing industry during 1949—the steady increase in sales of packaged beer and the progressive concentration of beer production among fewer and especially the larger regional breweries.

Alfred Epstein

Substantially higher costs with only moderately increased selling prices are squeezing smaller units. Since 1935, the first full year of operation after repeal, raw material and labor costs have risen about 100% while the selling price of beer is up less than 30%.

The smaller brewers are consequently finding it more and more difficult to operate on a satisfactory basis. Many small breweries lack capital for plant modernization and cannot attract especially competent management. Also they do not have the facilities and distributing organizations essential to modern merchandising. The result has been that many of the smaller units have discontinued operations or consolidated.

Prior to prohibition, there were some 1,400 breweries in operation. Most of these were relatively small and family-owned, operating in a radius of less than 50 miles. Following repeal, some 725 breweries were reopened, but since then the number in operation has been reduced by more than 40%. At the close of 1949, only about 425 breweries were in operation; this number is likely to be reduced further in 1950.

The trend toward larger regional breweries is a sound condition for the country and the consumer. It has permitted the producers to absorb a greater percentage of higher operating costs than would otherwise have been possible. At the same time, it has permitted the industry as a whole to expand and has given workers in breweries much higher wages. It is a fact not generally appreciated that employees in breweries are now among the highest paid in the industrial field. For example, at Pfeiffer, the lowest paid hourly worker averaged $3,200 in take-home pay last year, while the highest hourly worker averaged $7,200.

Regional breweries have been steadily taking business from the smaller local institutions. The same is true of the three large national shippers, but on a smaller scale. Although total sales for 1949 will probably approximate the 1948 level, the individual units in the industry will show widely different progress. The smaller units, for example, will mostly show declines, while the three national shippers probably will show gains approximating 10% to 15%. The regional breweries which have made the best progress are likely to show gains ranging from 15% to 35%.

In modern brewery operations, very extensive and expensive mechanization is essential to keep costs low. This means substantial capital investment for equipment to offset the rise in raw materials, wages, delivery expenses and other costs. As regional breweries usually service a highly industrialized area within approximately 300 miles or less, they are better able to keep their operating costs at a minimum and yet provide a good quality product. Breweries with less than a 300,000 barrel annual sales volume usually operate under a great handicap in marketing and advertising because these costs cannot be spread over large enough distribution.

The trend toward fewer and larger regional producers may be expected to continue in the future. In the next ten years, it is quite probable that as much as 80% of total beer production in this country will be concentrated among the top fifteen breweries.

There is a strong likelihood that the popularity of beer as a home drink will increase in the future. The industry is concentrating more and more on packaging for the family trade. Currently, bottle and can beer account for about 75% of the industry's sales whereas in pre-prohibition days the amount was negigible. Some new innovations in merchandising arrived in 1949, including a handy carrier for six cans or non-returnable bottles of beer for home consumption.

Until prohibition in 1920, beer consumption often doubled each ten years. With the resumption of demand following repeal, it took some 14 years, until 1947, for per capita consumption again to approximate the pre-prohibition level. To expect a doubling of present annual consumption (which is in the neighborhood of 87 million barrels) in the ten years beginning 1950, would seem to be too optimistic. But it is reasonable to anticipate a steady growth parallel to, and perhaps somewhat exceeding, the population increase. This growing popularity of beer as a national beverage reflects its wider acceptance as a drink of moderation. It is often found on the family table, particularly in families where there are growing children.

Intensive merchandising methods might well raise the present per capita consumption, which is about 18 gallons a year.

Prospects for the industry, as a whole, are encouraging. Expansion has been consistent with the growing demand—there is relatively little obsolete equipment except in the small breweries and the industry can readily supply the anticipated consumption gain during 1950.

It is likely that the regional brewers will again share generously in any sales gain this year. It is also probable that 1950 will see more of the smaller units discontinue operations—both developments are typical of the trends which have characterized the industry during recent years.

H. L. ENMAN

President, The Bank of Nova Scotia

Canada's economy depends heavily on external trade and as a result the business outlook for 1950 is a mixed one. Canadian exports to overseas countries have been facing growing restrictions, and in view of the depleted dollar buying power of the sterling area and western Europe the outlook for this portion of Canada's trade in 1950 is discouraging. Exports to the United States, however, have been quite well sustained despite the U. S. recession and, with the recent strengthening in U. S. business conditions, the gloomy prospect of a universal decline in Canadian exports has been removed at least for the time being.

H. L. Enman

In Canada, as in the United States, the huge backlog of demands accumulated from the war and the depression before it has in large part been filled. Business conditions are becoming increasingly competitive and further readjustments are to be expected both because the immediate postwar boom is running down and because overseas export markets are contracting.

At the same time, Canada is a growing country and the momentum of growth associated with opening up of new resources and with the needs of an increasing and energetic population remains clearly in evidence. As compared with 1929, which was the peak of prosperity prior to the war, Canada's population has increased by more than a third and her production by approximately three-quarters. Among the recent developments which point to continued growth of the economy are the major discoveries of oil in Alberta involving the construction of an 1,150-mile pipeline to Lake Superior, the proving of the large deposits of high-grade iron ore in Quebec-Labrador, and the continued large-scale construction of hydro-electric capacity. Development of hydro-electric power, of oil and of natural gas provides one of the essential bases for more industrialization and a bigger economy.

In this process of Canada's development, U. S. capital has played and is playing an important part. U. S. companies and other investors know from long and favorable experience that Canada is a good country in which to invest, for not only is the investment climate favorable but the opportunities of expansion are great.

However, Canada's development could be further stimulated in a most healthy way if the United States were to scale down its still formidable protective barriers. Canadians are well aware of the significant tariff reductions that have been made by the United States in recent years, but they are also conscious that in many lines U. S. tariffs remain in fact highly protective and U. S. tariff administration has a strong bias against letting goods into the U. S. market. They cannot help but note that the strongest manufacturing country in the world still effectively protects her domestic market for many manufactured goods, and that the largest producer of foodstuffs uses not only tariffs but a variety of quotas and other devices for keeping out foreign produce. Canada's growth is closely associated with U. S. conditions and the expansion of the last few years reflects in part the high level of activity in the United States. But Canadian growth in a number of directions is retarded by the U. S. system of protection. Canada is by long odds the best customer of the United States. For three years Canada has purchased between $1.8 billion and $2 billion of U. S. goods per annum. Her ability to buy freely from the United States, as well as the rate of her development, depends on obtaining better and more secure access to the U. S. market.

Continued on page 38

Continued from page 35

Retail Outlook For 1950

I am just going to mention four of them.

(1) *Competition of Lower-Cost Distribution* — If you will cast your eye back over the Harvard studies for a period of years, you will find that the department store gross margin percentage for the year 1949 is the lowest in 17 years; in other words, it is lower than any gross margin percentage for any year since 1932, which was at the bottom of the great depression. I think this trend means something. I think it means something that is going to be awfully difficult for the average store to cure by raising the initial markup. In other words, it reflects the competition of lower-cost forms of distribution, namely, the so-called mass distributors.

(2) *Multiple-unit Operation*—Whether you like it or not, the day of the individual store is drawing to a close. The future lies primarily with the various forms of multiple-unit operation. Whether for the department store this means the further development of branches, or the further development of chain-type operations in department store groups, or the further expansion of leased departments, or a combination of all of these, you had better get on the job of finding how to make these various multiple-operation management techniques work with the department store types of merchandise and service.

(3) *Open Display, Self Selling, and Automatic Vending*—Take a look at what the supermarkets are rapidly beginning to do with department store types of merchandise, as for instance in the field of housewares. Then figure out what they are giving the customer in the way of satisfactions, convenience and price that you are not doing, and see how you can take a leaf out of that book. I venture to think that you can get far greater productivity out of people employed behind the scenes in preparing merchandise for effective self-selling or automatic vending than you can from people employed out in front supposedly to exercise alleged salesmanship on an irregular flow of customers.

(4) *More Hard Goods*—I agree with my good friend Zelomek that as total real income increases there is a definite tendency for consumers to spend a higher proportion of their income for durable goods. A great many of the luxuries and conveniences of modern living fall in this category. As national income expands, therefore, department stores had better be prepared to handle a higher proportion of consumer durable goods. You all know that department stores for the most part have missed out on getting any appreciable share of the consumer's automotive dollar. Don't let the same thing happen to the consumer's hard goods dollar, because there is every indication that that kind of spending in the future is going to increase more rapidly than spending on soft goods.

So don't spend all your worrying budget on the immediate problems of 1950. Devote at least some part of it to thinking about what kind of store you are going to have to be in 1960 or 1970 if you are to keep up with the procession.

Paine, Webber Expand Commodities Dept.

Paine, Webber, Jackson & Curtis, members of all principal stock and commodity exchanges, announce that the firm is embarking on a program of expanded activities for its commodity department.

In addition to accelerated operations in the various futures markets, the firm is inaugurating dealings as brokers in spot commodities. By enlarging the scope of its trading to include actuals, the firm will be in a position to render increased and a more comprehensive service to its customers.

Paine, Webber, Jackson & Curtis, established in 1879, maintain direct private wire connections with their 24 offices in 21 leading cities from coast to coast. It is today one of the largest brokerage and underwriting firms in the country.

Fred Barton is Manager of the commodities department in the central office at 25 Broad Street, New York.

Shields & Co. Adds

BOSTON, MASS.—Lincoln Davis, Jr., has become associated with Shields & Co., 24 Federal St.

Continued from page 36

Business and Finance Speaks After the Turn of the Year

HUGH J. FERRY

President, Packard Motor Car Company

The Packard Motor Car Company counts 1949 as a year of high achievement in sales, production and engineering—and looks forward to 1950 confident and prepared for the new challenges it will bring.

H. J. Ferry

Increasing emphasis on sales effort took place in the past year, and this trend can be expected to gain momentum in the months ahead.

Packard established new fine-car records in 1949—the company's golden anniversary year.

Factory domestic shipments hit a new all-time peak of 102,411 cars in 1949, surpassing the previous 1937 high of 98,686 units.

Total 1949 shipment of 105,087 cars (including Canada and Export) exceeded the prior postwar 1948 record of 98,646 units, and was second in the company's 50-year history only to the 109,652 cars shipped in 1937.

One hundred per cent of Packard production in January, 1950, will be equipped with Ultramatic Drive.

Unveiled only last May, demand for this completely automatic drive—Packard-developed and Packard-produced—has continued to outstrip gradually rising production volume.

Initially offered as standard equipment on Packard Custom models, Ultramatic Drive was made available subsequently in 1949 on various other models as optional equipment at extra cost.

January production will include Ultramatic Drive on the Packard Eight, lowest priced car in the company's line.

The factory expansion program for Ultramatic Drive output was completed in 1949, representing a Packard expenditure of over $7,000,000 and culminating years of research and test by Packard engineers.

Although the accent will be on sales effort in the new year, close watch will be kept on manufacturing material supplies.

An adequate flow of materials all along the line is indicated except in the case of steel. The influence of the recent steel strike will be felt for some months ahead—aside from the complication of higher steel costs—but that industry's "pipelines" are filling up at a gratifying rate.

Last October 10, Packard was forced to slash production in half to maintain operations and spread employment in face of the then-current steel and coal industry walkouts. Output was successfully continued at the reduced schedule through the rest of the year until suspension for plant-wide inventory on Dec. 14. Employees will return, on a staggered basis, starting Jan. 3.

Total 1949 production of 104,593 cars was second only to the all-time 1937 high of 109,518 units.

Packard, last Nov. 6, observed its 50th birthday. On that date in 1899, the first Packard was built. Over the half-century span, some 1,250,000 Packards have been produced. Latest registration data available indicate that fully 52% of all these cars are in daily use today!

As the company embarks on its 51st year as a fine-car builder, its dealer organization across the country remains strong, its financial position never stronger, and its product acceptance is rising to a new and promising peak.

D. W. FRACKELTON

President, The Equity Savings & Loan Company

It was Josh Billings who said "Never prophesy unless you know." This is good advice any time and the year ahead offers no exception taking the whole 12 months into account. There appears to be a universal opinion that the first six months will show no great difference in the volume of business generally as compared with 1949. Industrial production may even rise somewhat over the next few months. The veterans' insurance dividend will be largely spent in the first half-year, inventories will have been rebuilt and farmers' incomes will decline. Government spending is headed toward some curtailment as the voters back home give Congress to understand they want a reduction in spending and a balanced budget. The undetermined and possibly the most important factor in the uncertainty of the future lies in the construction field.

D. W. Frackelton

Will industry be satisfied with plant improvement and extension started in 1949 and now completed or well under way? If there should be, as is possible, a pronounced curtailment here this will be felt in the last half of the year. There should be some considerable increase in public building but possibly not quite enough to balance off the drop in industrial and residential construction.

Residential construction in Greater Cleveland will continue at a high level but the housing shortage here is not of the acute character of the past several years. People are no longer looking desperately for shelter. The demand for new houses is more and more centering in the desire of veterans for new homes made possible by GI and FHA loans. Residential construction is becoming largely confined to homes to sell in a $9,000 to $12,000 range. Construction costs will likely show little change in 1950. However with the tremendous amount of building completed in 1949 and the large volume of work begun in the late months of 1949 to be completed in the first half of 1950, coupled with some decline in business in the last half of 1950 the amount of residential construction in the last half of this year may well be reduced but the decline for 1950 will not likely be more than 5% or 10%. Prices will be shaded somewhat because of competition and the trend toward mass production with a consequent lowering in cost, and the desire of builders to dispose of their houses promptly upon completion.

Home buyers will be more discriminating and will be looking for a style of architecture which they particularly fancy and the taste of the buying public will be more carefully studied by builders so that the buyer will have a better chance of getting what he wants than has been the case heretofore. For Savings and Loan Companies in Cleveland, 1950 does not promise to be as profitable as was 1949. The centering of construction in the lower price range with sales so largely to GI's will confine the supply of mortgage loans more and more to GI and FHA mortgages bearing 4% and 4½% interest. A considerable number of Savings and Loan Companies are increasing their interest rate on deposits from 2% to 2½% which will still further curtail their margin of profit.

D. V. FRASER

President, Missouri-Kansas-Texas Railroad Company

During the year 1949 there was a continuation of the healthy industrial growth and expansion throughout the Southwest, which is adding materially to the economic development of that section of the country. Also during the year bumper wheat and cotton cotton crops were again produced which, with increased activity in the discovery of new oil fields, is adding to the wealth of the Southwest.

D. V. Fraser

In the first ten months of the year 248 industries were located along the lines of the Katy Railroad, most of which were within the State of Texas. These industries represent a total investment of nearly $8,000,000 buildings and equipment, and give employment to more than 1,500 workers. Estimates show they will produce for the Katy Railroad some 28,000 carloads of new freight business annually. Heavy and light manufacturing, warehouses, material yards, grain elevators, sub-assembly plants make up the wide variety of industries that are relocating or expanding in the Southwestern area.

While there was a reluctance on the part of industry during the early part of the year to consider additional major expenditures for plant expansions, this activity was stepped up by midyear because of a desire of businessmen to take advantage of the growing Southwestern market.

An outstanding industrial project progressed to completion during 1949 was the 200-acre ultra-modern Katy Airlawn Industrial District in Dallas. More than $20 million were invested in buildings and land in this area for 36 large industrial projects. It is one of the most modern industrial districts in the nation.

Another project, still in the engineering stage, is the proposed construction of a $50-million warehouse development including an office building in downtown Houston by the Katy Park Industrial Development Corporation (not connected with the Katy Railroad). This proposed development will house from 100 to 150 industries, and will be constructed on the present site of the Katy Railroad yard facilities in Houston. Leasing of space in this proposed structure is now under way.

Other industrial areas, similar to the Dallas Airlawn District, are now being planned and progressed.

A large quantity of the 1949 season's wheat is still stored on farms and in country elevators, which it is expected will move prior to next season's harvest. The Texas cotton crop, estimated at 5,600,000 bales, is second only to the record crop of 1926, and the total Oklahoma production will amount to some 540,000 bales. There is considerable oil-producing activity in Katy territory in the vicinity of Gainesville and Wichita Falls, Texas, and in Western Oklahoma. It is now predicted that new oil discoveries in Scurry County, northwestern Texas, will open a field possibly as large as the great East Texas oil-producing area.

The Katy Railroad is actively continuing its plan to prepare for the continued growth of the Southwest. New Diesel engines and equipment are being placed in service as quickly as earnings permit, to give improved freight and passenger service for the Southwest. The economy effected through Diesel operations has spurred the Katy toward complete Dieselization of its motive power within the near future.

In the first 10 months of 1949, 60.2% of gross ton-miles were handled by Diesel power; in October the percentage was 71.6. Additional Diesels on order, to be placed in service in 1950, will substantially increase this figure.

There is a genuine spirit of optimism about the business future of the Southwest among the businessmen of the Southwest. The outlook for 1950, in my opinion, is good, and indicates continued activity and growth on a healthy level.

WALTER S. FRANKLIN

President, The Pennsylvania Railroad

The railroads are in shape to do a constantly better job of serving the public in 1950 and their financial results should be much more satisfactory than in 1949.

With the crippling industrial strikes of this year almost out of the way and the promise of a substantial volume of traffic next year, the significant efficiencies and economies achieved by the railroads should definitely show up in better net earnings in the months ahead. On the Pennsylvania, we have substantially scaled down expenses in proportion to reduced revenues.

Walter S. Franklin

With the level of freight rates now more nearly in line with the charges for other industrial products, with the recent helpful and badly needed increase in basic passenger fares, and with the hope that the regulatory bodies soon will act to reduce the railroads' losses in carrying the mails and in providing commuter service, there is basis for reasonable optimism and confidence as regards future results.

Then, too, the Pennsylvania and the other roads have made notable progress in modernizing and improving both their passenger and freight services. Great numbers of new and modernized passenger and freight cars are already in use. Continued advances will be made next year. Hundreds of new Diesel locomotives, making for greater efficiency and improved service, have gone and are going into use on the rails.

The "green light" for the railroads, however, is not determined by railroad management alone, but by the course of business, by labor-management teamwork and production, by government regulation, and the effect of subsidized competition.

In addition to expenditures of large sums, mostly borrowed, for new equipment, the railroads have endeavored, out of the low level of earnings, to make up for the wear and tear of the war years. However, in 1950, and in the years ahead, the Pennsylvania and all of the roads must make further large expenditures for improvements and continued modernization of the properties if they are to continue to progress, meet their competition, provide the best possible service at the lowest possible cost, sustain a credit rating adequate to their needs, and do their part in national defense. All of this means substantial earnings, and these, in turn, depend not only on the efforts of railway management, but on fair and equitable treatment in the matter of subsidized competition, the assurance of a reasonably free hand in conducting business, and the reasonableness of labor in its future demands.

ROY K. FERGUSON

President and Chairman, St. Regis Paper Company

Business in many directions underwent important readjustments during the current year and earnings of St. Regis Paper Co. will reflect the adverse effect of these conditions. Present indications are that the company's net sales for 1949 will be approximately 25% under the $162,673,925 reported for 1948.

R. K. Ferguson

A general tendency among purchasers of commodities to reduce or more closely control their inventories required an important cut back in operations during the first half of the year and resulted in the development of more competitive conditions. While some tapering off took place in the heavy post-war demand, nevertheless consumption at consumer levels remained high through this period.

An improvement in demand for paper products by jobbers merchants and others developed in August and was followed by firming of prices in certain segments. As a result of these conditions operations in the industry have since shown an improved profit trend. However, for the full year net profit of St. Regis will be substantially under that of 1948, reflecting the effect of price reductions, charges for inventory revaluations, idle plant expenses and currency devaluations.

Total production of papers and paperboard in the

Continued on page 40

The Employment Outlook

By ROGER W. BABSON

Mr. Babson reviews employment statistics and cites factors suggesting good employment as (1) continued government spending; (2) credit expansion; (3) stockpiling of people's savings, and (4) farm price support program. Warns, however, we are in for downward cyclical trend.

The employment outlook for the next six months is good. There will be near peak employment (jobs for 58,000,000) at high level wages, except for seasonal fluctuations.


Roger W. Babson

Economic activity in the next few months will be some 80% above prewar levels. This means jobs. Depleted coal and steel stockpiles will be built up. Good employment effects will be felt all along the line by industries using steel. Rehiring will be especially active in machinery and fabricated materials industries, with the automobile industry leading. Construction along home and industrial lines will hold up through the early part of 1950. Both the petroleum and rubber industries will recover somewhat from their respective slumps.

Other factors suggesting good employment are continued government spending, the expansion of credit and business loans, the continued stockpiling of people's savings ($127 billions in government bonds and bank accounts), a price support program for agriculture, etc., and a continued demand for food products. All this is not symptomatic of another boom. Rather, it is the rebound from the '49 recession caused by the too drastic liquidation of inventories on the part of panicky businessmen.

The Downward Trend

We must, however, face the fact that we are in a downward cyclical trend. Nineteen forty-eight was the top year in terms of production, wages, profits, and employment. Employment rose phenomenally from 52,800,000 in 1945 to 55,250,000 in 1946; and from 58,000,000 in 1947 to 59,378,000 in 1948. On the other hand, unemployment increased from 1,040,000 in 1945 to an average of 3,189,000 for the first half of 1949. Most economists believe three to four million is normal for a labor force of better than 60,000,000.

The net effect of recent strike settlements is to add substantially to companies' long-term overhead costs thus reducing the financial margin to lower prices appreciably and thereby stimulate employment. This is one of the reasons why you will see competition stiffen sharply within many industries in the next few months. This is also why industrial production is likely to taper off in the second half of 1950 with resulting unemployment unless greater attention is given to sales.

Best Employment Opportunities

Best job opportunities for 1950 will be in the distribution field. Even with business off in 1949, the annual rate of savings in the first six months of '49 was $16.6 billion as compared with $8.8 billions in the corresponding period of 1948. The problem is how to coax these dollars forth. I predict that during 1950 companies will add greatly to advertising and sales budgets. They will build up their market research staffs; they will develop stronger sales promotional techniques. They will hire more efficient salesmen.

Another excellent area, especially for the college trained man, will be in the human relations areas of production. A potent factor in bringing business into a more favorable competitive position is the more effective utilization of human resources for the common good of both labor and management. A third area young men should consider is work within the Federal government. In the past 20 years government agencies have increased from 250 to nearly 2,000 today, with corresponding increase in available jobs.

Spiritual Rebirth Needed

We can never have continued good times in this country until both labor and management are spiritually reborn. Each group must stop talking about its prerogatives but put into practice constructive ways of working together for their common security. This is the only way we shall escape national socialism. This is the only way we shall be able to maintain our free economy and thereby insure freedom for all.

To Manage Dep't of Harris, Hall in N. Y.

Harris, Hall & Co., Incorporated, announce that Stuart C. Law has been appointed manager of the municipal bond department of the firm's New York office, 37 Wall Street. Mr. Law became associated with the Chicago office of Harris, Hall & Co. in 1945, and recently was transferred to New York.

Garfield & Co. Forming

On Jan. 26, Garfield, Greenberger & Co. will be dissolved, and the New York Stock Exchange firm of Garfield & Co. will be formed with offices at 60 Beaver Street, New York City. Partners will be George Garfield and Spencer W. Frank, general partners, and Julius Garfield, limited partner. Mr. Frank will be the firm's Exchange member, acquiring the membership of Eugene Greenberger.

Cook & McCormick Confirmed in Sec. Posts

WASHINGTON, D. C.—Donald C. Cook and Edward T. McCormick have been confirmed as members of the Securities and Exchange Commission by the Senate Banking and Currency subcommittee.

Continued from page 38

Business and Finance Speaks After the Turn of the Year

United States in 1949 will approximate 20,000,000 tons, compared with the record 21,921,757 tons in 1948. In addition, imports of newsprint paper into this country in 1949 will, it is estimated, total some 4,500,000 tons, compared with 4,395,572 tons in 1948.

Evidence of the completion of inventory liquidation and the resumption of demand more closely related to actual consumption of paper may be found in the fact that production has risen substantially from the low point reached in July. With inventories at the year-end back to normal levels, it is evident that total consumption of paper, including newsprint and paperboard in the United States during 1949 closely approximated that of 1948.

Signs at hand suggest that business generally has completed its major readjustment from a commodity-starved postwar condition to the more normal position of a reasonable balance between supply and demand.

The 1950 outlook for the paper industry as well as St. Regis gives promise of more stable operating conditions and a favorable earnings record.

EDMUND FITZGERALD

President, The Northwestern Mutual Life Insurance Co.

We expect 1950 to be another good year for life insurance in general and the Northwestern Mutual in particular. Most indicators point to a continued high level of economic activity and of saving, and these conditions produce a good market for life insurance. The increased public attention to the matter of retirement income is leading individuals to devote attention to their personal security and retirement programs—and in these our industry offers a major service to the individual.

Edmund Fitzgerald

Other factors in our business are favorable with the exception of the rate of return available upon investments. The death rate among Northwestern Mutual policyholders apparently has established an all-time low in 1949, and we see no reason to expect a radical change in 1950. Terminations of insurance other than by death or maturity should remain low, as they have been for several years. Serious troubles among our investments are almost non-existent today.

The one serious aspect of the present national situation is the danger of further cheapening of the dollar. Federal Government deficits in times of high business activity carry the threats of increased taxes in the near future or of further inflation over the longer term. It is our hope that 1950 will bring greater public awareness of these dangers, to the end that no steps may be taken which could weaken the incentive to save.

E. S. FRENCH

President, Boston and Maine Railroad and Maine Central Railroad

The outlook for railroads in 1950 is dependent on the general level of business all over the country. However, it is also closely related to the policies which will be followed by the executive and legislative branches of the Federal government.

As far as it is possible to hazard a statement of views on the general business outlook for 1950, I would say that prospects are encouraging. Most predictions are for a level of business at least as good as 1949, and with the possible exception of the coal industry, a greater feeling of stability exists today. The price structure has at least temporarily levelled off, and prices should be about the same as they were in 1949.

E. S. French

We must never overlook the fact that our country is growing in population each year. It is estimated that during 1950 we should see a growth in population from about 150 million to 152 million people. The requirements of this greater population are bound to have an effect on the total volume of business which will be done. In short, barring unforeseeable upheavals, 1950 for general business looks good.

The problem of the railroads is to participate in this good business by handling a proper share of the freight shipments and passengers who will require service. This will have to be done in the face of increased competition from other forms of transportation, all of which are benefited to varying degrees, through the use of public facilities for which they do not pay adequate user charges. There is evidence of a gradual public awareness of the unfairness of this competition, and it is hoped that the investigations which have been made by Congress, and those which are currently being undertaken will promptly lead to an equalizing of opportunity in the transportation field between the railroads and their competitors.

It is of the utmost importance that 1950 see the passage of legislation which will encourage business. We feel it vital that the transportation taxes of 15% on passenger fares, and 3% on freight shipments, be removed to eliminate a restraining influence on the economy. It is important that legislation be passed to clarify the basing point situation which is currently disrupting the normal methods of distribution throughout the country. It is also of the utmost urgency that the increases sought by the railroads in their reimbursement for handling mail be granted without delay.

All the railroads ask is an opportunity to compete fairly for the volume of traffic available and to be allowed rates which represent adequate compensation for the work performed.

GEORGE FRIEDLAND

President, Food Fair Stores, Inc.

So confident are we of the future prosperity of our country, that Food Fair Stores, Inc., is embarking on the greatest expansion program in its history. This program will involve an expenditure of more than five million dollars during the next year and almost 12 million dollars over the next three years.

George Friedland

The bulk of the proposed record high property investment is designed for the construction of modern food supermarkets. Most of the remainder will be applied to the remodeling of older markets. Additional warehouse facilities are contemplated also.

Our confidence in the current outlook stems from several factors. Not the least of these is the availability of new capital at a conservative rate of interest. Other elements which engender optimism in the prospect for domestic business in general and food supermarket operation in particular include national income and personal savings close to their record high levels. And the national hoard of spendable income will be augmented considerably by the forthcoming payment of National Service Life Insurance dividends. Then, too, the outlook is further enhanced by continuing population growth, a prospective high level of home construction and the spread of new residential communities in suburban areas.

Food Fair's inventory position today is the healthiest in its history. Because deflationary factors which were present during part of 1948 and early 1949 have now disappeared, we do not anticipate any appreciable fluctuations in food prices. Government support of farm product prices can be taken as an additional assurance of stability in food prices.

For all these reasons, Food Fair is hopeful of its greatest gains during 1950. Our confidence in the economy in general and in our position in the supermarket industry in particular has never been greater.

C. KENNETH FULLER

President, The Paterson Savings and Trust Company

The outlook for banking in northern New Jersey for 1950 is obviously determined by the outlook for trade and industry in our service area. As for the supply of money, it appears that deposits will probably increase moderately during this period, continuing the trend in evidence during the past few months. The increase is likely to come in demand deposits rather than time, however, as competition of savings banks and other competitive institutions paying higher rates of interest have apparently affected the growth of time deposits of commercial banks. Also the purchase of homes, automobiles, and other domestic capital goods has caused some drain on time deposits in recent months, which trend seems likely to continue.

C. Kenneth Fuller

With ample supply of funds, therefore, we look to the potential demands and find the outlook relatively promising. Trade and industrial activity in this area have, for the most part, followed the national pattern of 1949 with a sharp and fairly severe set back in the first six months and steady and strong recovery during the last half of the year. Our major industrial activities consist of textiles and their affiliated lines, including dyeing, finishing, and chemicals, machine (including aviation) and machine tools, twines and thread, electrical equipment, rubber, paper products, and more recently the rapidly growing television industry.

The overall outlook for these industries seems promising, at least for the next six months. Specifically, the outlook for the textile industry appears somewhat mixed with some lines anticipating a continuance of present high levels of activity and others experiencing low backlogs and reduced employment. The outlook for the machine and machine tool industries shows a somewhat greater degree of uniformity. By and large they enjoyed a highly satisfactory year in 1949, and although the prospect is for a somewhat lower volume, reflecting reduced capital expenditures on plant and equipment, nevertheless, it is relatively favorable. The electrical industry, as evidenced by companies in our area, seems likely to continue to operate in good volume with stable prices and good employment. The manufacture of paper products has enjoyed a particularly successful six months with prospects for its continuation and high employment. Indication for the twine and thread industry seems to be for good volume and high employment. Prices and profit margins in the hard fibers are somewhat difficult to predict because of the uncertainty caused by devaluations and the interracial bickerings in India.

The television industry has had a phenomenal spurt these last few months and is likely to experience a period of consolidation with possibly some decline in volume after the holiday season with supply having temporarily caught up with a demand far in excess of that anticipated. Price reductions seem in the offing, however, and even though a substantial increase in volume for the year is anticipated, overall profits may not be greatly increased.

The rubber companies in the area supply the automotive industry and a fairly broad line of industrial products, including heavy industrial braking. Activity and employment have increased in recent months with indications that it will be continued for the first half of the year at least. A protracted coal strike or lack of adequate supplies of coal (which, unfortunately, cannot be ruled out) would alter this outlook very drastically.

The construction industry has absorbed large amounts of capital during the past few years, and although residential construction has probably passed its peak, there is only slight evidence of rental vacancies or unsold houses. Furthermore, the national policy of providing subsidized housing and inducements in the form of high mortgages at relatively low rates will probably maintain the volume at high levels. The volume of industrial construction may decline somewhat, but public construction and road contracts appear likely to more than make up for this curtailment.

With the exception of some branches of the woolen industry, the local labor situation should be quiet, because most of the contracts either have been renewed or don't come up for renewal until the latter part of this year or next. A coal strike, or further reduction in supplies of coal, could not help but affect the overall industrial picture, however.

In spite of this optimistic industrial summary, it seems likely that the volume of loans to industry may be in somewhat reduced volume over the period of the next several months, because as mentioned above, demand rising out of improvements and capital expenditures is likely to be lower. Rates, however, should be maintained at approximately present levels.

In view of the probability of high employment at good wages, the outlook for retail trade seems favorable. Sales for the past few months have been at levels which may compensate for the low volume earlier in the year, and present indications are that they will be maintained in good volume at favorable prices.

Installment credit is now becoming a very important factor in bank assets and earning prospects. The volume of bank credit outstanding in this field has grown rapidly, and unless there are governmental regulations restricting these activities, it seems likely that the total volume will continue to increase at rates which should more than compensate for any possible decline in income from commercial loan portfolios.

Since our service area could scarcely experience a prosperous period in the face of unstable nation-wide conditions, it is important to give consideration to the national picture. Such a survey seems to warrant equally optimistic conclusions, especially for the first half of the year. The basic industries of steel, automobiles, and construction are operating at high levels with every indication that these levels will be maintained. It is true that farm income may be somewhat reduced, imports increased, export volume of trade curtailed, and competition keener with some soft spots developing, but, nevertheless, the economy is in a relative state of balance. Furthermore, to compensate for unfavorable factors, we have in prospect the veterans' insurance refund in January, a continuance of deficit financing with its inflationary implications, and all sorts of props and sops to various economic groups throughout the country aimed at providing high wages, welfare benefits, and high employment in an election year regardless of their cost or economic justification. In fact, one almost wishes that the outlook didn't appear quite so uniformly favorable at a time when the Government is following such basically unsound fiscal policies, because sooner or later the fiddler must be paid.

Nevertheless, in summary, we believe that the banking outlook for the area of northern New Jersey is definitely favorable for the year as a whole.

Continued on page 42

Free Economy Vital To Proper Retailing, Declares Lazarus

Industry leader asserts permanent crisis is here and drive to achieve security presents dangers to the very liberties it is intended to safeguard.

Fred Lazarus, Jr., President, Federated Department Stores, Inc. one of the nations largest retailing organizations, was presented with the Tobe Award as the "Retailer of the Year," Thursday, Jan. 12, at a dinner on the St. Regis Roof, New York City, attended by over 250 leaders of American business and industry.

Fred Lazarus, Jr.

Dean Donald K. David of the Graduate School of Business Administration of Harvard University, made the presentation on behalf of the trustees of the Tobe Award, stating that Mr. Lazarus had been chosen for the cumulative accomplishments of "industrial statesmanship, broad-scale conception of retailing, over-all contribution to American business, liaison efforts between government and retailing, civic activities and philanthropic interests."

The Tobe Award was founded seven years ago as an "Oscar of Retailing" to "stimulate progressive thinking among merchants and to signify to the entire nation the outstanding efforts in the field by men and women."

In accepting the Award, Mr. Lazarus called on the nation's 1,750,000 retailers to "take a position of leadership" in their communities, states and the nation to alert America to the need for sound planning that will make certain individual liberty and freedom are not lost in the present-day search for military security.

"The fact is that retailing, as we know it and as we want to keep it, can function only under a system of private economy and personal liberty," Mr. Lazarus said, adding that a period of what might be called "permanent crises" was here and that the drive to achieve security presented dangers to the "very liberties it intended to safeguard." He noted: "We must plan in the broadest sense, but without destroying the play of personal initiative and ingenuity, and be vigilant to prevent the growing role of government from becoming a runaway bureaucracy.

"For years certain retailers have feared the risks of getting into anything remotely controversial. Perhaps that attitude could be justified in the past. It no longer applies today. Today the risks of avoiding controversy have become too great. We have too much at stake to remain passive observers.

"In the rugged years ahead, the pinch may well be felt where it hurts us most—in purchase and volume of goods and purchasing power. Retailing will have to make major decisions and use its resources to make them count."

Pointing out that retailing "does business not with government but only with the American people," Mr. Lazarus said that retailers, large and small, "must go out and elert their communities to an awareness of what is happening and arouse them to a direct interest in what can happen."

Drawing on his experience as head of a special committee of the Committee for Economic Development, which last month issued a report on "National Security and Individual Freedom," based on an 18 months' study, Mr. Lazarus said that this group found "freedom of choice the cornerstone of any free retailing edifice." Explaining: "The central, and I might say, symbolic freedom in a democracy is, after all, the freedom of choice—of one's job, of ideas and viewpoints without dictation from above.

"Retailers must act as the spark plug in their own communities in alerting the public to the need for an informed opinion and to an awareness of the need for the wisest planning for personal liberty within the pattern of international security. Stores—and I say this in all seriousness—can put the same kind of thought, initiative and money behind such promotion as it is accustomed to doing in promoting a new silhouette."

Philip Patton With First Boston Corp.

The First Boston Corp., 100 Broadway, New York City, announced that Philip S. Patton has joined the firm as Assistant Vice-President in the U. S. Government bond department. Mr. Patton was formerly an officer of Blair & Co., Inc.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Frank T. Burgess has become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Okla. Bond Club Elects New Officers

OKLAHOMA CITY, OKLA.—Philip C. Honnold, of C. Edgar Honnold, Oklahoma City, was elected President of the Bond Club of Oklahoma for the year 1950 at its annual meeting, succeeding Herbert Canfield, of Calvert & Canfield, Oklahoma City.

Other officers elected were Lloyd Green of R. J. Edwards, Inc., Oklahoma City, Vice-President, succeeding Meredith Kilgore of Evan L. Davis, Tulsa, and Charles P. Stuart of the Fidelity National Bank, Oklahoma City, re-elected Secretary-Treasurer.

A resolution of thanks to C. B. Page was unanimously approved for the use of his farm for the annual family field day outing. The permanent committee appointments will be made later.

Inv. Women of Phila. Anniversary Dinner

PHILADELPHIA, PA. — The Investment Women's Club of Philadelphia held its 20th Anniversary Dinner Meeting at Kugler's Restaurant on Monday, Jan. 16 at 6:15. Guest speaker was the Honorable John F. Davis, Mayor of the City of Reading, who spoke on "Free Enterprise."

McDonald, Evans Adds

KANSAS CITY, MO.—Timothy P. O'Neil has been added to the staff of McDonald, Evans & Co., 1009 Baltimore Avenue.

Continued from page 40

Business and Finance Speaks After the Turn of the Year

WALTER D. FULLER
President, The Curtis Publishing Company

The general economy of this country at the close of 1949 is on a seesaw. Now level, it is difficult to predict which way our economy will move during the coming year.


Walter D. Fuller

If business is going to turn upward, it will need power for the climb and that power is selling and advertising. We all know what will happen if it turns downward—there will be unemployment, inventories will mount, and that will mean less sales, still more unemployment, closing factories and stores and all the rest of the dismal downward spiral.

In a recent address, Dr. Harold G. Moulton, President of the Brookings Institution, called attention to the highly sensitive character of our tax system by demonstrating that even a moderate recession, such as a 20% decline, would involve a drop in tax receipts of something like $16 to $18 billion. If you regard this figure of 20% as a larger variation than we are likely to face, cut it in half and the resulting tax loss could still easily throw us into a dangerous effort to recover by increasing taxes. This, in turn, could result in a sharp reduction in our selling expenditures and a weakening of our whole economic structure. It has been demonstrated many times that our economic health bears a very direct relationship to our national sales effort.

The trend of events indicates that if we are smart and stimulate sales volume instead of depressing it we will probably have continuing prosperity in America. As a matter of fact, it is possible that we are facing potentially one of the most prosperous eras in the history of our country. High selling and intelligent advertising can be one of the principal forces in bringing this about.

W. W. GASSER
President, Gary National Bank

In almost every paper and financial magazine, we read that the first six months of 1950 are going to be good and after the middle of the year conditions are not so certain. This unanimity of optimism should in itself be a warning, for it is often when conditions are on the up-trend that troubles begin to appear and that the groundwork is being laid for recessions.


W. W. Gasser

Following every war that we have had, the economic pattern has been quite similar. For about four or five years after a war inflationary forces prevail, and during this time readjustments are being made, after which deflationary forces gain the upper hand; prices begin to fall, and a long period of deflation sets in. The latter part of 1950 could well be such a turning point. With the production of steel, automobiles, television sets and a few other scarce articles overtaking demand, it could well be that the latter part of this year would mark the beginning of a general long downward trend.

In most lines where prices are not supported by government subsidies, prices are already beginning to decline. With the high production costs in the United States and with our tendecy to lower tariffs, we could see a great influx of foreign goods dumped onto the markets of this country in the coming months. This influx of foreign goods is further increased by currency devaluations by other governments. Already we are seeing severe price cuts coming in certain lines, which unsettied price levels will undoubtedly get worse instead of better for some time to come.

Our economy is a combination of both inflationary and deflationary forces and when either force predominates, we call it either inflation or recession. A small upward or downward change in business activity can change the trend. We see a machine running smoothly with all of the wheels functioning perfectly, but let one of those wheels get out of mesh, and it can quickly throw the whole machine out of order. This can be equally true in our economic machine. Price cutting and the influx of foreign goods could throw our economic machine out of balance and could start a downward spiral. Government controls, subsidies, price fixing and other artificial stimulants can affect the over-all picture for a time, but sooner or later the laws of supply and demand will prevail.

In summary, I look for a continuation of high business activity for the first few months of 1950. Somewhere along about that time could be the turning point and a long recession begin.

I believe bankers should screen their loans most carefully, adhering to sound risks, short-term loans and investments.

WALTER GEIST
President, Allis-Chalmers Manufacturing Company

Prospects of my company for 1950 generally appear to be encouraging.

There also are many bright aspects as we look ahead to visualize the business picture in general for the coming year. At the same time, of course, it must be realized that predicting future trends in business is hazardous, must be based on past experiences.


Walter Geist

At Allis-Chalmers we are winding up a year in which we will record the largest peacetime sales in the 102-year history of our firm. This record was accomplished despite crippling steel and coal strikes, which brought lay-offs and a juggling of materials and production facilities in order to realize the most from what we had to work with.

According to such guide-posts as appear in general business trends and market research studies, this large volume of peacetime business cannot be expected to hold at this high peak.

There is a good indication, however, that the farm machinery business of Allis-Chalmers will maintain a favorable pace. In this field, of course, our prediction must be dependent upon the American farmer and his income. At the present time the trend of farm income is downward. If this trend continues, then those of us working with farm products must work harder during 1950 if we are to approach the dollar volume of the past year.

We expect that our general machinery line, consisting mainly of capital goods and heavy equipment, will show a decline during next year. It now appears that this reduction may be as much as 10% to 15%.

While generally we recognize many encouraging factors as we look into the new year, we find this somewhat counteracted by the tax picture.

Unquestionably, competition will be keen during 1950. There will be many extensive campaigns in the fields of advertising, sales promotion and direct sales. We believe we are geared to go out and make a good showing in our effort to obtain new business during the year.

BERNARD F. GIMBEL
President, Gimbel Brothers Inc.

As the year 1949 comes to a close, trends in retail trade both in dollar volume and unit sales point definitely upward.

Barring prolonged strikes of a national character I see nothing to cause reversal of these trends in the months ahead.


Bernard F. Gimbel

For the first time in recent years, prices for consumer goods and living costs generally, and wages, appear to be stabilized at levels likely to hold through the first half of 1950 and probably through the entire year.

Including refunds of veterans' insurance premiums payable early in the year, economists estimate national income for the first half of 1950 at an annual rate of about $217 billion; close to the records established in 1948 and 1949.

In summary, I believe retail sales volume during 1950 will exceed that of 1949.

E. F. GOSSETT
Chairman of the Board, South Texas National Bank, Houston

The Texas Gulf Coast, probably the most talked-about region in America today by reason of its industrial growth in the past 10 years, presents encouraging prospects for continuing development in the future.


E. F. Gossett

Approximately $1 billion in chemical plant investment has been poured into the coastal area from Brownsville, Texas, to Lake Charles, Louisiana, since 1939, about half of this total coming in the period 1939-1945, the remainder since 1945. Since the end of World War II, chemical plant investments in the Houston-Texas City area alone exceed $227 million.

We expect the pace of chemical development to slow down, but nevertheless we believe there will be substantial plant construction in the years immediately ahead to utilize the abundance of raw materials in the area.

Heavy industry in Houston has made satisfying progress since the war's end. Latest announcement is that A. O. Smith Corp. will build a $5 million large-diameter pipe-making mill in Houston. Industrial and commercial construction in Houston totals more than $400 million since the war's end.

Business in general is holding up very well in the Houston area, with most indices comparing quite favorably with those in other areas of the nation. Tonnage and value of cargoes through Port Houston are at all-time highs. Housing construction continues brisk to meet demands of an expanding population, even though about 50,000 units have been built in the Houston metropolitan area since mid-1945.

Bank deposits in Houston are holding at a peak of just over $1 billion. Demand for commercial loans continues unabated, but, in common with other bankers in this area, we are watching our credits with care and caution.

We share the view of Houston business and industrial leaders that the first six months of 1950 should be good business-wise, and we also share their view that the long-range prospects for Houston and the Texas Gulf Coast are among the brightest in the nation.

WILLIAM L. GREGORY
President, Easton-Taylor Trust Company, St. Louis, Mo.

During 1950, the American economy will, of necessity, place more reliance on efficient production, on competent management, and much more aggressive sales development as we more nearly approach a competitive and normal business period. We cannot be free from factors beyond the control of the individual businessman, and defense programs will undoubtedly add to other inflationary tendencies which should give us a higher level of business in 1950 than we had in 1949.


William L. Gregory

1950 should be another very good year for American business and the inflationary tendency will not be excessively destructive during the period. Price levels should hold fairly well—but, of course, with a disposition for downward adjustment in farm produce. We may hope for more intelligent and friendlier adjustments between the various parts of the economy, particularly labor and industrial management.

A. E. GRAUER
President, British Columbia Electric Railway Co., Ltd.

The 1950 outlook for electrical utilities in the United States and Canada is good.

From a net earnings point of view, several factors combine to make 1950 promising. The improvement in general business conditions which marked the latter part of 1949 should extend well into 1950, and this will increase the gross revenues of electrical utilities. The availability of electrical appliances of all types and the easier situation respecting power supply over most of the continent, permitting promotional sales campaigns, will also work to this end. Costs, on the other hand, should be more stable than for any year since the end of the war. There should therefore be less of a squeeze from the cost side.


A. E. Grauer

With 1950 forecast as a year of high business activity generally, it should be another year of heavy capital expenditures by electrical utilities. During the immediate postwar years, almost all electrical utilities were pressed by a condition of abnormally low surplus capacity as the result of the war, and an unexpected and sustained increase in electrical demand. Capital programs were therefore quite generally "emergency" programs, involving the necessity of catching up with the past as well as meeting the present and anticipating the future. With some important areas excepted, like the Pacific North-West in the United States and Ontario in Canada, 1950 should see the end of this "emergency" period. As against some of its immediate predecessors, it will be a year of more orderly capital development and better control of costs.

The financing of the huge postwar capital program of the electrical industry, which caused wide-spread concern at the beginning, has so far been accomplished remarkably well, and 1950 should, if anything, be an easier financing year than 1948 and 1949.

Nevertheless, it is most desirable that action be taken to make financing by junior securities easier. Important sources of capital funds like life insurance companies state that governmental regulations prevent them from becoming more significant purchasers of common stocks and preferred shares. If North America is going to be kept an "enterprise" area, this is a field which warrants the most careful thought, followed by action, of all concern.

An interesting development in this connection is legislation passed by the last Canadian Parliament. Canadian holders of preferred and ordinary shares are now allowed a 10% tax credit on dividends from these shares in

Business and Finance Speaks After the Turn of the Year

computing their personal income tax. This credit is some recognition of the onerous double taxation that exists in both the United States and Canada through taxing the same income in the hands of a corporation and again in the hands of the individual after it has been distributed as dividends. The main purpose of the Canadian legislation is, however, to stimulate more "risk capital" investment by making the purchase of junior securities more attractive.

Fundamentally, the electrical industry is in good shape and 1950 should certainly be well above the average year. The major disturbing factor is the fear by some that there will be an active promotion of a situation which allows one set of rules for an electrical utility in private hands, and a much easier set of rules for an electrical utility in public hands. If this occurs for the electrical industry, there is no reason why it should not happen to any other industry.

GEORGE GUND

President, The Cleveland Trust Company

As we enter 1950, the prospects are that business for the new year will be reasonably good. Probably the total volume of goods and services produced in 1950 will not differ very much from that of 1949, which turned out to be better than many persons expected at the beginning of 1949.

George Gund

There are some disturbing underlying factors, however, which may not have much noticeable influence in 1950 but which have most serious implications for later years. These factors arise from the trend of government policies.

One of these is the continual pressure for more government control over the economy. It is evident in the demands for more government power projects, more control over farm crops, more direction of industry through government loans and capital. It is evident in the bill introduced into Congress last July, called the Economic Expansion Act of 1949, which provides for new government intervention in our private enterprise system, together with new Federal spending and lending. We are turning away from a system which has brought us the highest living-standard in all history, and are drifting toward a system of state control over the individual which is completely foreign to the true and fundamental American ideals of individual freedom and self-reliance.

Another serious development is the return to Federal deficit spending. This might somewhat be defended on emergency grounds if business were badly depressed, but it is hard to find any possible excuse for it in periods of above-normal business such as we have been having. As pointed out in the Cleveland Trust Co.'s Business Bulletin for December, if the budget is not balanced when business is good, then when is it to be balanced? Government officials have implied recently that budget-balancing is secondary to what the government conceives to be the general welfare. If that is so, one may as well conclude that it is perfectly reasonable for an individual to spend steadily more than his income, because all the things for which he is spending seems so important that he cannot dispense with any of them.

Clearly, a continual excess of Federal expenditures over receipts will eventually lead to more inflation.

Every American worker ought to be truly concerned about the future purchasing power of his hard-earned dollar. And he ought also to be vociferously concerned with the large savings which could be made merely by getting rid of the inefficiency, waste, incompetence, and extravagance in the operations of the Federal bureaucracy, all of which is now a matter of public record.

In 1857 Lord Macauley made some gloomy but remarkably apt predictions about the United States in the twentieth century. He feared that in adversity we would do things which would prevent prosperity; that spoliation would increase distress; and that distress would produce fresh spoliation. He said further that "when society has entered on this downward progress either civilization or liberty must perish." And he concluded that "either some Caesar or Napoleon will seize the reins of government with a strong hand, or your Republic will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire was in the fifth; with this difference, that the Huns and Vandals who ravaged the Roman Empire came from without, and that your Huns and Vandals will have engendered within your country by your own institutions."

Most Americans will instinctively repudiate these dismal forecasts. Yet they give us pause, and we should ask ourselves whether we are really asserting ourselves as vigorously as we should to help prevent these forecasts coming true.

HUGH C. GRUWELL

President, First National Bank of Arizona

Like the years preceding it since the close of the war, we come to 1950 faced with a perplexity of world conditions which make obligatory and utmost exercise of sober judgment and prudent thought. The gravest of these many imponderables is, of course, the possibility of aggressive policies by other nations. Other factors which will affect American business in 1950 could be continued disturbances in the field of labor and speculative variation in commodity prices.

Hugh C. Gruwell

However, conditions abroad may begin to resolve themselves and labor and management attain a degree of understanding. Thus, it would appear that the first half of 1950, with its accent on sharpened merchandising and more thoughtful long-range business policies, should be a period fully as good, business-wise, as during 1949. The latter half of 1950 will improve or retrograde in proportion to the policies established by business, management and labor. It will also be affected by the energy and realism with which our manufactured products are distributed abroad. Therefore, granted that business becomes realistic in its approach to consumer problems, and the world continues increasingly free from threats of armed disturbances, then the second half of 1950 should also be productive and profitable.

The State of Arizona continues to be an especially favored area. It is still very short of its ultimate growth in population and development. That development is contingent, in a large measure, on freer access to water for irrigation projects—a subject which has achieved national attention and which is now before the Congress of the United States for action. The future of this State, in the realms of agriculture and cattle raising, is tied closely to a sufficiency of water. It is earnestly hoped by all thoughtful citizens of the commonwealth, that

Continued on page 44

Continued from page 43

Business and Finance Speaks After the Turn of the Year

national action favorable to the State will insure for all time the essential productivity of cotton, foodstuffs and feed for cattle.

Arizona contains much of interest to light industry in the way of climate, favorable power rates and a highly qualified labor pool. Much effort to attract such industries is being expended by State and private agencies, and the result in 1949 gives confidence to such groups for progress in 1950.

This bank, which was established in 1881 and is the oldest national bank in the State, has seen Arizona grow from primitive beginnings to be the hub of a thriving, throbbing Southwest. The vision of the pioneer remains with us, who have fallen heir to their courage and imagination. We expect the State to continue its growth and to play our own part in that expansion.

LEWIS G. HARRIMAN

President, Manufacturers and Traders Trust Company, Buffalo, N. Y.

In December, the Treasury engaged in a major financing operation. Some ten billions of called and maturing United States obligations were refunded with one-year, 1⅛% certificates of indebtedness and four and one-quarter year 1⅜% Treasury notes. The terms of these issues squared with expectations and with the existing market, and except for the unusual size of the financing, it was routine and orthodox. It must be accepted that this operation put the Administration's stamp of approval on the current money rate pattern and set the pace for 1950. This being the case, the commercial banker cannot hope to find greater latitude for earnings from loans, investments and mortgages than existed in 1949. Nor is any appreciable change in deposit levels visible in the next 12 months. It seems to be in the political scheme of things that money will remain cheap and plentiful, that deficit financing will continue to underwrite full employment, farm income and the ever increasing outlay for the so-called welfare benefits. Deposits locally and nationally may rise a bit during the year, but we should experience no decrease in earnings assets.


Lewis G. Harriman

This would indicate no great change in the trend of bank earnings, and that increases, if any, must come from a decision to lengthen the average maturity of the investment portfolio and from more efficiency and economy of operation. In most banks there is some latitude here but it is limited. The trend of bank operating costs has been upward since the war largely as a consequence of wage and salary adjustments, but has reached a point of some stabilization in the past 12 months. Banks generally are now actively and successfully engaged in programs to cut costs, increase efficiency and expand profitable services. This should be reflected in some increase in net earnings but no major change can be expected so long as money rates and deposit levels remain steady.

The basic condition, strength and integrity of the banking system is eminently satisfactory. Banks have never been in better position to meet depositor demands and borrower requirements. Investment portfolios are largely confined to U. S. Government bonds and diversified maturities, loans are sound and current and mortgages, if any, are subject to regular and systematic amortization. Reserves are ample. It is difficult to conceive any condition or circumstance that will impair the soundness of the structure.

H. FREDERICK HAGEMANN, JR.

President, Rockland-Atlas National Bank of Boston

Over four full years have elapsed since the close of the War. All wartime scarcities are things of the past, and the pipelines of industry, except perhaps in the case of steel, are now well filled. Last spring business underwent a considerable contraction due to a general desire to curtail inventories, but in recent months we have had very good business as companies have moved to restore inventories up to more normal levels. Early in 1949, as inflationary pressure subsided, the Federal Reserve and the Treasury took steps to ease money rates.


H. F. Hagemann, Jr.

One of our present economic problems centers around surpluses rather than shortages, and as I view the outlook for 1950 I do not expect any appreciable increase in loans or a tightening of money rates. Due to the fact that the Government will undoubtedly operate at a deficit again next year, it seems reasonable to believe that the deposit level will be somewhat higher by year-end. However, I doubt if the income derived from any such increase in deposits will be sufficient to completely offset the loss of income which banks will incur through their higher coupon bonds being called or maturing in 1950. I do not think there will be any substantial change in bank expenses. As a result, I do not anticipate any appreciable change in the level of bank earnings.

In view of the fact that many nations of the world spent almost six years, and we ourselves almost four years, in the vigorous prosecution of a war that destroyed hundreds of billions of dollars worth of economic values, it is hard for me to believe that we shall not at some time in the future have to pay for this through a rduced standard of living. All major wars to date have been followed by depressions, and the burden of proof, it seems to me, rests with those who claim that we are going to be able to avoid a serious and major re-adjustment as a result of the past war. All bankers, while they owe a duty to their communities for the financing of local business and to their stockholders for reasonable earnings, must be mindful of the fact that their primary responsibility is to maintain the safety of the funds entrusted to them by their depositors.

It seems to me that a small but increasing segment of the population is becoming alarmed at the dangers of our Government's operating on an unbalanced budget at a time when business is at or near a record peacetime level. Some affirmative action on the part of the Administration to correct this in 1950 seems essential to avoid an impairment of Government credit and to maintain the long-range purchasing power of the dollar.

In addition to their normal bank operations during 1950, bankers should renew and intensify their efforts to teach the ABC's of economics through their customers and try to re-instill in them their responsibilities as citizens. It would appear that only through an educational program at the grass roots can a demand for economy be developed.

WALTER S. HALLANAN

President, Plymouth Oil Company

As the American oil industry enters 1950, it is faced with the most critical problems of its entire history. Expanding world production at the same time that American markets are contracting, constitutes the most serious threat to the industry, but there are many other difficulties of the most serious nature. Some of these are the rising costs of operation, the necessity of drilling to greater depths in order to discover and develop new reserves, and the political pressures for governmental controls over the industry, which so far have been thwarted by the success of the peace-time co-operative effort between the petroleum industry and government as effectuated through the National Petroleum Council.


W. S. Hallanan

Oil is the "Number One" essential of both war and peace, and, as such, it is inseparably linked with the collective destiny of the American people. Its problems are national in scope and involve the security of the country and the continuation of our high level of productivity. They demand the serious attention and consideration of all citizens.

To paraphrase an old political axiom, it is certainly true that "as oil goes, so goes America." The recent simultaneous strikes in the steel and coal industries caused thoughtful persons to ponder the effects of a complete shutdown of the oil industry. Even with the production of two such prime essentials as steel and coal halted for several weeks, the economy of the country managed to limp along, but we all know that if the oil productive facilities of the country were brought to a standstill, chaos would ensue. We must be on guard that no one man or group ever obtains the power to bring such a calamity to America.

World oil production is expanding more rapidly than consumptive capacity. The markets of the American oil producer have contracted to a much greater degree than is represented by the difference between world production and consumption. This is because foreign production has not only taken over most of the American export market but has also displaced American oil in the American market. As production abroad has increased by leaps and bounds, our own domestic production has been sharply curtailed in order to accommodate the flood of imports.

While statesmanship within the industry can go a long way toward restoring equilibrium and confidence to the domestic producer and refiner, it cannot be overlooked that many of the industry's troubles grow out of circumstances beyond its control. To a considerable degree, the industry is at the mercy of those who negotiate international trade, monetary and other economic agreements. However, the industry can do much towards a solution of these momentous questions if it develops a high order of statesmanship, especially among those responsible for the record-breaking and ever-increasing importations of crude oil and products.

Although it is true that the American oil picture at the beginning of 1950 is less bright and more uncertain than at any time since the close of the war, we find encouragement in the recollection that the outlook has been very dark at many times in the past. We know that the same kind of broad-gauged leadership and resolute courage that surmounted these crises of days gone by can restore confidence and balance to the confused picture of today. The industry has a public responsibility to develop and assert such leadership. It has never shirked any of its obligations to the American people, and it cannot afford to do so now.

B. E. HENDERSON

President, Household Finance Corporation

The year 1949 has provided consumer finance companies with the greatest volume of business in their history. This business has been conducted at a satisfactory rate of net profit, in spite of the significant growth in operating costs in recent years. The favorable volume of business can be attributed to three factors: (1) the high level of business generally throughout the United States and Canada; (2) an increasing recognition of the advantages of the constructive use of credit; and (3) management which has sought aggressively to serve the consumer effectively. There is every reason to believe that 1950 will also prove to be a very good year for consumer finance companies generally, possibly exceeding in volume the year 1949.


Byrd E. Henderson

Contrary to general opinion, it is an axiom that the consumer lending business is good when business in general is good. When business is active and people are employed at good rates of pay, they are willing and able to obligate themselves to repay on an instalment basis the money which they need to meet emergencies. This is conducive to a high volume of applications for loans, to the granting of loans to a high proportion of applicants, and to a steady volume of repayments from customers. When people have misgivings with respect to their future employment or are unemployed they are neither desirous of assuming obligations to be repaid over a period of time nor are they in a favorable position to assume such obligations. In view of the high level of general business activity in 1949, it is not surprising that it was a good year for consumer finance companies. So far as can be foreseen, 1950 will also be a year of high activity in business.

Consumer finance companies serve the public under the provisions of the Small Loan Laws, originally recommended by the Russell Sage Foundation over 30 years ago, in order to provide wage-earners with adequate credit at reasonable rates of charge. Suitable laws have been adopted in over 30 states. Those laws generally provide for the licensing of lenders after a strict examination of fitness, character, and financial responsibility and for continuous supervision of such licensees. They also set a maximum rate of charge. Such laws originally covered loans up to a maximum of $300. Economic conditions have changed greatly, of course, since 1916. The higher price levels and wage levels and the more general acceptance of the use of all forms of consumer credit have resulted in a demand for larger loans than formerly.

In recent years, a number of states have amended the Small Loan Laws in order to enable consumer finance companies to serve the public better. In 1949, New York and Connecticut increased the size of loans subject to the regulation of the small loan law from $300 to $500. In addition, small loan laws now provide for larger loans in Canada ($500) and in eight other states: California ($5,000); Illinois ($500); Michigan ($500); Nebraska ($1,000); New Jersey ($500); New Mexico ($500); Ohio ($1,000); and Washington ($500). In a number of other states, Household makes loans up to $1,000 under other legislation.

It is to be hoped that additional states will provide legislation which will give their citizens the benefit of the services of consumer finance companies regulated in the public interest. In six states, (Kansas, Missouri, Montana, North Dakota, South Carolina, and South Dakota) there is no effective regulation of loans made to consumers. In a number of additional states (Alabama, Arkansas, Georgia, Mississippi, North Carolina, Tennessee, Texas, and Wyoming) and in the District of Columbia, the small loan laws which exist must be considered seriously defective so that they are ineffective in providing adequate service at reasonable rates to consumers.

It is also hoped that the trend of recent years toward increasing the maximum amount of loans subject to state regulation will continue. This will permit consumer finance companies to serve wage-earners more effectively and will provide regulation in the public interest on loans of the larger amounts.

Consumer finance companies have sought to serve consumers better by providing services conveniently accessible through branch offices. During the past year our Company has opened additional offices in order to provide more convenient service to a greater number of customers. At the end of the year, we were serving over one million customers in 490 offices in the United States and Canada. These offices were located in 29 states and eight provinces of Canada. The average

Continued on page 46

Public Utility Securities

By OWEN ELY

Laclede Gas Light

The introduction of straight natural gas last May allowed Laclede to lift restrictions imposed earlier upon new house-heating business, and since then 25,000 new house-heating customers have been accepted, practically doubling the total number. With saturation now only about 16 to 20%, the company expects to add another 50,000 such customers during the current year. Also, 5,000 to 6,000 new homes are being built annually in the St. Louis metropolitan area, and the company expects to get the house-heating business from most of these homes. Gas at present has the advantage over coal and oil. In the St. Louis area there is at present only one grade of coal selling cheaper than natural gas; and, to compete with Laclede's natural gas rates, No. 3 fuel house-heating oil would have to sell at 8½ cents per gallon, compared with the present price of 11 cents and more.

Laclede's water-gas plants will now be converted to the manufacture of high BTU oil-gas, for stand-by purposes in case of failure of pipeline deliveries, and for use with peak loads. The coke oven plant will be retained as long as coke production is profitable, which depends largely on the production rate of the steel industry; if it becomes unprofitable, Laclede may sell the plant. It is carried on the books at $3.5 million, and the depreciation charge against it is not stated; while sale proceeds might not cover book value, the Missouri Public Service Commission might permit the company to write off the balance by charges to earnings.

The depreciation reserve of St. Louis County Gas Co., when that company was taken over by Laclede several years ago, was adequate, but Laclede's own reserve is probably too small, and the annual charges for retirement might also be considered somewhat on the low side. The company is studying this problem, and hopes to arrive at some future solution. Since Laclede sells all its gas directly to consumers, it appears unlikely that the recent decision of the Supreme Court in the East Ohio Gas case will subject the company to FPC review of accounting policies.

Conversion of the system to straight natural gas cost $2,400,000 or about $8 per meter, which is the lowest conversion cost known thus far in the industry. (It compares with $12 to $14 per meter in the case of Baltimore.) Laclede was fortunate in being able to profit from the conversion experiences of Washington and other cities. Conversion costs will be amortized at the rate of about $200,000 annually, the company being permitted by the Missouri Commission to charge a corresponding amount to customers. They hope to accelerate the write-off, and thereby reduce any future pressure for rate cuts.

Laclede's capital structure consists of $25.5 million 1st 3½s of 1965, a little over $6 million convertible sinking fund debentures due 1963, $4 million notes and about 2.4 million shares of common stock. The bonds are rated Baa by Moody and the debentures Ba. The company would like to refund its debt, but it would seem desirable first to obtain revision of the bond ratings as reflecting the improving credit position. In the meantime, the company must finance its expansion program which will require some $15-20 million over the next two or three years. In the current fiscal year ending Sept. 30, about $8 million will be needed, of which only about $2 million will have to be financed (another $2 million is covered by a bank loan).

Tentatively, the company plans to offer preferred stock, and at the annual meeting Jan. 26 it will seek authorization by 75% of stockholders for a new issue of $12 million preferred. A portion of this amount might then be sold, probably with a dividend rate around 5%, to pay for current construction and perhaps reduce the bank loan. The company is anxious to obtain proxies for this meeting in order to insure a favorable vote on the preferred stock issue, since further debt financing seems inadvisable and common stock financing should also be deferred until a more generous dividend policy can be adopted. At present the dividend rate is 20 cents compared with share earnings of 84 cents in the 1949 fiscal year.

Wall Street studies of Laclede Gas, issued from time to time, have forecast a substantial increase in share earnings when the company should be fully converted to natural gas and could obtain the full benefits of the potential house-heating load. White, Weld & Co., for example, in a circular issued March 15, 1949, stated: "It is probable that earnings in 1951 and 1952 will not exceed $1.25 to $1.40 per share on the present number of shares outstanding and 90 cents to $1.05 assuming complete conversion of the debentures." While Laclede officials seem reluctant to forecast future earnings, these estimates were perhaps slightly over-optimistic. The present $200,000 annual amortization charge (covering the charge of conversion) is equivalent to only about 8 cents per share before taxes, but the amount might be stepped up as operating earnings improve. There are also some rate uncertainties, and house-heating earnings will be subject to fluctuation with weather conditions. In any event, it appears likely that the conservative 20-cent dividend policy will continue until the company has completed its 1950 financing program and reduced its bank loan.

The stock is currently selling at 6⅞ (1949-50 range 8-4⅞), and the debentures, which are convertible into 160 shares, are at 116 (range 126½-107¾). Conversion parity is about 110. The current yield on the debentures is about 3.9% against 2.9% on the stock.

Carleton A. Curtis With Pflueger & Baerwald

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Carleton A. Curtis has become associated with Pflueger & Baerwald, Mills Bldg. In the past he was a partner in Coons, Milton & Co.

With Edw. M. Bradley

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, CONN.—Vincent K. Garland is now associated with Edward M. Bradley & Co., Inc., 215 Church Street, members of the Boston Stock Exchange. He was previously with Gaynor, Clemence & Co., Inc.

San Fran. Analysts Com. Appointments

SAN FRANCISCO, CALIF.—Richard W. Lambourne, President of the Security Analysts of San Francisco, has announced the following appointments to Standing Committees for the current year:

Program Committee: Earl Richards, Dean Witter & Co., Chairman; John R. Beckett, Blyth & Co.; Adelbert Wolff, Brush Slocumb & Co; Stanley Dickover, Elworthy & Co; Charles C. Clarke, Davis Skaggs & Co.

Membership Committee: Herbert Drake, Anglo-California National Bank of San Francisco, Chairman; James Shoemaker, Schwabacher & Co.; J. Louis Agnew, First California Co.

Public Relations Committee: J. C. Schick, San Francisco Stock Exchange, Chairman; Thomas J. Tasso, Walston, Hoffman & Goodwin; William P. Held, J. S. Strauss & Co.

Publications Committee: Lewis B. Reynolds, Walker's Manual, Chairman; Philip J. Fitzgerald, Dean Witter & Co.; Robert F. Mulvaney, Irving Lundborg & Co.

Entertainment Committee: Morten A. Hocker, Bank of California N. A., Chairman; Laurence G. Duerig, Bergues & Co.; John G. Eidell, Shuman, Agnew & Co.

Auditing Committee: Carl Blank, A. G. Becker & Co., Chairman; Dan Berg, Stone & Youngberg

With F. L. Putnam & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—George W. Hemenway is affiliated with F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange.

Continued from page 44

Business and Finance Speaks After the Turn of the Year

amount of such loans was approximately $250. The dollar amount lent totaled over $350 million, the largest annual volume in our history.

Borrowers used the proceeds of these loans in considerable part to retire an equivalent amount of debt which already existed. Before these people came to us, they had become or were about to become indebted to professional men, merchants, landlords, and other creditors who preferred not to postpone receipt of the amount due. In consolidating their obligations into a single loan with us for the purpose of paying off such creditors, our customers refunded their obligations into a form which gave them time to budget themselves out of debt.

Our company will grow during the coming year, primarily to the extent that it serves the public better through more offices conveniently located throughout the various states and provinces of Canada.

ERNEST HENDERSON

President, Sheraton Corporation of America

The outlook for profits in the Hotel Industry during 1950 would not seem to be as clear from recent indications as was the case in the preceding four or five years. Hotel earnings reached their peak in 1946 and have registered a mild decline in subsequent years.

Although room occupancy and room sales have remained at a high level, beverage sales have been dropping appreciably from year to year, indicating a reduction in surplus funds for spending. There is no indication that this trend, which has been consistent for the last three or four years, will not continue in 1950.

The real difficulty facing hotel managements is not so much a lack of sales, however, as increased wage scales. The rate of wages paid hotel employees has gone up considerably more than 100% since 1939. However, total payrolls have not increased in this proportion, as managements have in many instances been able to offset the increased rate through reductions in the number of employees as the result of payroll studies, job analyses, and introduction of labor saving equipment.

In the past the Hotel Industry, a sensitive barometer of general business, has reflected—with a lag of not over three or four weeks—any sustained change in the level of security prices. Although the recent vitality of the stock market has not yet made itself felt either in room occupancy or overall hotel sales, there is every indication that demand for hotel rooms and services will rise in the immediate future, in response to the recent strength in security markets. Whether the Hotel Industry as a whole will enjoy a successful year in 1950, however, depends largely on the ability of hotel managements to offset recent wage increases with corresponding advances in operating efficiency.

Perhaps the most encouraging aspect of the hotel business today is the fact that up to this time hotel room rates have advanced less than 50% from the levels in effect before the war. Considering this advance in terms of today's depreciated dollar and accompanying larger national incomes, hotel rooms are relatively cheaper today than prewar. This low level of room rates coupled with expanding population trends suggest continued increasing demand for the services which hotels have to offer. Until such time as the profit levels of the industry reach a point where new hotel construction becomes advantageous, the industry need fear little competition. The time when new construction will become general, however, may still be far in the future, as it is possible today to purchase existing hotels in most areas of the country for considerably less than the cost of building new ones.

CAREY S. HILL

Chairman of the Board, Hill Richards & Co.

Are we in the last half, the last quarter, or the last eighth of our postwar readjustment? This is an engaging question, because if we are nearly through with the readjustments that first hit luxury trades, the textiles, the amusement business, then commodity prices, and resulted in inventory curtailment and in the devaluation of the currencies of many nations, we can begin to breathe more freely and look ahead to smoother sailing that we've had.

Carey S. Hill

Looking back with the jaundiced eye of an investment banker, we have been through a year where, in spite of inflation, people preferred cash to good common stocks. In spite of a resumption of Federal deficits and heavy government spending and a continuation of shrinking purchasing power of the dollar, the common stocks of successful American companies sold to yield from 5% to 10%, while prime bonds yielded only 2¾% to 3¼%.

In the investment banking field, a review of 1949 would disclose our major stupidity: the continuous narrowing of spreads in new issues through competitive bidding—narrowing nearly to the vanishing point.

Like lemmings, we rushed to the sea, overbidding, overpricing, and underpaying ourselves for the hard work and hazards of underwriting. With fatalistic calm, we can presently see no solution but to await our inevitable drenching in huge losses, with the meager hope that somehow bids will then be more temperate and spreads more adequate.

During the first half of 1949, stocks alone seemed immune from inflation. Since mid-year, however, prices, as reflected in the Dow-Jones Averages, finally broke into new high ground.

The outlook for underwriters and distributors of securities is better today than at any time since the Fall of 1948, when the elections knocked out hopes of a more conservative government. From Mid-Summer lows, the stock market by year's end made its best gains since the Fall of 1945.

To a firm whose business is a long way from New York, with only a nominal volume of business from insurance companies, a firm almost wholly dependent upon sales to private investors, the pickup in demand that began in September and swelled to nearly record proportions in December seems a worthwhile barometer.

What brought about this improvement in the attitude of the investor? Probably his fears have been somewhere allayed—the most talked-of depression scheduled for 1949 was literally talked to death. More important, however, is the gradual awakening of investors to evidence of inflation, the almost day to day reminders that our dollars are not what they used to be, and realization that a $5½ billion current deficit makes dollars less attractive than good stocks.

Predictions are cheap at this time of year, but if as we suspect post-war readjustment is nearly complete, say seven-eighths complete, then the outlook for 1950 is excellent for people who hold shares in good American companies engaged in banking, in supplying utility service, and in producing goods and machines for the world. The wide gap between the high yields of stocks and the low yields of bonds will tend to close.

D. W. HOGAN

President, City National Bank and Trust Company, Oklahoma City

Oklahoma is a part of the Great Southwest and this section is noted as "Out where the West begins." For the past three years we have been blessed with bounteous crops of all kinds, which, naturally, developed our holdings in live stock and poultry.

Dan W. Hogan, Sr.

With the prevailing favorable prices for meat animals and all agricultural products, farmers and ranchmen were encouraged to improve the seed they were planting and improve the grades in their livestock and poultry. Conservation of the soil, and contour farming with improved machinery, has brought about almost unbelievable production.

In the meantime, new oil and gas developments have taken place and several new fields have been discovered.

Caddo County, Oklahoma, on low priced, sandy soil, produced peanuts that paid the farmers $117 an acre. The same county has made a record cotton crop of three-quarters of a bale to the acre. It is interesting to note in this connection that the passing of horses and mules as farm work stock, with the development of farm machinery to take their place, has revolutionized the production of food and fiber. One of our well-to-do farmers planted a 600-acre tract to native grass with an airplane!

It now takes from $10,000 to $15,000 to equip a farmer for mass production, but one man can now do as much as ten men did in the old way. The saving of soil production to feed work stock is enormous. With highly developed farm machinery, the dust bowl of the Southwest has been transformed to produce wheat, kaffir corn, and other crops by farmers who easily handle a section of land (640 acres). The mouldboard plow has been discarded, and the rolling coulter or disc plow has taken its place. This method leaves the stubble and other growth on the ground which prevents blowing of top soil and at the same time leaves a proper seed bed. So, by the ingenuity and energy of our free enterprise system, the dust bowl has been eliminated and is now occupied by the "Okies" living in well built homes equipped with water pumped from deep wells by wind mills or gas motors. I have recently returned from a trip through this section and know whereof I speak. The Southwest not only looks prosperous but is prosperous. Farmers and ranchers are well stocked. Their indebtedness is at low ebb.

George S. Benson, President of Harding College, Search, Arkansas, a native son of Oklahoma, has already developed a nation-wide educational program to put down Communism in the U. S., and if other sections of this Land of the Free and Home of the Brave will do their full part, the worry we have in the Southwest will be banished.

Our problem at the bank is getting loans. Interest rates are low. Deposits in banks are high. Building and loan associations are well supplied with funds. Our only poor neighbor is our Uncle Sam. He is constantly asking for "handouts." Oklahoma paid him $418,000,000 for the fiscal year ending July 1, 1949, and got back only $120,000,000. No, no, we don't like that!

W. T. HOLLIDAY

Chairman, The Standard Oil Company (Ohio)

The upward trend in the demand for petroleum products, temporarily slowed by abnormally warm weather in the early months of 1949, seems likely to be resumed in the year ahead. While the rate of growth will be less than that of recent years, which reflected the upsurge of postwar demands, the preference for petroleum as an energy source will require continued efforts by the industry to maintain an adequate flow of products to consumers.

W. T. Holliday

All branches of the industry have played a part in providing constantly higher quality products to fill the needs of consumers. Not only have our domestic reserves of crude oil been increased to strengthen our future position but the refinery facilities and the transportation network of petroleum pipelines have been expanded and improved to new peaks of efficiency and capacity. The industry has been able to accomplish these results in large part due to a level of earnings which provided most of the required new capital from internal sources after paying out a reasonable return to its stockholders on their investments. As a result, the overall capital structure has been maintained on a sound and strong basis.

With the post-war shortages now overcome, a period of consolidation and adjustment of various operations within the industry is to be expected. Competition among the thousands of independent business units in the industry can be relied upon to accomplish such adjustments to the benefit of the consumers and the entire economy. Some have already occurred during 1949, particularly in lower prices to consumers for many petroleum products as increased supplies had their normal economic effect. Others are likely to occur during 1950 as the industry resets its operations to the new level of demand.

While it is reasonable to expect that the rate of growth in demand will be somewhat less than that of the recent past, the needs of our company for more petroleum products are still increasing. The effects of the 1949 peak production of the automotive industry will be a factor in petroleum demand in 1950 and the continuing shift from steam to diesel operation on the railroads adds further to requirements. The wide activity in the building of new residential units and the installation of new heating systems in older units all result in great remands for the convenience of oil heat.

The petroleum industry has greatly strengthened its ability to fill these constantly greater demands from consumers for all pretroleum products. The problems to be solved in the immediate period ahead appear to be concerned more with the internal operations of the various branches of the industry itself rather than with its position in the economy as a whole. The needs of consumers, both present and future, will be a major determining factor in their solution.

JOHN HOLMES

President, Swift & Company

Current reports indicate that total U. S. meat production in 1950 will be greater than that of 1949. The U. S. Department of Agriculture looks for an overall increase of from 3 to 4%. Some private reporting agencies anticipate even greater increases. In general, the outlook for meat production next year is somewhat more favorable than it was a year ago.

John Holmes

Supplies of feed grains are at a record high. Feed conditions on the range as well as on midwestern farms are generally good and this should make it possible to convert more feed into meat next year than in 1949. This condition also favors further expansion of both cattle and sheep breeding herds, continuing the upturn noted last year after several years of liquidation.

The increase in meat production next year is expected to be almost entirely from pork. Beef and veal production probably will be about the same as 1949 and we look now for slightly less lamb and mutton. During the first nine months of 1950, supplies of pork should be about 10% greater than in the similar period of 1949. If a further increase is noted in next spring's hog crop, as now appears likely, there also should be correspondingly larger pork production during the last quarter of 1950.

Per capita consumption of meat in this country next year is expected to average approximately 150 pounds.

Continued on page 48

Chase Bank Executives Lay Modest Bank Earnings to Low Interest Policy

Chairman of Chase National Bank, in report to shareholders explaining operations of institution in 1949 says small rate of return on capital stock, compared with that of industrial corporations is impact of government's policy of extremely low interest rates.

In a statement of operations covering the year 1949, sent out to the bank's 88,243 shareholders, Winthrop W. Aldrich, Chairman of the Board, and Percy J. Ebbott,

W. W. Aldrich

Percy J. Ebbott

President of the Chase National Bank of New York, ascribed the low rate of the institution's earnings in relation to capital funds to the government's low interest rate policy. According to the bank's statement the net earnings in 1949 represented a return of 5.8% on average capital funds.

"This exceedingly modest rate of return, as compared with that of industrial corporations, reflects the impact on the banking business of government policy in maintaining interest rates at extremely low levels," the stockholders are told.

Interest earned by the Chase Bank on loans last year amounted to $32,441,000 and represented 47% of the gross earnings from banking operations for the year, according to the report. The average rate of interest earned on loans for the year was 2.34%, slightly higher than the average for 1948. Income from investments in securities was $24,924,000, or 36% of 1949 gross earnings, with an average interest rate of 1.35%. The average yield on loans and investments as a whole was but 1.77% last year.

"There never has been a time," the bank executives stated, "when the price range of bank credit was so low in relation to other economic factors. Fundamentally, this is a result of the government's policies of cheap money and deficit financing."

Commenting that the Chase National is the leading American banking institution in financing under the Economic Cooperation Administration's letters of commitment, the report to shareholders states:

"Although high expenses are incurred in handling this business," it explains, "our participation in the ECA program is important and significant for several reasons. It is significant as an index of Chase standing in the foreign field, because the banking business involved originated in foreign banks and foreign governmental agencies. It is important as part of the American program to assist in the rahabilitation of European and other economies. It is important also in its beneficial effects in creating markets for American products. It is further important in that it is helping to keep international trade within the framework of commercial banking channels."

Government Aid Promoting Housing

Raymond M. Foley, Federal Housing Administrator, points out Federal Government participated in about one-third of year's home building. Notes more houses built outside city limits.

About one-third of the year's homebuilding was financed under commitments to insure by the Federal Housing Administration, including most of the large-scale rental projects, Administrator Raymond M. Foley of the Housing and Home Finance Agency reports, and about 30% of the mortgages recorded under $20,000 were made by savings and loan associations, aided through financial reserves and investment insurance through the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation.

Raymond M. Foley

Billion in Loans, Half Billion in Grants

For Federal financial assistance to aid local communities in clearing slums, the Housing Act of 1949 provides a billion dollars in loans, and a half billion dollars in capital grants. The size of this program is indicated by the estimate that, if the program was concentrated entirely on a few cities, it would provide for the clearance of all the slum areas in Chicago, Philadelphia and St. Louis.

Twice as much housing is now being built outside city limits as in the mid-20's, the Housing and Home Finance Agency reports. In 1948-49, rural nonfarm housing accounted for about 44% of the new residential starts as compared with less than 20% in 1925.

This increased construction in areas on the fringes of cities, beyond the city limits, is attributed principally to (1) scarcity of acceptable in-town sites for large developments, (2) the fact that outlying sites are cheaper and easier developed, and (3) the fact that motor vehicles have increased the distance that can be traveled to and from work.

Federal Government Sells First of Greenbelt Towns

The first of the "greenbelt" towns, Greenhills, near Cincinnati, Ohio, is being sold by the Public Housing Administration to a non-profit corporation, composed primarily of veterans and tenants of the project. This Federally-owned community is one of the three built by the Resettlement Administration during the depression of the 1930's. The other "greenbelt" towns are: Greendale, near Milwaukee, Wis., and Greenbelt, Md., near Washington D. C. These towns were intended to (1) demonstrate modern town planning, (2) to provide needed housing at reasonable rents for moderate income families, and (3) to provide jobs for unemployed workers.

The price of Greenhills was $3,511,300, with a down payment of $351,580 and the balance covered by a 25-year mortgage at 4% interest. Included in the sale was 642 acres of land, 185 residential structures containing 676 dwellings, a commercial building, a management building and a service station. A total of 4,047 acres of undeveloped land on the original Greenhills tract remains to be disposed of by PHA.

About 175 cities in 40 states have indicated their intention to participate in the slum clearance and urban redevelopment program authorized by the Housing Act of 1949, the Housing and Home Finance Agency reports. About a third of these cities are in the small city class of 25,000 to 40,000 population.

HHFA recently announced a plan for giving cities advance reservations of capital grant funds on contemplated slum projects. Under the plan a request for a reservation by a city constitutes simply a statement of intent—not a binding commitment—that the city plans to participate in the slum clearance program and to start its project by July 1, 1951.

With Lee Higginson Corp.

(Special to The Financial Chronicle)

HARTFORD, CONN.—Nelson R. Jesup has joined the staff of Lee Higginson Corporation, 36 Pearl Street. He was previously with Hornblower & Weeks.

Continued from page 46

Business and Finance Speaks After the Turn of the Year

This is about three pounds higher than 1949 and 16 pounds greater than the prewar (1935-1939) average.

Production of other food commodities for next year is expected to run somewhat as follows:

Lard—substantially larger.
Vegetable Oils—about the same.
Milk—not much change.
Butter and Eggs—somewhat larger.
Poultry—about the same.

Fortunately, this country has a great meat production team. It is a team which has developed a system of food production and distribution unequaled anywhere for efficiency and economy. Down through the years, teamwork in the livestock and meat industry has helped the American people to achieve a higher standard of living than anywhere else in the world. I feel certain that this same teamwork and progressive spirit will prevail throughout 1950.

JOHN JAY HOPKINS
President, Electric Boat Company

During the year just closed, Electric Boat Company celebrated the 50th Anniversary of its corporate existence.

The Company's Groton, Connecticut, plant completed construction work on contracts from the U. S. Navy to incorporate in a number of big World War II fleet type submarines the latest advances in submarine construction (including the addition of the "Snorkel," which enables the submarine to operate at periscope depth with diesel engine power and thus recharge its electric batteries without exposing itself on the surface), and resumed submarine construction with the laying in February, 1949 of the keel of the first of four submarines for the U. S. Navy.


John Jay Hopkins

During 1949 the Company's Canadian subsidiary, Canadair Limited, completed delivery, well in advance of schedule, of 26 four-engine Canadair Four transport aircraft for British Overseas Airways Corporation and Canadian Pacific Air Lines, and began tooling up for the production of F-86 "Sabre" jet fighter planes for the Royal Canadian Air Force. In connection with the order for 100 of these jet planes received from the Canadian Government during 1949, Canadair Limited is undertaking an expansion of its plant at Cartierville, near Montreal, which will enhance its preeminence as the principal aircraft manufacturer of Canada.

The Company's Electro Dynamic Division, which in 1950 will celebrate the 70th Anniversary of the existence of the Division and its predecessor company as manufacturers of electric motors and generators for marine and industrial applications, experienced a slackening in demand for its products in 1949 in line with that suffered by this segment of industry generally. Prospects for improvement are seen, particularly in the maritime field.

Operations at the Company's Elco Division were discontinued during 1949. Certain of the Division's skilled personnel and essential facilities for the manufacture of PT boats and other military equipment were transferred to the Groton, Connecticut, plant, which currently is engaged in completing a new type PT boat for the U. S. Navy.

On the whole, with a substantial backlog of orders for aircraft and submarines extending over the next two or three years, there is ground for a reasonable amount of optimism with respect to the Company's future production prospects.

HARRY E. HUMPHREYS, JR.
President, United States Rubber Company

The rubber industry should enjoy good business in 1950, with sales totaling about the same as in 1949—close to $3 billion.

The American people will continue to have great purchasing power due to full employment at high wages. This purchasing power will get an additional boost early in the year from the Federal Government's distribution of dividends on veterans' insurance policies.


H. E. Humphreys Jr.

Tire sales for 1950 are estimated at 80,000,000 units, about equal to the 1949 total. It is possible that original equipment business might fall off some, but replacement sales should hold up well. There are more automobiles on the road than ever before and the average motorist is driving about 10,000 miles annually, considerably more than in the average prewar year.

Improvement is expected in the sale of both waterproof and canvas footwear in 1950. This section of the industry will benefit from the increased population of the country and the growing tendency to more leisure and outdoor living which calls for the wearing of more sport and casual footwear.

Industrial rubber products, including hose, belting, packing and vibration-dampening devices, will be in strong demand in 1950 in line with the general high level of business.

Foam rubber production will be expanded further to meet the growing demand for foam bedding and cushioning for furniture and automobiles.

The textile business appears to be recovering from its 1949 slump and this is expected to result in increased use of Lastex yarn in wearing apparel.

Rubber consumption in the United States in 1950 is estimated at approximately the same tonnage as used in 1949. This amount was 985,000 tons, of which 575,000 tons was natural rubber and 410,000 tons synthetic. Total consumption in 1948 was 1,069,000 tons. It is estimated that the United States in 1949 consumed 52% of all the rubber consumed in the world. Per capita consumption in this country was 15 pounds, ten times the average for the world.

Rubber is the only major manufacturing industry still under wartime controls. The industry is required by the government to consume synthetic rubber at the minimum annual rate of 222,000 tons. However, the industry every year since the war has used more synthetic than required by law. Consumption in 1949 of 410,000 tons was 188,000 above the government requirement.

United States Rubber Co. takes the position that the government should get out of the rubber business because the present controls are unnecessary. We believe the synthetic industry will progress faster and operate more efficiently when freed of government regulation and turned over to private management.

C. C. JARCHOW
President, American Steel Foundries

It seems safe to start with a broad general assumption that business in 1950 will be good in most lines.

Obviously, we have to consider some critically important related assumptions—that the world will remain at peace, even if it is only a pressure-peace; that major strikes will not disrupt our economy; that national income and employment will continue at a high level; and that new tax burdens will not be piled on the back of industry.


C. C. Jarchow

Looking at our own business—which is largely the production of component parts for railway equipment—we must recognize that our outlook is directly related to the ability of the railroads to finance an adequate program of improvement or replacement, to make up for wartime depletion and obsolescence. This condition is reflected in the fact that in 1947, 1948, and the first 11 months of 1949, a period of above-normal prosperity for industry in general, America's Class I railroads and railroad-owned refrigerator-car lines retired 226,702 old freight cars, while taking delivery of 247,361 new ones—a gain of only 20,659.

It seems clear from evidence like this that relief for the railroads is a definite need of the immediate future, to maintain their strength as a buttress of our national economy. The situation calls for sound legislative action designed to give the railroads equality of opportunity with other and more favored forms of freight and passenger transportation.

At present many railroads are considering the purchase of new freight cars, and the prospect is encouraging for a substantial volume in this field during 1950.

AUGUST IHLEFELD
President, Savings Banks Trust Company, New York City

The rate of gain of deposits in mutual savings banks has increased during the past year. Preliminary figures indicate that deposits of the mutual savings banks increased by more than $800 million in 1949, as compared with a gain of $641 million in 1948.


August Ihlefeld

Since time deposits in other banks and in the Postal Savings System registered a smaller rise in 1949 than in 1948, it is evident that mutual savings banks are gaining in favor. The many services rendered depositors, the attractive rate of interest dividend paid on deposits in mutual savings banks and the very high degree of safety and liquidity they offer explain their strong appeal to savers.

Mutual savings banks turned chiefly to the home mortgage field for new investments during 1949. For the country as a whole, they increased mortgages held by approximately $800 million. A considerable proportion of these mortgages is insured by the Federal Housing Administration or guaranteed by the Veterans' Administration.

At the end of 1949, Government bonds and cash held by mutual savings banks aggregated around $12 billion, or approximately 60% of deposits. The mutual savings banks are thus in position to expand considerably further their holdings of sound real estate mortgages and corporate bonds, as high grade investments of these types become available on an attractive basis.

Surplus of the mutual savings banks of the country increased by approximately $130 million during the year. This increase shows that current rates of return paid depositors are being covered by the banks by a reasonable margin. Surplus at the end of the year was roundly 11% of deposits. This figure does not include reserves that are maintained against mortgages owned.

The mutual savings banks can look back at a year in which they attained new records in size and conserved the great strength built up over a period of many years. They look forward to 1950 with confidence that they will enjoy another healthy gain in deposits and that suitable investment outlets will be found, particularly in the home mortgage field. Favorable prospects for new home construction in 1950 provide basis for the belief that an adequate supply of acceptable mortgages will be available to mutual savings banks in the coming year.

MAXEY JARMAN
Chairman, General Shoe Corporation

1950 should be a year of progress for our country. The enormous dislocations caused by the war have taken several years to get rid of. There are still some of these dislocations in our economy, but we are gradually returning to a more normal basis and establishing a foundation for the type of progress that our country has a right to expect from the character and ingenuity of our American people and from the national resources that we have.


W. M. Jarman

Volume of Business—Business will be good during 1950. Our country is almost back to a normal buying relationship and there are tremendous unfilled demands in every field of merchandise, and the people have the money and the desire to buy.

Prices—1950 will see prices of all kinds of goods complete the adjustment to a normal basis which makes for good business. Most prices are already on a normal basis. A few are out of line—some too low and some too high. There will be consumer goods priced to fit every pocketbook as competition and ingenuity of American producers shows what can be done in this great country. The average of all prices will likely show slight increases throughout the year. This is normal for our country which during the last 150 years has had a gradually rising price trend, interrupted only during peace periods to correct excesses. Gradually rising prices are a healthy sign of an expanding economy.

Labor-Management Relations—Already, there are more friendly feelings between labor and management; in spite of the inflammatory leadership of organized labor, workers and management have learned and are continuing to learn more and more how to get along with each other with mutual respect and consideration.

All in all, the American people are going to do sounder thinking during 1950 in their relationships with other countries, in their evaluation and demands upon politicians, and in the realization that our prosperity depends on the real effort that every one of us puts forth.

GEORGE C. JOHNSON
President, The Dime Savings Bank of Brooklyn

The trend in deposits is always the factor which is most closely watched in the mutual savings banking system. This factor controls all others, and thus is of greatest importance in measuring developments in the industry.


George C. Johnson

Again in 1949, deposits in the mutual savings banks of the country reached a new high, standing at the end of the year at $19,300,000,000 or a gain over 1948 of nearly $1,000,000,000. Of this, New York State accounted for over $760,000,000, or more than 75% of the national increase.

This again is noteworthy because it has been made in the face of a continually increasing supply of consumer goods, which might have been expected to drain off a larger share of family incomes, and has been accomplished in spite of a reduction in incomes throughout the country.

The record for the year is a splendid testimony to the strength of the mutual savings banking system, and to the confidence and faith which the people of the state and nation repose in it. The President of the National

Continued on page 50

Continued from first page

As We See It

a strenuous, and on the whole a successful, effort to give that impression.

"Planned That Way"?

For our part, we are quite certain that whatever improvement has taken place either in the state of business or in the outlook within the past few months is in no part the result of anyone, including the Administration, "planning it that way," but is to be attributed to the working out of natural forces which again and again have laughed to scorn the puny efforts of politicians to guide the course of economic affairs. As to the fact that business is in a number of respects better than it was some months ago, there need be no argument; that both the economists and the politicians have good ground for their faith that the next few months will be much better than had at one time been feared there can scarcely be much doubt, although, of course, not all segments of the economy or all sections of the country will in like degree benefit, nor, for that matter, may all share at all.

We have never professed to be able to predict what is forthcoming in this uncertain world of ours, and have from time to time expressed considerable skepticism as to whether anyone else can with regular success do any such thing. However, in the present circumstances, we are ready to accept at least as a working hypothesis the now very general feeling that the outlook is good, at least for what might be termed an intermediate term. Beyond that we gladly leave forecasts to the soothsayers. We leave it to the soothsayers, partly because there is little else we can do—having no feeling of assurance that we can see that far into the future—but partly for another reason which seems to us to be fully as compelling.

By What Standard Judged?

That reason is the belief on our part that this year of our Lord, 1950, will be significant less for the rate of business activity attained than for the degree in which a basis is laid, or at least the foundation begun, for sound business progress during the coming decades, even centuries. All of us are, of course, in a sense quite well pleased with high employment, large production, and satisfactory earnings by all elements in the economy. These are all things to be grateful for, but the realization of them may, and often does, conceal the growth of underlying conditions which cause our good times to come to a sad and untimely end. Those of us who lived through it remember vividly, that the 'Twenties, particularly the second half of that decade, brought blessings hitherto unknown. In fact, these years were so bountiful that the opinion was widespread even among a very substantial number of economists, and certainly among the politicians of the party in control, that poverty had been or was about to be abolished, and that a "New Era" of economic blessings had arrived in which prosperity was to endure forever, etc., etc. If all this bears a strong resemblance to what is now being said in the public offices of Washington, the resemblance is certainly not merely accidental or coincidental, as they say in popular fiction.

The thoughtful man will, therefore, we believe, insist upon appraising the 1950 outlook at least in substantial part on the basis of the apparent prospect of making a good start on the foundations of future economic well-being. Viewed in this way the year ahead takes on a much less rosy hue. We are not the first to observe that when the President and his advisers are through with their appeasement by vague phrases the same old "Fair Deal" is trotted out. No one supposes, of course, that the President will get a great deal of this program through Congress this year, but the nature of his demands upon the legislative branch indicates clearly enough that, so far as the Administration is concerned, the "right policies" are still policies which must inevitably do most to insure a lack of the sort of solid progress that this country made during most of the first half of the century.

The Smiling Countenance

In the face of forthcoming elections, and confronted with a movement within the Republican party to end "me-too-ism," the President, who must be put down as a shrewd "practical politician," has apparently thought it wise to turn a smiling countenance toward business in general. There may or may not be good ground for attaching significance to this gesture *per se*. For our part we confess to considerable doubt, but of this we are certain: So far as the party in power is concerned reason for optimism is limited to this one factor. The outlook for public policies which can be counted as really constructive over the years has not improved at all, if we must count upon Mr. Truman and that part of the Democratic party he represents and controls.

This seems to leave the appraisal of the 1950 outlook in these respects largely dependent upon the so-called opposition—less for what it can accomplish in the present session of Congress than for what sort of response it can get from the rank and file next November. As to this outcome, it certainly is rather soon to make much of a guess. It can be said that superficial appearances suggest the development of a movement in the Republican party and in the conservative wing of the Democratic party directed in some degree at least toward greater sanity in public affairs. Upon what comes of this insurgence, if such it is, will depend what history will say of the year 1950.

Midwest Exch. Members

CHICAGO, ILL.—The Executive Committee of the Midwest Stock Exchange today elected to membership the following:

Irving J. Rice, President, Irving J. Rice & Co., Inc., St. Paul, Minnesota; Robert B. Johnston, Canton, Ohio; Clyde L. Hagerman, Wm. C. Roney & Co., Detroit, Mich.; Russell J. Olderman, President, Olderman, Asbeck & Co.; Edward F. Sanders, President, Edwin C. Sanders & Co., St. Louis, Mo.

Head Steiner, Rouse Branch

Steiner, Rouse & Co., members of the New York Stock Exchange, announce that Tobias Gerson, Joseph P. Sanfilippo and Alfred S. Zuckerman are now Co-Managers of the firms branch office at 157 East 86th Street.

Continued from page 48

Business and Finance Speaks After the Turn of the Year

Association of Mutual Savings Banks recently predicted a further gain in deposits for 1950, even in the face of an expected continued decline in national income.

Just as gratifying as the substantial gain in deposits has been the sustained activity in the home construction industry, and the resultant large increases which have been made by mutual savings banks in their mortgage portfolios.

Housing starts in the country have increased from a low of 169,000 in 1944 to a new record high of over 1,000,000 in 1949. On Long Island, home builders started an average of one house or apartment unit every two minutes of the working day last year. In doing this, they helped set the new all-time building high for the nation. It has been estimated that 1949 activity on Long Island represented an increase of one-third over 1948.

The Dime Savings Bank of Brooklyn alone loaned over $92,000,000 to over 17,000 borrowers during the year. Most of this money was used to finance the construction of new residential housing in the Brooklyn and Long Island area. In addition to this, the bank consummated the largest single transaction of its kind in mortgage history, when it acquired the New York State portfolio of the Home Owners' Loan Corporation totaling some $100,000,000, and representing 40,000 mortgages. Most of these loans were in Brooklyn and Long Island, and the bank welcomed this opportunity to serve so many additional families in its vicinity.

Another outstanding development in the home mortgage field during the past year was the new Home Buyers Exhibit at the Dime Savings Bank of Brooklyn, sponsored jointly by the bank and the Long Island Home Builders Institute. As a feature of "National Home Week," the exhibit was moved to the main banking floor and was viewed by over 230,000 visitors. Throughout the year, over 300,000 potential home buyers from this area visited the exhibit.

Currently, an entirely new exhibit has been constructed for opening early in 1950, as the bank's contribution to the home construction industry and thus to the prosperity of the Brooklyn and Long Island areas as a whole.

Developments in home construction and mortgage financing in 1950 cannot be predicted with any certainty. There is no question that the private mortgage industry can meet all demands for mortgage money, and that mortgage rates will continue to remain low. This latter item—the only important cost in home building which has had no increase since before the war—will again be at the most attractive level in more than a generation.

As pointed out by the President of the Mortgage Bankers Association of America, sound home financing will be available for all regardless of race or creed. Next year seems certain to be another excellent year for construction generally, with total volume running close to 1949's $19,000,000,000 total.

What the effect of government participation in the construction industry will be is hard to tell. The fear recently expressed by the President of the National Association of Home Builders, that the cost and prices of new houses would probably turn upward as a result of the government's competition for materials and labor, is shared by many informed observers in the field. If this proves to be so, it will be most unfortunate, since builders in 1949 produced more lower cost houses than ever before, and they can even exceed that record in 1950.

P. W. JOHNSTON

President, Erie Railroad Company

As we come to the half-way point in the present century, we can approach the next half century with the knowledge that our economic system continues to provide our people with the highest standard of living anywhere in the world, despite the shattering effects of two World Wars within the short period of thirty years. By adhering to the basic principles that have carried us so far along this path to better living, we can hopefully look forward to an era of continued prosperity and growth in the years ahead.

P. W. Johnston

Railroads constitute one of the basic industries in our American industrial economy. The volume of business they handle depends largely upon the prosperity and productive activity of the nation. During there was a general decline of about 20% in the number of tons of revenue freight handled by the railroads railroads in the East compared with last year. A large part of this decrease was caused by the intermittent shutdowns in the coal mines and the prolonged strike in both coal and steel industries toward the latter part of the year. From a money standpoint, gross revenues were down about 15%, which reflected the increased freight rates granted to the railroads during the year. The net income of the railroads, however, suffered a sharp decline. The rate of return in 1949 on net property investment will be less than 3%, whereas in 1948 it was 4¼%. The factors contributing to this lowered income were decreased volume, increased labor costs (including the effects of the 40-hour week for non-operating employees which began in September), and the diversion of some traffic to subsidized forms of transporation.

In viewing the prospects for the railroad industry in the coming year, there is reason to hope that we will return to a more settled condition insofar as wage demands and higher prices are concerned. The railroad brotherhoods have several proposals pending, such as the 40-hour week for operating employees, "away from home" pay and readjustment of mileage rates of pay, which have not been settled. Whether or not the railroads will need any conmpensating increases in railroad rates during the coming year will, of course, depend upon the extent to which the railroads will be obligated to assume higher operating costs; however, there should be some necessary upward adjustments in railroad mail pay which are now under consideration with the Post Office Department.

Accordingly, railroad managements will have to work largely within the framework of the present operating costs and selling prices. In this narrow field in which to operate, greater concentration and emphasis will have to be placed on economies, efficiency and production.

Prospects for a reasonably good level of business, coupled with the technological advances that have been made in railroading in recent years (principally the advent of the Diesel locomotive) should produce a better return for the railroads than in 1949 but still less than in 1948.

There are many factors which will interfere with the ability of the railroads to earn a fair and adequate profit in 1950. Foremost among these is the absence of a sound and workable national transportation policy that will be administered in such way as to give equal treatment to all forms of transportation. Railroads are in competition for traffic, not only among themselves but with all other commercial transportation — highway, airway and waterway. The railroads are the only group that are self-supporting and at the same time pay taxes toward the functions of Federal, state and local governments, whereas these competing agencies receive substantial subsidies at the taxpayers' expense.

Under our free enterprise system, the public is entitled to the best transportation service at the most economical cost. In determining costs, however, all true factors should be considered so that no undue advantage accrues to one agency as against another. In order for the nation to have a strong and healthy transportation system that will meet its needs in peacetime as well as for national defense, a policy must be determined upon that will recognize the dangers of continuing the present inequities.

DONALD S. KENNEDY

President, Oklahoma Gas and Electric Company

The 1950 outlook for business in the territory served by Oklahoma Gas and Electric Co. is very favorable. The basic income of the area is exceptionally well diversified between agriculture, oil, manufacturing and trade.

Oklahoma is favorably located in the center of the great Southwest, which has many rich natural resources. This great region has 90% of the gas reserves of the nation, 75% of the oil reserves, and is our greatest single livestock, grain and cotton producing area. Oklahoma's farm income is almost equally divided between crops and livestock, which insures unusual stability. The State has been a leading mineral producer for many years. Its oil income has been exceptionally stable, as new discoveries have tended to offset production.

Donald S. Kennedy

Manufacturing output in our area has increased significantly during recent years and reflects the trend toward decentralization to the great Southwest. Nearly all branches of industry have made tremendous gains during the past decade. Even after adjustment for price increases, the value added by manufacture in Oklahoma was 147% greater in 1947 than in 1939, which compares with a gain of 116% for the nation as a whole. There is strong evidence that this growth trend will continue as the State offers great opportunities for industrial expansion.

Forecasts within our own Company indicate a continuation of the favorable growth trend through and beyond 1950. We have added 65,000 customers to our lines since the close of the war, which is a gain of approximately 35%. A total of 15,000 was added during 1949. Saturation of electrical appliances is still low, therefore with the greater availability of equipment, we can anticipate new load from existing customers as well as new ones.

The back-log for new homes caused by war restrictions and the increased number of new families is expected to continue the demand for residential building in our territory through 1950. Each new home is a modern home with electric service. Modernization of farm and rural homes is proceeding rapidly; therefore, the expansion of our service into this market area is expected to continue. New economical uses for electric service in commercial and industrial establishments is also expected to continue for many years. Therefore, we anticipate a favorable growth in our business for 1950, and the same general pattern for 1951.

ADRIAN D. JOYCE

Chairman of the Board, The Glidden Company

Reports from our factories and branches located in almost every important section of the country indicate that general business is very good and prospects for 1950 most encouraging. The good crops and the high prices that have prevailed for farm products over the past several years have brought prosperity to the rural areas and farmers are spending freely for farm equipment and building and machinery maintenance. The continued rapid growth in population and the housing plans that are being put through in every community indicate a strong demand for consumer products during 1950.

Adrian D. Joyce

Our business is a diversified one as we manufacture foods, chemicals, paints and varnishes, and process soybeans and various edible oils. Because of our modest inventories, which, at the beginning of our fiscal year were priced at the lower of cost or market, we anticipate good returns from our various activities.

FRED I. KENT

Director, Bankers Trust Company

In so far as the banks of the United States are concerned, their position at the turn of the year is excellent. They face many problems, however, that are not of their own making but that increase the difficulties of carrying on their complex business. The most trying one at the moment has to do with the activities of government lending agencies, which interfere with the proper handling of banking business in the United States through the development of competition of a character which prevents interest rates on banking loans from carrying within them proper risk protection.

Fred I. Kent

Again, holding interest rates low on government bonds and in a manner that kills the flexibility of interest rates, which, therefore, do not express the going relationship between the supply of and the demand for credit, also complicates the making of loans on a sound interest basis.

Government deficits and the urge to increase taxation when the business of production says in no uncertain terms that taxes should be lowered also offer problems to the bankers that are very difficult of solution.

To better fit the bankers of the United States to further the common good, the American Bankers Association held 13 meetings covering the country as a whole where discussions were aimed to clarify in the minds of bankers the differences between loans which could be made that might further inflation and those which would increase productivity and be in the public interest.

Because of these studies and those in other fields of banking that have been carried on by the American bankers, the whole banking fraternity in this country is imbued with the desire to so carry on their business that it will be of benefit to the nation and at the same time sufficiently profitable to themselves to furnish the protection which the banks must have through the maintenance of sound capital structures based upon the nature of the business of each individual bank.

Bureaucratic interferences with industrial production and an unbalanced governmental budget greatly increase the difficulty of doing a banking business. While bankers as a whole deplore such conditions, as they believe that they are against the interests of the country, yet they would strive to carry on their business with the highest degree of safety possible and in such manner as to increase employment and productivity in the country in ways which are sound and in the interest of the people.

The bankers of the United States look forward to the year 1950 in the hope that government may find a way to curtail its expenditures and bring its financial house in order. They realize, however, that to accomplish this it must eliminate those government bureaus, which since the war have become not only non-essential but sometimes actually destructive, and make room for reduced taxation in the interest of production and for an economy that will meet the requirements of the people with a high standard of living.

Continued on page 52

Continued from first page

Glancing at 1950

alternatives are fraught with great hazards. Whichever is chosen, the Marshall Plan and the Atlantic Pact are likely to be supplemented by parallel moves in Asia, possibly offsetting the expected net reduction (by about $600 million only) of aid to Europe and of similar disbursements.

American exports, under such circumstances, are under the constant threat of being decimated. Tobacco and even food, petroleum products, machine tools, heavy electrical equipment and moving pictures should be, nay, they already have been, among the first to feel the recent impact of the outer world's precarious dollar supplies and of its mounting import restrictions. Official attempts to liberalize trade abroad promise little success; Britain, in particular, is unwilling to expose her hothouse socialism to the fresh air of international competition. Even a modest progress toward reducing trade regimentation in Europe is bought at the price of conceding discriminatory practices to the detriment of U. S. exporters. The latter will do well in reorientating their business, as much as possible, toward domestic channels or —the Middle East, Africa and the East Indies, especially in the direction of the President's famous Point Four program of developing "backward countries." That program may become, from 1950 on, the supplement of, or the substitute for, the $35 billions thus far spent on and allocated to worldwide "recovery."

Another ersatz for export outlets will be provided by the forthcoming voluminous orders of the Army, the Navy, and the Air Force.

II

But by and large, the foreign situation is only a secondary factor in the domestic business picture. As a matter of fact, our economy has scarcely ever been so "isolated" from international influences as it is now—for the time being. For one thing, due to inferior quality production and rising costs abroad, devaluations did not succeed in greatly strengthening foreign competition on the American market, in spite of appreciable tariff reductions on this side. What is far more important, the technique of "perpetual" prosperity by monetary and fiscal devices, by market supports and welfare policies has rendered this economy relatively independent of world market trends. Having discovered the secret of higher living at "no cost"—by way of currency and credit manipulations — we are prone to continue on that road.

The road is paved by ever-expanding Federal subsidies and credit guarantees, and by new annual deficits in the national budget. The official forecast is $5½ billion for the current and $4 billion for the next fiscal year. Harassed by huge maturities and the necessity of fresh borrowing, the Treasury is impelled to maintain low interest rates and to lower them further, this in the face of the (mild) resistance offered by the Federal Reserve Board against the new inflationary trend—which it promotes, in effect, by its monetary "relaxation." Not only high-grade municipal and corporate bonds are strengthened thereby, but even the long-languishing stock market profits from this fresh outburst of Cheap Money policy.

Given the determination of the 81st Congress not to raise taxes—possibly even to clip some of the excises on luxury goods, entertainment, rail, wire and phone services—and its inability to reduce expenditures below the peacetime record of about $43 billion, the question is: how far will the prosperity-deficit mount in 1950?

The answer will depend, of course, on how far we will go in implementing the Garrison State and in developing the Welfare State. The Truman Administration is evidently inclined to save on defense expenditures, if temporarily only, and at some risk to national security, but to spend more and more on "social" programs which benefit the vote-getting pressure groups. Both trends of policy are akin to those prevailing in socialistic Europe. The net result is likely to be enhanced governmental spending and more deficits than officially expected.

III

Farm price props constitute one of the leaks in the budget. The $4.75 billion fund of the Commodity Credit Corporation to finance these subsidies is pretty nearly exhausted. The Administration appears to be ready to push the "ingenious" Brannan Plan that promises high prices on the farm and cheap food to the housewives, notwithstanding the outspoken objections of the leading farm organization. In a crucial election year, with or without such plans, the legally established floor under the prices for major agrarian products is assured. This may mean another 10% dip, but still would leave the gross income of farmers close to $30 billion, including the estimated $2.6 billion the taxpayer is to contribute on top of subsidies for land conservation, rural electrification, rural housing, etc.

To keep the cost of farm support within "tolerable" limits, and the well over one million tons of carried-over stockpiles from rising further, the volume of output has to be controlled. Tobacco and cotton acreages have already been considerably cut, penalizing as a rule the efficient producer. Obviously, other staple products will have to be regimented, too, corn and rice being next. But then what? Naturally, only the least productive land will be "laid off." And little acreage will be left unplanted: the Southerners plant less cotton but more corn and oats; in Iowa, soybeans will be substituted for corn; in Kansas, feed grains for wheat. Also, the use of fertilizers will be intensified. A reduction in primary production, if any, may be more than offset by a boost in the output of fats, meats and eggs. The problem of surpluses will stay with us, and the farm price structure, sorely in need of readjustment between primary and processed products, crops and livestock, etc., will be further confounded. The coming year may see the attempt to "solve" the problem by dumping, at a great loss, much of the government's accumulated surpluses on the world markets — thereby disorganizing the latter, too.

In less than 18 months, farm products tumbled by one-fifth or so from the top prices of the postwar inflation. That alone should have brought about a crisis of first magnitude, enhanced by a sharp drop in base metal, scrap, and many other raw material prices. It was a major factor, indeed, perhaps the most directly responsible one, in the mild business reversal of 1949. "Glut" of agricultural commodities used to be by all past standards a crucial point from which major depressions took their start. This time, no crisis developed, not even in the agrarian field itself. All that happened was an interruption, as it were, of the general prosperity stream. It receded slightly from the fantastic peak it had reached in the early fall of 1948. Or could it be that it is merely an interruption of the downturn that we are witnessing currently?

IV

In the annals of business, it would be a unique case of a depression or recession "interrupted" by such typical boom phenomena as wage (pension) bills substantially increased; steel prices boosted successfully—without reducing sales—by 4% on the average, meaning as much as a 26% raise of steel costs to some fabricators; national income holding up along the colossal $220-odd billion line; dwelling awards running ahead of the current year's housing construction that appears to have beaten, in dollar volume, the all-time high of 1925; backlog of orders piling up for consumers' durables as well as for basic equipment, and corporate profits visibly recovering from their precipitous fall in numerous industries, from the previous year's record level.

The consensus in and out of the Stock Exchange is practically unanimous: that the first "five to six" months of 1950 will bring increased sales and profits to almost every sort of enterprising that is "on the beam." A difference in thought exists, however, with reference to the second half. The majority of prognosticators, professional or otherwise, foresee a new leveling off of the so-called High Plateau, but without serious repercussions — comparable to what went on in the first months of 1947, and again of 1948. In other words, we should see the repetition of the sort of seasonal pattern that has become a feature of the postwar era, except that next time the "seasons" would be reversed. A minority, on the other hand, warns that the latter half of 1950 will resume, possibly accelerate, the readjustment in prices and inventories, and might bring a real "downturn."

The bullish outlook for stabilized prosperity is based on one of two theories: that our economy is fundamentally sound and well-balanced, with no financial "water" to be squeezed out of it, and therefore in no danger of a critical show-down; and that the political forces to be are strong enough and determined to nullify any adverse development by pouring out credit in sufficient quantity to halt the decline, cost what that may. The second of these assumptions is well-founded, indeed, provided its validity is restricted to a year or two. That, of course, does not ex-

Continued on page 53

Continued from page 50

Business and Finance Speaks After the Turn of the Year

HENRY P. KENDALL
Chairman, The Kendall Company

Once when we were having difficulty at one of our southern mills to meet a water shortage by trying to strike water by deep wells, unsuccessfully, I brought a very skillful sanitary engineer down from Boston to tell us where to drive the next well. He reminded me that one man could see just as far underground as another, and no farther. I feel much the same way when you ask for a forecast for 1950.


Henry P. Kendall

I think some of the spurt in business that we are experiencing, particularly in the textile field, is due to the fact that both manufacturers and distributors have not forgotten the year 1937, when the first half was extremely good business and the second half a very bad slump. Many companies stood heavy inventory losses. With the memory of that still fresh, I think there is a tendency on the part of a good many companies to act as results specifically justify and their customers do, too.

I do not expect business generally to hold up to present levels and am of the opinion that some time after the first quarter, or possibly the second quarter, another readjustment downward will occur, perhaps as great or greater than what happened in 1949. I do not expect a severe decline. I think there will be greater unemployment and some lowering of costs.

There is unquestionably great uncertainty on the part of industrialists and businessmen generally, I think, and even a good deal of apprehension about the attitude and acts of the present Administration, the labor situation and also apprehension on the foreign front. The fear of higher taxes, coupled with the failure of either Congress or the Administration to press hard for the Hoover plan and the economies that could come by that route, add to the uncertainty. Business is bound to be in larger volume and certainly more profitable than in the depression years.

ALLAN P. KIRBY
President, Alleghany Corporation

It is difficult for hard-headed business men to look forward with confidence or even with real hope, when an unsound economy constantly faces the country through an unbalanced budget, deficit financing, constantly increasing labor costs, strikes, enlarged Social Security and, in the offing, possibilities of socialistic legislation, such as Federal Aid to Education, Socialized Medicine, threats of higher taxation, and the like. With all of this, we are also harassed with the ever-present danger of what will Soviet Russia do, if not with the atomic bomb, at least with the unsound economic fallacies at its command. This is a constant threat to our welfare and to the well-being of the world in general.


Allan P. Kirby

Despite all of this, we continue to live and thrive on an unsound currency base. Without these ever-present worrisome problems and stifling checks, we could, with the help of sound Government practice, return in a few short years to a sound economy. The outlook, however, is not pleasant when we see ourselves slowly but surely drifting into the slough of some kind of "ism." No matter whether it is called American Socialism or one of the European "isms," it is, in the final analysis, all just about the same. Until a trend in the other direction develops, if it ever does, it cannot be expected that business can do otherwise but view the future with alarm. With such men as Herbert Hoover, Senator Taft, General Eisenhower and ex-Secretary of State Byrnes endeavoring to arouse us to the inherent dangers at hand it seems as though there is some hope that we may come to our senses and that the situation is not entirely hopeless. An aroused American people can change Congressional thinking almost over night.

When, and if, the Hoover Reorganization Plan can be realized, the budget balanced, no tax increases are enacted, or even threatened, and possibly reduced, so that venture capital in large quantities may become available, socialistic legislation is abandoned, and when some signs of UN functioning in an orderly manner, become evident, then and then only can the country hope to return to any kind of state of reasonable normalcy and move forward as it did in the first 25 years of the present century.

FRANK F. KOLBE
President, The United Electric Coal Companies

It is extremely difficult to make any prediction as to the expectancy in the coal industry for the calendar year 1950. This is almost entirely due to the uncertain labor situation that has existed since June, 1949, and is at present continuing.


Frank F. Kolbe

During the last six months of 1949, we had a complete tie-up due to strikes in the United Mine Workers of America mines for 60 days and for two months prior to that were only permitted to produce coal on Monday, Tuesday and Wednesday of each week. This limitation on production remains in effect at the present time and is causing serious hardship on the part of both consumers and producers of coal.

Naturally, this uncertainty as to supply has caused oil and gas competition to be a more serious threat to the coal industry and loss of business to oil and gas competition must be expected.

It is estimated that the country will need approximately 475 million tons of coal for 1950. Mines that are available for production at present can produce approximately 650 million tons. Well-managed properties equipped with modern facilities for producing and preparing coal will continue to prosper and while indications are that 1950 has serious problems for the industry as a whole, I believe there are still possibilities of fairly good earnings for those companies having the proper facilities and management to solve these problems.

ALF M. LANDON

1950 will be like other New Deal years.

Being an election year, there will be more spending than in "off" years. Business will get an extra artificial shot in the arm.


Alf M. Landon

According to the New Deal custom, business will be called a crook and the Administration will attempt to hamstring its activities.

Sound periods of prosperity are not based on a foundation of deficit financing — despite glowing predictions of so-called businessmen.

I quote a small weekly editor's recent letter. For "a local man," substitute some of the chattering tycoons and you have the national picture:

"Here is an example of a local man who had always been a Republican but swung in behind the New Deal when it began to hand out money and guaranteed him a big price for wheat. He has told me the past four or five years, that it was a poor program and meant trouble in the end, but that he would vote it just one more year and then he would be on easy street. But he said, I do not know what will happen then. But that is the attitude of many—give me the cash today and let tomorrow take care of itself."

S. E. LAUER
President, York Corporation

Air conditioning of many large buildings, deferred because of wartime limitations and the lack of competition in renting space, is accelerating. The use of air conditioning in manufacturing to get improved products, was advanced by war-born progress in technique. But gradual increase in use of air conditioning is finally suggesting to the home owner that he can share its benefits. Prof. Sumner H. Slichter, Harvard economist, in projecting the next 30 years of the American economy in the November "Atlantic Monthly," predicts that the expanded use of air conditioning commercially "in restaurants and office buildings will create the demand for much air conditioning in homes."


S. E. Lauer

Single room air conditioners are applicable to residential use, but for the first time the vast residential market will be opened by the completely hermetically sealed type of unit air conditioner now available for use separately or in conjunction with existing warm air heating systems to provide year-round air conditioning for the entire house or for several rooms simultaneously.

The next 10 years are expected to produce sizable air conditioning volume in new commercial construction of all types as an important service to attract tenants and customers. Air conditioning is now taken for granted in most forms of public transportation. All passenger liners now under construction, including the largest superliner to be constructed in the United States for which eight giant York turbo systems will be used, are to be completely air conditioned according to a recent announcement of the U. S. Maritime Commission.

Air conditioning is a growing industry.

F. M. LAW
Chairman of the Board, First National Bank in Houston

That practically everybody is willing to get out on the limb far enough to predict good times for at least the first half of 1950 might prove to be unfortunate in its reactions. It seems a bit ominous that most of the prophets prefer to confine their comments to the first six months and many of them to the first 90 days.


F. M. Law

The two big "ifs" in the situation seem to be centered around Congress, and secondly, the ever present torment of world politics.

In Texas perhaps the majority opinion among bankers is that 1950 will nearly, if not quite, equal its predecessor as to earnings, employment and business activity. The books are closed on 1949 and we now know that it turned out better than most of us even hoped for at the beginning of that year. The farmers of Texas—and it must be remembered that Texas is still primarily an agricultural and livestock state—are in sound position. They owe little money and their credit at the banks is good.

It is largely due to the big cotton crop that deposits in Texas banks have reached an all-time high. At the same time there has been some decline in loans, although not to such an extent as is indicated in New York and other reserve cities. The industrial development in Texas continues apace. In this field we find ambitious plans in the making and no visible sign of any acute uncertainty or anxiety. Businessmen in Texas generally very earnestly believe that substantial economies in Federal expenditures are entirely practical and possible and that there is a good chance that the Congress will have the courage to put them into effect. This done there will be no need for additional taxes and we can discontinue the dangerous program of deficit spending.

Bankers, merchants, farmers, industrialists, and in Texas we may include labor, are all of the opinion that taxes are already near the danger point and that additional levies might easily mean diminished returns. Texas faces the future with confidence but quite mindful of the uncertainties which lie ahead. One thing is certain: Texas business men are convinced that the public good calls for less and not more government control of business.

R. L. LEADBETTER
Vice-President, Burgess-Manning Co.

Present indications are that industry and business generally will install more noise-abating equipment during 1950 than in any past year. I base my forecast on the increased intolerance of unnecessary noise on the part of people who realize its harmful effects.


R. L. Leadbetter

During the past ten months Burgess-Manning sales of noise-abating equipment, snubbers, acousti-booths and other devices were 110% of the same period last year. Installation requirements to meet this demand for quiet for next year are the largest in the history of the company.

The oil industry, utilities and railroads appear to be among the leaders in the increased demand for quieting devices during the year just closing.

Management seemingly is becoming more acutely aware this year that constant, unnecessary noise is a waste, and a growing threat to efficiency, health and safety.

Industry in general is showing an increased desire to take steps to combat the growing noise menace.

Management executives and development engineers at Burgess-Manning have found the above industries and many others are becoming conscious that noise cannot be disregarded. In the interest of the economic and physical benefit of all concerned it must be reduced wherever possible.

Management has discovered through their own experience and that of psychiatrists and psychologists that long-continued noises in plants and business places produce fatigue which impairs efficiency, encourages inattention and lack of concentration. The nervous system, it has been found, is not constituted to take such constant battering.

The use of quieting and spark suppressing snubbers on gas and diesel engines and on other equipment has been found not only to alleviate the noise problem but also

Continued on page 54

Continued from page 51

Glancing at 1950

clude "minor readjustments" in 1950. But given the hard facts of political life: the pending Congressional elections and an appreciable budgetary deficit in the place of a by-gone surplus—a potent inflationary factor replacing the deflationary one—the likelihood that extraneous (political) influences may cause a serious reversal, or even permit it, is negligible indeed. Actually, the fifth wage round may be taken for granted, to be backed up by new credit expansion. In short, we soon again may see higher wholesale prices for manufactured commodities, tempered by cost-paring technological improvements and by lower farm product prices. Already, most building costs have stiffened, to say nothing of steel and of the upward pressure on coal, nor of the recent "corrections" which have lifted basic raw materials from their mid-year lows.

V

Of course, all advance symptoms of bigger and better business ahead might be annulled almost overnight, if buyers go into hiding — which is what they have been doing "seasonally"— orders are cancelled, prices plunge and the trouble spreads, be it only for a short while. But it stands to reason that the year-end boom will be carried well into the New Year by its own evident momentum. That is about all the prognosticators' foresight amounts to at present.

And it stands to reason, too, that before next November's elections nothing will be permitted to interfere in any serious way with the kind of mass-happiness that pays dividends at the polls. Its drying up on the consumer end is out of the question when enough fresh spendable income can be dispensed to enough people on open or concealed public payrolls. As to the construction end: if increasing population, "full employment" and rising wages do not provide sufficient incentive for more housing, plant and labor-saving equipment, additional Federal and municipal construction can do the trick.

VI

In short, the prevailing optimism about the general business prospects of 1950 is well justified —provided it is not based on self-delusions. Let us not delude ourselves with the notion that this is a fundamentally sound, balanced economy the shortcomings of which could be eliminated (in the long pull) by some magic, such as "co-operation" between business, labor, farm and government. Nor is the scramble of the vested interests for more and more hand-outs an accidental aspect of the picture that might be cleaned up by a proper election. In the face of fabulous wealth, of unprecedented productive capacity and living standards, this economy of ours is unbalanced in a fashion that cannot be corrected by minor and relatively painless adjustments.

The price structure is totally out of balance with the underlying supply - demand forces. Overinflated farm prices — probably double what they should be to bring the market anywhere near equilibrium—constitute the most conspicuous case to the point. But industrial incomes are similarly distorted. High living standards are financed either by tax revenues or by way of a price and profit inflation that keeps stimulating output beyond the consumers' capacity to absorb it. The result is recurrent shutdowns— or recurrent strikes—to control production and raise costs further. In a futile circle, a high wage-price level and a high level of output chase one another, and the problem grows more aggravating at every turn.

It may be another boom year in 1950, and perhaps also in 1951, presumably with some recurrence of unpleasant inventory liquidations, strikes and similar processes. Even so, the continuation of the boom will have to be bought at the price of further expanding the credit (debt) system and further diluting its monetary base. The longer this continues, the more prices and incomes will be removed from being adequate expressions of the basic economic realities which undoubtedly will reassert themselves — sooner or later. What that may entail some day in terms of social upheavals is any one's guess.

Fenton and Marr Join Ames, Emerich & Co.

Lawrence Marr

Arthur W. Fenton

CHICAGO, ILL.—Lawrence M. Marr and Arthur W. Fenton have become associated with the trading department of Ames, Emerich & Co., Inc., 135 South La Salle Street. Both Mr. Marr and Mr. Fenton have been with E. H. Rollins & Sons, Inc., in its Chicago office for the past 15 years.

Mr. Marr is Past President and director of the Bond Traders Club of Chicago and has been active in the affairs of the National Security Traders Association.

Mr. Fenton is a former director of the Bond Traders Club of Chicago.

Frank Mulligan With Joseph McManus Co.

Frank E. Mulligan has become associated with Joseph McManus & Co., 39 Broadway, members of the New York and Midwest Stock Exchanges and the New York Curb Exchange. He has been with E. H. Rollins & Sons, Inc. in their trading department since 1942 and prior thereto was associated with G. A. Saxton & Co., Inc. He was formerly with Chesley & Co.

Frank E. Mulligan

Joins Reynolds Staff

(Special to The Financial Chronicle)

CHICAGO, ILL.—Jack Frankel has been added to the staff of Reynolds & Co., 208 South La Salle Street.

NASD District No. 11 Elects Officers

The members of District No. 11 of the National Association of Securities Dealers, Inc. recently elected: Edward J. Armstrong, Stein Bros. & Boyce, Baltimore, Md.; W. Erskine Buford, W. E. Buford & Co., Charlottesville, Va.; William D. Croom, First Securities Corp., Durham, No. Caro.; Ben S. Willis, Alex. Brown & Sons, Winston-Salem, N. C., to the District Committee, representing the securities industry in this area for a term of three years to fill the vacancies created by the expiration of the terms of: J. Murrey Atkins, R. S. Dickson & Co., Inc. Charlotte, N. C.; Robert P. Martin, Davenport & Co., Richmond, Va.; W. Carroll Mead, Mead, Miller & Co., Baltimore, Md.; John T. Warmath, Equitable Securities Corp., Greensboro, N. C.

At a meeting of this Committee the following officers were elected:

Chairman: John C. Hagan, Jr., Mason-Hagan, Inc., Richmond, Va.

Vice-Chairman: G. Fenton Cramer, Ferris & Co., Washington, D. C.

Mr. Hagan takes office as Chairman succeeding Mr. J. Murrey Atkins whose three-year term on the Committee has expired. Mr. Donald H. Burns, 1625 K Street, N. W., Washington, D. C., was elected Secretary of the Committee.

District No. 11 comprises the District of Columbia, and the States of Maryland, Virginia, West Virginia and North Carolina.

The members of this District are represented on the Board of Governors of this Association by Mr. Charles H. Pinkerton, Baker, Watts & Co., Baltimore, Md.

Joins Fusz-Schmelzle Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Edward S. Morse has become affiliated with Fusz-Schmelzle & Co., Boatmen's Bank Building.

Continued from page 52

Business and Finance Speaks After the Turn of the Year

to insure a higher degree of protection from explosion and fire.

Use of Acousti-Phone Booths which trap extraneous noises has aided many business offices and noisy factories in reducing costly telephone errors.

GORDON LEFEBVRE

President, The Cooper-Bessemer Corporation

Our company is principally active in two general fields. First, diesel engines for locomotive, marine work, stationary plants for power generation, dragline and shovels, and general industrial and power usage.

Gordon Lefebvre

Second, gas engines and compressors for the oil and chemical industries and general power production poses where gas is available.

The production facilities for diesel engines were multiplied during the war years by about 25 fold. The market, of course, has not kept pace with this increase in facilities. We would expect the market for diesels to absorb about the same total amount of horsepower as last year, principally in the locomotive field and perhaps some increase in business with respect to municipal power generation. There seems to be little demand for marine engines.

We believe there will be a heavy demand for gas engines and gas engine driven compressors, particularly for the class of engine used for pumping gas through pipe lines. We anticipate that the companies engaged in this business will have their busiest year.

ELMER L. LINDSETH

President, The Cleveland Electric Illuminating Co., and President, The Edison Electric Institute

In 1950, the electric light and power business expects a continued rise in power sales to each of the three principal customer categories—industrial, commercial and residential.

This is simply another way of saying that living standards will keep on advancing and that business and industry will increase the efficiency of their operations through new ways of utilizing the advantages of electricity. Increased use of electricity both reflects and contributes to economic improvement.

Elmer L. Lindseth

To take care of present demand and to build capacity for the future, the electric light and power business is in the midst of a tremendous postwar expansion program which will extend through 1950 at the same vigorous pace maintained in 1949.

Last year America's business-managed power companies installed 5,580,000 kilowatts of new generating capacity. This year they will install an additional 5,060,000 kilowatts.

By the end of 1951 these electric comuanies will have added 21,000,000 kilowatts to their collective postwar generating capacity. This figure will represent an increase of 52% over V-J Day capacity.

During the past year about two million customers were added to electric utility lines, with the result that 95% of all occupied dwellings in the U. S. now are electrified. One-half of the remaining 5% have electric service readily available to them.

Farm electrification will receive much attention from the industry in 1950, as it did in 1949, when 570,000 farms joined electric lines.

On New Year's Day electricity was in use on 85% of all U. S. farms and was available to 91%. This month the five millionth American farm will be electrified, and by the end of this year 92% of all the nation's farms will have electric service, with another 5% easily accessible to it.

In expanding their facilities, the investor-owned electric companies spent $2,190 million in 1949. This year new construction will require an additional $2,105 million. By the end of 1951 the grand total expended by these electric companies on their six-year, postwar construction program will exceed $9 billion.

In 1939 the average American residential customer consumed 897 kilowatthours of electricity. Last year, just 10 years later, he consumed 1,685 kilowatthours—and paid 10% less for each kilowatthour, despite the 69% cost-of-living increase which occurred nationally in the same period.

The biggest obstacle to the progress and the ever-increasing service of business-managed power companies is the persistent campaign by demagogues and bureaucrats within the Federal government to socialize the electric business. Investor-owned companies are prepared to continue their fight against this movement.

This drive by the Government is plainly unnecessary, in view of the fact that the electric companies can point to a superlative record of constantly expanding service to the nation for the past 70 years, of improving efficiencies and economies, and of establishing the lowest possible prices.

No single objective of the electric companies for 1950 is more important than their determination to repel all political efforts to extend the area of socialization by taxation, whether in the electric industry or in any other economic field.

M. ALBERT LINTON

President, Provident Mutual Life Insurance Company of Philadelphia

Business on the average should be good in 1950—assuming no unsound tax legislation, a reasonably stable wage level, no intensification of the cold war. Consumer income and savings are high. People are spending more freely and have the wherewithal to continue doing so. Last year's tendency for prices to fall has been checked. A stable price level, or one tending to rise somewhat stimulates business activity. Construction, public and private, is going strong with little prospect of weakening. Steel, in addition to meeting normal demands, will be busy for some time making up for losses resulting from the strikes. The demand for automobiles is holding up remarkably well with excellent prospects in 1950. As we analyze one industry after another, and add the results, the composite picture is good. Tempered optimism should be the order of the day.

M. A. Linton

The resort of the Government to deficit financing is disappointing, and for the longer run disquieting. With a national debt of $256 billion further increases should not be permitted. The budget should be balanced from the expense side, not by increasing taxes. Tax increases could, as a matter of fact, put an entirely different aspect upon the outlook and cause a lot of damage. Instead, judicious reduction of certain taxes, for example some of the excise taxes, could be so stimulating to business as to maintain total tax receipts at a high level. We would do well to study the gratifying results Canada appears to have achieved through postwar tax reduction.

G. M. LOEB

Partner, E. F. Hutton & Company

The outlook for the stock market during the year just ahead looks better to me than it has in quite a while. I think that common stocks, as investments, promise to come back into their own, and of course, along with rising stock prices, the volume of transactions on the New York Stock Exchange should also show a substantial increase. In fact, I feel that looking back on 1949, it will rank with 1942 and 1938, both as a bargain year for investors and a depression year for the stock brokerage business.

G. M. Loeb

The basic reason for this anticipated change is not the development of any new set of facts but rather the realization of a condition already existing. Psychologically, investors have not trusted either corporation earnings or dividends. They have actually mistrusted dividends during a period when they have been well covered by earnings and actually rising. Since June, however, there seems to be a change and I think the improvement in prices in the last six months is just the beginning of an important trend.

There are no secrets in the reasons behind the advance just beginning in stock prices. Practically everybody must agree that stocks are cheap on a balance sheet basis, on an earnings basis, and on an income yield basis. The difficulty has been that the majority has not trusted the continuance of good operating profts. I think they have overlooked the change in consumption patterns that has accompanied the redistribution of wealth which began in 1933. I think, also, that many dollar figures in earnings statements look big compared with the past, whereas, actually, a reduction to a unit basis to make allowance for the reduced purchasing power of the dollar, would make them appear more normal and less boom-like.

This does not mean that all companies are going to prosper and all stocks are going to go up. The moving power behind the 1942-1946 market was basically the need for production. Anyone who could produce, efficiently or inefficiently, found their product sold at a profit. In fact, the weaker companies tended to do better than the strong. The motive power behind the rise which began last summer is of an entirely different kind. Today, it is the companies that possess the best management, the most efficient production methods, the best product design and the best merchandise who are winning out. In other words, the largest, wealthiest, best entrenched, most successful and generally dominant corporations are the ones whose securities seem to me to offer the greatest promise in 1950.

ENDICOTT R. LOVELL

President, Calumet and Hecla Consolidated Copper Co.

Most of the business prophets predict that business will be good during the first half of 1950, but few have ventured guesses about the second half. The rate of demand for copper should approximate the level of business. At present the demand is strong and the price seems firm at 18.50 cents per pound. Copper stocks and inventories in the hands of fabricators underwent correction in 1949 and are now in a healthy condition.

Endicott R. Lovell

During 1950 the main users of copper, such as electrical, automotive, and construction industries, bid fair to continue taking substantial quantities.

Expansion of public utility systems and rural electrication programs will move ahead. The telephone and telegraph companies plan to continue their expansion and improvement programs which had been curtailed during the war.

The building industry has a lot of catching up to do, and we may expect residential and commercial construction to consume sizable amounts of copper and copper base alloys in the form of pipe, tubing, electric wire, cable and forgings.

The automotive industry will continue to be a heavy user of copper as long as the demand for motor cars and trucks holds up.

Televsion, refrigeration and air-conditioning requirements should continue their steady growth.

Government stockpiling of copper is expected to be maintained in 1950 at about the same rate that prevailed in 1949.

During 1949 a sharp drop in price and demand for copper caused most American copper mines to curtail production or shut down. At present the domestic demand for copper exceeds U. S. production and some imports are necesssary to make up the difference. However, several large mining companies are increasing output and by mid-year it is conceivable that domestic production may materially exceed demand. If this should happen, it would be foolhardy to suspend again the copper import tax which otherwise will autmatically become effective July 1, 1950.

The labor situation at American copper mines appears to be good. Recent wage increases at large Western properties indiciate that we may expect industrial peace during 1950.

PERCY C. MADEIRA, JR.

President, Land Title Bank and Trust Co., Philadelphia

From all indications, 1950 should be a good year. There are many well informed business men who believe that the first half of the year will find business considerably ahead of the first six months of 1949. A fair number are of the opinion that the year as a whole will be almost as good as 1949, if not better, in sales, production, and profits.

P. C. Madeira, Jr.

There is, however one cloud on the horizon which may alter the picture —the return of inflation. Prices, which had been going down, began rising again last September. Inflation of a mild type is back with us again, bringing with it the price distortion which it was hoped had been corrected by the recession or adjustment of 1948-49. Another year of almost certain deficit financing will add to the inflationary trend.

The price correction last year was rather gentle. However, if the present situation is permitted to become serious, there is a possibility that the next "correction" will not be mild but instead may be marked by the sharp drops which followed the first World War. Declines of this nature are serious. They have always brought in their wake heavy losses, failures, and unemployment. This must be guarded against now.

Since the end of the second World War, business and industry to a large extent have tried to keep prices from getting too far out of line. It is expected that they will do their part in checking the present inflationary threat.

The reasons for confidence in the outlook for 1950 are apparent. Employment is still around the 60,000,000 mark, savings are at an all-time high, and the national income is near the record level. The demand for homes, for automobiles, for household appliances, for television receivers, etc., is still far from satisfied, and nearly three billion dollars will be added to consumer purchasing power by the payment to veterans early in 1950 of adjustments in their government insurance premiums.

The demand is present, and the money is available. If the demand can be turned into purchases, there is

Business and Finance Speaks After the Turn of the Year

every likelihood that this year will be a prosperous one—provided that the present price distortion and inflationary threat are checked before they become serious.

SIDNEY MAESTRE

President, Mississippi Valley Trust Co.

In 1949 business activity was somewhat lower than in 1948. Prices were lower and department store sales also declined. It is probable that 1950 will be marked by the continuance of this moderate decline. Business expenditures for new plant and equipment are expected to decline, and private construction expenditures are likely to be reduced. Anticipated declines in these two sectors are significant reasons for expecting a further decline in industrial activity, and the fact that consumer expenditures also may be lower should not be ignored. Certainly, the prospect of a further decline in net farm income will influence unfavorably the agricultural sector of the economy. The prospective deficit of the Federal Government may offset in part the decline in expenditures in other sectors of the economy, but the effectiveness of employing budgetary deficits as a method of counter-balancing reductions in expenditures in other sectors of the economy has been overstressed.

Sidney Maestre

Banking will, of course, be influenced by the trend of industrial activity. Commercial and industrial loans will probably decline seasonally in the first half of the year and recover in the second half; the level throughout the year, however, is likely to be below 1949. The expansion of the public housing program may result in increased real estate loans, and the greater availability of consumers' durable goods probably foreshadows a further increase in the volume of consumer credit. During the current year, the Federal government undoubtedly will be compelled to borrow in the open market to finance an anticipated deficit of more than $5 billion. Since the banking system will purchase a large part of the securities issued, Treasury borrowing means a renewed expansion of deposits.

The Federal deficit may have still other implications. Since deficits are expected in the current and succeeding fiscal years, many people may anticipate continued inflation. The widespread acceptance of the inflationary psychology might result in investment and expenditure decisions by individuals which would intensify inflationary movements. It is probable that those who foresee continued inflation are overemphasizing the importance of the budgetary deficit as an inflationary factor.

The needs of the Treasury, together with a probable decline in the volume of loans, would seem to indicate the continuance of the present "easy money" policy. If inflationary tendencies should appear later in the year, the Treasury might permit a small increase in interest rates for short-term government securities and the Federal Reserve Board would undoubtedly raise reserve requirements.

Just as in the past year, foreign political commitments and demands will continue to influence the long-term trend of industrial activity, banking, finance, and trade. In the present year, however, these factors are not likely to exert a greater influence than in the past year. Barring unforeseen developments, therefore, business activity in 1950 is likely to be only moderately below 1949, and banking will undoubtedly reflect that trend.

WALTER P. MARSHALL

President, The Western Union Telegraph Company

The year 1950 may well be a major turning point in the history of the record communications industry in the United States. The Subcommittee on Communications of the U. S. Senate Interstate and Foreign Commerce Committee, of which Senator Ernest W. McFarland, of Arizona, is Chairman, has announced that it will consider the problems of the industry when it reconvenes in January, and it is hoped a national communications policy will then be formulated and implemented.

Walter P. Marshall

This policy, I believe, should be directed toward the establishment of a single system of domestic and international record communications, under private management and with appropriate government regulation for the protection of the public, with Western Union as a nucleus around which such a system would be developed, insuring continuing and more effective competition with voice and air mail services.

In addition to advocating the establishment of a single system of record communications, I proposed, in a letter to Senator McFarland on Oct. 14, 1949, that:

(1) Subject to appropriate enabling legislation and other essential considerations and negotiations, Western Union would offer to purchase the international telegraph facilities of the American Cable and Radio Corp.,

Continued on page 56

Railroad Securities

The action of all sections of the market last week was very impressive. For a time on Thursday and again in the middle of the day on Friday it appeared as if the long awaited reaction of normal technical proportions was at hand. However, with the sharp recovery on heavy volume during the late trading Friday, and the firm tone displayed on Saturday, hopes of the bears and the sold out bulls were rapidly dissipated.

Virtually all railroad securities have participated in the recent strength. There have, however, been two outstanding performers. One has been Nickel Plate (New York, Chicago & St. Louis) and the other has been Missouri Pacific bonds. Revived interest in Nickel Plate was caused by reports that a plan for eliminating the preferred dividend arrears had finally been formulated. Heavy trading in Missouri Pacific bonds at rapidly advancing prices followed announcement that the final reorganization plan had been approved by the ICC. Later it was certified to the District Court.

There is nothing particularly new in the Nickel Plate situation. The press reports were to the effect that holders of the preferred would receive a new preferred stock, with a good sinking fund, for their dividend arrears which now amount to $63.50 a share. This is along the line of discussions that have been taking place for a year or more. The only thing new is that the various conflicting interests are now apparently pretty much in agreement. Therefore, it appears probable that the plan will be ready for stockholder action at the annual meeting, which will probably be in May. Also, it has apparently been decided to follow this with a split-up (four or five for one) of the common.

Except for two minor points the Missouri Pacific plan certified to the court last week was the same as the plan presented by the Commission earlier in 1949. The action did not alter the status of the various Missouri Pacific securities in any respect. It merely represents one more step forward in the protracted proceedings. To that extent the day of final consummation of a reorganization plan is obviously much closer. Even the most optimistic followers of railroad reorganization proceedings, however, do not expect consummation for a year and a half. There are many railroad analysts who feel that two years, or even more, would be a closer guess.

Merely the mechanics of Section 77 proceedings, even if everything moves smoothly make for serious delays. In this instance things are not apt to move smoothly. It seems quite likely that holders of the old common, which the Commission has again found to be without value, will take their case for participation through to the Supreme Court. Holders of the Secured 5¼s, whose claim is secured by pledge of the common stock of the profitable New Orleans, Texas & Mexico, have consistently expressed dissatisfaction with their treatment. They, also, will almost certainly argue for better treatment in the highest court. Granting that the case has been in the courts so long that speedy action should be possible, consummation before Jan. 1, 1952 appears a rather optimistic expectation.

Considering the probable time element, the old Missouri Pacific bonds appear to be selling unusually close to the workout value based on current quotations for the new securities, trading on a when-issued basis. Last week the 1st & Refundings have advanced to a point which represented only a 9% to 10% arbitrage profit, and the junior bonds indicated only a moderately wider spread from the indicated when-issued values. Under the circumstances, any further advance is apt to be at a much slower pace than has been the case recently and will have to be based almost entirely on higher quotations for the new securities.

Continued from page 55

Business and Finance Speaks After the Turn of the Year

RCA Communications, Inc. and any other international telegraph carrier operating in the United States.

(2) The government is operating extensive telegraph systems competing with Western Union for government communications, to the detriment of the private system which must provide a nation-wide telegraph service operated under stringent government regulation and under the burden of heavy taxation. Subject to the approval and cooperation of the national defense establishment and government policy considerations, Western Union would provide a comprehensive system for handling all of the government's record communications. This would be an integral part of a coordinated system of domestic communications which would utilize all new technological methods and be geared to the military requirements of the present atomic era. Such a coordinated system would provide for maximum security in time of national crisis and be available in normal times for use by the general public and civilian agencies of the government as well as the military.

(3) Subject to financial negotiations and regulatory considerations, Western Union would purchase the telegraph business of the Telephone Co., including primarily the business known as Teletypewriter Exchange Service (TWX).

(4) To the extent that required private capital may not be available to insure accomplishment of these objectives, long-term government financing be provided at an interest rate designed to compensate the government for the cost of the money borrowed.

Congress has been urged to remove the still existing 25% tax which was imposed on telegraph users during the war to discourage them from availing themselves of telegraph service and thus free telegraph facilities for the handling of vital war traffic. Although the war has long been over, this tax continues with its volume depressing effect becoming ever more pronounced. The taxing away of telegraph volume is particularly serious at a time when Western Union has spent $80,000,000 since the war's end for mechanization and plant improvements, increasing the capacity of its system and providing faster and more efficient operation to attract added use of its services. Relief from this tax is hoped for early in 1950.

Assuming accomplishment of its program, Western Union intends not only to continue the existing good services and facilities now provided in the record communications field by the several carriers but to improve and expand them through the introduction of new methods and better equipment, including Western Union's modern high speed automatic telegraph and facsimile systems.

Senator McFarland stated the objectives of the Subcommittee on Communications as follows:

"While few realize it, the future of our kind of life is involved in the kind of communications policies we have. All over the world, the avenues of communications are in the hands of the state. Only in the United States do we have a free, privately owned system. We want to keep it that way. In broadcasting, we have freedom of expression and opinion under a public interest licensing system; in the common carrier operation of telegraph, telephone and cable, whether by wire or by radio, we have privately owned operating companies. In neither case do we want the government's finger in the pie."

In the light of Senator McFarland's reply to the company's proposals, I am more than ever confident that wide acceptance will be gained in 1950 for the broad and far-reaching program we have presented which would establish for this nation a sound, solvent and aggressive record communications system both in the domestic and international fields, better serving the ends of national security and public interest.

ROYCE G. MARTIN

President & Chairman of the Board, The Electric Auto-Lite Company

With a highly diversified list of products, with the steady introduction of new products, and with the outlook for car manufacturers, in their own words, good, the year 1950 promies to be as good, if not better, than the one just past for Auto-Lite.

Royce G. Martin

The automobile industry smashed existing records in 1949 with the production of approximately 6,000,000 motor cars and trucks. With Auto-Lite products original equipment on 20 makes of passenger cars, 16 trucks, 11 tractors and 25 marine engines, Auto-Lite initial equipment sales will keep pace to the extent that these manufacturers maintain their current high production.

The replacement market amounts to approximately 25% of Auto-Lite sales and our industry is convinced that this market has been broadened permanently. Registration figures show that the number of motor vehicles more than two years old has increased since 1936 from 20,000,000 to 32,000,000 and this upward trend has never sustained any material setback. This means a much broader base for the automotive parts industry than it had a decade ago and the trend holds promise of further increases.

These Auto-Lite replacement products — batteries, spark plugs, fuel pumps, wire and cable, Bulls-Eye sealed beam lights, instruments, starting, lighting and ignition parts—are sold through whoelsalers and more than 100,000 dealers in the United States and Canada.

Another substantial portion of Auto-Lite's business is done with general industry in die castings, gray iron castings, plastics, instruments and wire. The company's die casting and wire production facilities have been expanded to take care of expected greater volume in these products during 1950.

There will be some drop in export volume in the coming year, although 1949 sales compared favorably with 1948 despite import restrictions and currency devaluations.

The expenditure of more than $43,000,000 in the postwar years for expansion, improvement and replacement of facilities has resulted in both economies of operation and increased production and these factors will become increasingly important in the competitive period ahead.

WILLIAM A. MATHER

President, Canadian Pacific Railway Company

During 1949 the Canadian Pacific again experienced a year of comparatively heavy traffic; tonnage handled decreased only slightly from the records established in the earlier postwar years.

William A. Mather

Fortunately for the Canadian railways and our nation's economy, no severe dislocations to industry such as those which beset the United States were sustained. Consequently, while in some categories car loadings were down and there was a marked falling off in extremely long haul traffic which characterized the war years, when supplies and equipment from all parts of the country were concentrated on the Eastern Seaboard, there was a continuation of the increase in production and car loadings which contributed to and are a result of Canada's industrial expansion. More noticeable amongst these are petroleum and petroleum products, cement for construction, ores and concentrates.

It continues to be disappointing, however, that with such buoyant traffic, the ratio of net earnings to gross earnings remains at the lowest level in the company's history.

Faced with this situation, the Canadian Pacific has had to continue to practice the strictest economy in its operations in order to meet its immediate financial obligations. The company, however, has been able to undertake some notable improvements consistent with the ability to pay for them.

While our equipment situation is not all that we would desire, because of inadequate financial returns and the high cost of replacements, we are embarked on an extensive program of diselization of our motive power which it is expected will produce substantial savings in transportation costs, although the amount necessary to purchase this new equipment represents a heavy outlay which could not be justified except in terms of those savings.

The Esquimalt & Nanaimo Railway, on Vancouver Island, is now totally served by diesel locomotives and late in 1949, the Canadian Pacific completed dieselization of the 171-mile section between Montreal and Wells River, Vermont, through the acquisition of three 2,250-horsepower streamlined diesel locomotives of the latest type. This order followed delivery, earlier in the year, of 20 other diesel units for this section of the Company's lines, including 1,500-horsepower freight locomotives and switchers of the same capacity and some 1,000-horsepower diesel switchers of a type now widely dispersed over terminals of the Canadian Pacific.

The next big step to be taken in the Canadian Pacific's expanding dieselization program is indicated in orders recently placed with newly established Canadian manufacturers for 58 diesel locomotive units to be assigned to 517 miles of the company's main line on the Schreiber division. Fulfilment of these orders will bring to 190 the number of diesel locomotives operated by the Canadian Pacific in Canada.

Aside from the acquisition of diesels, the oil discoveries in Alberta and Saskatchewan have provided a major new source of fuel, and the company's Weston Shops at Winnipeg have been working on orders to convert more than 100 steam locomotives used on the prairies from coal to oil-burning.

In other directions, the Canadian Pacific is pursuing a progressive program. In July, Canadian Pacific Air Lines inaugurated service from Vancouver, by way of Honolulu, Canton Island and the Fiji Islands, to Australia, operating four-engined, pressurized Canadian-built aircraft, and in September, using the same kind of aircraft, added a weekly service linking Vancouver with Tokyo and Hong Kong. These constituted the first air services by a Canadian operator to either Australia or Japan and China.

Additional air services opened up by Canadian Pacific Air Lines in 1949 were from Montreal to the northwestern Quebec mining communities of Val d'Or and Rouyn-Noranda and from Winnipeg to the Hudson's Bay port of Churchill.

In the autumn of 1949, Canadian Pacific Air Lines installed for the first time on any commercial aircraft a cross-wind landing gear, which enables a plane to land or take off from a single runway regardless of the wind direction. This equipment was obtained for use on the single strip landing fields recently constructed at Rouyn and Val d'Or.

Operations of Canadian Pacific Steamships on the North Atlantic proved satisfactory, with its fleet of nine ships, two Empresses, four fast Beaver cargo ships, two Beaver cargo-passenger ships and the immigrant ship Beaverbrae, carrying more freight and passengers in and out of Montreal than in any summer season since the war. Next May, the Empress of Scotland, which before the war operated as the Empress of Japan and was the largest and fastest passenger ship on the Pacific, will join the trans-Atlantic fleet and run between Liverpool and Quebec. This will enable the Canadian Pacific to provide a weekly service by Empress liners on the St. Lawrence route to the United Kingdom.

Two new 6,000-ton Clyde-built passenger vessels have joined the company's British Columbia Coast Service fleet in the last year. The Princess Marguerite and the Princess Patricia both arrived via the Panama Canal early this year and are now engaged in the popular "Triangle Run" service between Vancouver, Victoria and Seattle. Both are capable of carrying 2,000 passengers per trip.

Another ship, a 6,000-ton car ferry destined for service between Vancouver and Nanaimo, on Vancouver Island, where the C.P.R. this summer opened a new $1,700,000 ship terminal, has been ordered for the B.C.C.S.

With completion set for 1950, work is progressing steadily on Canada's most modern freight yard, the Company's $9,500,000 "hump" retarder yard, now under construction in Montreal. The yard, when completed, will have 76 miles of track and will be the only one of its type in the country. It will be one of the first on the continent to make use of a new system of "push-button" switching, by which it will be possible to set all the switches necessary to move a car into a certain track merely by pushing buttons in a control tower. Electrically operated retarders will control the speed of cars being "humped" in the classification section of the yard.

In passenger equipment, the Canadian Pacific Railway this year put into service the first roomette type sleeping cars seen on Canadian rails. Featuring moderately-priced all-enclosed space, five of the ten-roomette, five double-bedroom cars have gone into main line service on the system. Fourteen more of these cars are on order, as well as 64 first-class, air conditioned day coaches. These cars, too, are destined for main line operation.

It is plain that such improvements can only continue if the Canadian Pacific is permitted revenues sufficient to play its full part in the development of the nation. Our position in this regard is made clear in the extensive submission filed with the Royal Commission on Transportation which is presently hearing evidence on all phases of transportation within Canada.

In Canada's trade at home and abroad, the Canadian Pacific plays an integral part, following down through seven decades of steady and healthy development. We of the Canadian Pacific are proud of that part, and of Canada's remarkable growth. It is our hope that conditions will permit us to carry on as we have always carried on, providing the efficient, low-cost transportation without which no nation of such great distances may achieve full stature.

WILLIAM L. MAUDE

President, The Howard Savings Institution, Newark, N. J.

From present indications we appear to face a continuation of the current high level of economic activity in this country during the first six months of 1950. The decline that many business leaders anticipate for the second half of the year should be of moderate proportions. I do not believe that employment, national income, consumer spending or housing construction will recede drastically during the year. Based on that outlook—particularly that for the important factors of employment and national income—deposit trends in our mutual savings banks should remain favorable during the period.

William L. Maude

Economic prospects such as these ordinarily merit considerable satisfaction. It is always possible, however, to pay too high a price for anything, and I am afraid I share the doubts of those who wonder whether the degree of our present prosperity that is being purchased by an overmortgaging of our country's future will not one day prove to have been a poor bargain.

I refer, of course, to the role being played by government overspending and deficit financing in the artificial stimulation of our economy. These stimuli cannot, in the long run, prove healthy for the nation, regardless of the theories that certain economists advance in their

Business and Finance Speaks After the Turn of the Year

behalf, nor will they finally prove any more truly effective than trying to lift oneself by the bootstraps.

The first of these twin evils—government overspending—if accompanied by a level of taxation high enough to pay for that overspending would appear at first glance to contain its own cure, predicated on the seemingly reasonable assumption that if you take too much money out of too many people's pockets their cumulative resentment will ultimately lead them to do something about it. I for one, however, cannot feel any firm conviction that the correctness of that assumption can be taken any more for granted in the near future than during recent years. Millions of voters who appear quite willing to listen to the political promises of economic miracles will also, I am afraid, be equally content to continue the ride on the inflationary merry-go-round in the expectation that ever-mounting wage levels will take care of ever-mounting taxes.

Despite the dangers inherent in government overspending, nevertheless, deficit financing is, in my opinion, even more hazardous because—like so many habit-forming drugs—it looks so harmless. It appears so simple and painless. It appears to solve so many embarrassing problems—or at least postpones the need for their solutions. The mounting debt that deficit financing is producing, however, will have to be reckoned with in one of two ways; either we shall end up by passing on to our children and our children's children a burden so staggering as to threaten our country with economic and political bankruptcy; or else we shall continue on our present road toward a sizable repudiation of that debt by robbing the dollar of its only real value—its purchasing power. The first of these two alternatives is a tragic heritage to bestow on our descendants; the second penalizes the thrifty and rewards the improvident.

Any form of government which, for political expediency or any other reason, deprives its core of thrifty citizens of the just rewards of their thrift in order to finance grandiose plans for an impossible future takes a dreadful risk—the risk that those citizens will lose their faith in thrift. When that happens here—if it happens—this country will have lost the most important ingredient in its past and present greatness.

Because of our deep concern over this danger, we in the field of mutual savings banking should oppose and continue to oppose in the year ahead the overspending and deficit financing that seems to have become a permanent part of government policy. In the conscientious discharge of our duty as trustees for the $20 billion placed in our care by 18 million American savers we can not do less.

HON. BURNET R. MAYBANK

U. S. Senator from South Carolina

The year 1950 will present a challenge to industry and to the relationship between government and business, particularly small business.

The war with its attendant vast government contracts provided an accumulation of liquid assets. The transition period has now been completed and business is faced with the largest single problem it has faced in several years—that of providing postwar financing either through earnings resulting from war time profits and peace time prosperity or through the medium of borrowed money. It is a certainty that retained earnings will prove to be inadequate for future needs and also they cannot be primarily utilized for establishment of new business enterprises. Thus, venture capital is a prerequisite for the improvement of our national economy. Without adequate security, private financing cannot and will not fulfill the responsibility of providing sufficient capital to meet the requirements, especially in the field of providing technical advisory assistance and adopting new and improved industrial techniques which increase productivity of labor and enhance the free competitive spirit of business enterprise. Already, our economy has been affected and inhibited through the scarcity of equity money.

Burnet R. Maybank

As an alternative, business, particularly small business, will be forced to turn to government lending agencies in order to secure working capital and be assured of technical advisory assistance as well as the means to improve industrial techniques. These must be accomplished through the liberalization of lending policies of present government loan agencies or through the creation of a separate agency empowered to carry out these broad objectives. Many editorials are being written to cay lending credence to the belief that if government is to provide venture capital, Congress should so provide in clear and unmistakable terms. There is much to be said in support of this view and I believe that Congress will thoroughly investigate this problem and perhaps enact such legislation in 1950.

Further, the incentive of private investment in not only the under-developed areas of this country but also in the undeveloped areas abroad should be encouraged and abetted through the enactment of legislation by the Congress during this year. It is my earnest conviction that such will be brought to realization in the interests of business in the early part of this year. Any legislation which is needed and passed must be carefully drafted since it is axiomatic in our economy that public funds should not be extended for any projects for which private capital is available. To do otherwise would tend to destroy private initiative and our country should always remain emphatically a land of private initiative. With the proper balance between government money and private financing, an increased incentive for private investment will be provided.

Obviously, an adjustment in the tax structure would encourage private investment and provide an impetus to increasing equity capital. Such adjustment should be particularly adaptable to small business, which is now and always has been the very foundation of free, competitive enterprise.

It is my belief that business will accept the challenge which it faces in 1950. With the assistance of constructive and helpful legislation, which should provide the stimulus for economic growth and individual progress, private investment will gain momentum and business will take its proper step forward in 1950 on the road to the achievement of our national objective of maximum employment, production and purchasing power.

Continued on page 58

Boylan Pres. Pro-Tem Of NY Stock Exchange

The Board of Governors of the New York Stock Exchange has designated its Chairman, Robert P. Boylan, as President pro tem, to assume the functions and duties of the President, during the convalescence of Emil Schram. Mr. Boylan will serve without compensation.

Robert P. Boylan

Mr. Boylan has announced that the Board of Governors has accepted, with regret, the resignation of Sydney B. Bradshaw as a member of the Board. Mr. Bradshaw had served as a Governor of the Exchange since 1947. He was elected to Stock Exchange membership in November, 1934. In 1946 he was Chairman of the Nominating Committee.

Mr. Bradshaw was a partner of Clark, Dodge & Co., from May, 1943 through 1947, and of Montgomery, Scott & Co., from January, 1948, to the end of last year, at which time he retired from that partnership. He will retain his individual membership in the Exchange.

Ralph Anderson Joins Brand, Grumet & Tenser

Brand, Grumet & Tenser, 150 Broadway, New York City, members of the New York Stock Exchange, have announced that Ralph Anderson is now associated with them in their Institutional Department.

Phila. Securities Association Elects

PHILADELPHIA, PA.—Newlin F. Davis, Jr., of Kidder, Peabody & Co., was elected President of Philadelphia Securities Association at the annual dinner of the Association, held Friday, Jan. 13. He succeeds Paul W. Bodine, of Drexel & Co., the 1949 President.

Other officers elected were: Vice-President—Franklin L. Ford, Jr., E. W. Clark & Co.; Treasurer—Raymond E. Groff, Brown Brothers Harriman & Co.; and Secretary—Edmund L. C. Swan, Hornblower & Weeks.

For membership on the Board of Governors to serve for three years the following were elected: Raymond E. Groff, Brown Brothers Harriman & Co.; Russell M. Ergood, Jr., Stroud & Co., Inc.; Newlin F. Davis, Jr., Kidder, Peabody & Co.; and Edmund L. C. Swan, Hornblower & Weeks.

William A. Lacock, of E. W. Clark & Co., was elected to the Board of Governors to serve for the unexpired term of Clinton D. Lowden ('51).

Brewer & Co. Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Brewer & Co. has been formed with offices at the Russ Building to engage in the securities business. Partners are Porter R. Danford and R. Glen Brewer.

With Miller Spink Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Carl F. Brown, previously with Link, Gorman, Peck & Co., has become associated with Miller, Spink & Co., Inc., 231 South La Salle Street.

Continued from page 57

Business and Finance Speaks After the Turn of the Year

RAY E. MAYHAM

President, West Side Trust Co., Newark, N. J.

In writing about the financial and business situation, it is always necessary to at least briefly review conditions in the past in order to understand the present, and to attempt to foresee the outlook for the future. The fact is that 1949 turned out to be a generally prosperous business year, and that notwithstanding certain disturbing signs, some here, but mostly in other parts of the world, this country has apparently settled down to a period of sound business progress.

Ray E. Mayham

Early in the past year there was quite a widespread feeling that the necessary readjustments which we would have to go through would be disastrous to many lines of business and inevitably wind up in a depression, but those fears soon proved to be groundless and business has been generally good ever since. The time will probably never come when every phase of business conditions will be entirely satisfactory to everyone, but when the collective results are good, and a large proportion of our population have enjoyed a high degree of prosperity, naturally business is good.

Some people have become so used to sudden and spectacular changes in economic, political and international conditions, all of which become increasingly interrelated, that anything which seems like a comparative calm in any of those fields now seems like a lag in normal activity, but the fact is that we should welcome such periods as they contribute to greater economic and business stability.

We shall always have different schools of thought in regard to political and economic questions, resulting in practically continuous public discussions, but we have always been able to handle our domestic problems, and I believe we can continue to do so. For instance, there is the matter of strikes, which frequently occurred during 1949 and always seem to be threatening as we look into the future, and it now seems necessary that there should be further attempts to find a proper solution of this question along lines which will prevent the closing of mines and industry, or the stoppage of transportation, and the consequent great losses to both employer and employed, as well as losses and inconvenience to other lines of business and the general public.

Other important questions which have a direct relation to the future of business are taxes and the probability of deficit financing, greater economy in government, and at the same time the propositions which have been advanced for greater participation by the government in promoting the welfare of our citizens, all of which will come before Congress. Reduction of taxes and greater governmental economy are going to be hard to accomplish in face of the large military establishment which we are forced to maintain and the aid we are giving other nations as the result of the foreign situation, so it seems that we shall be fortunate if we can keep the total of taxes and expenditures just about where they are now for another year, and, under the circumstances, we should not enter upon additional programs which will increase our national commitments.

In the world picture, and unquestionably of tremendous importance to us, are the onmarching spread of Communism, and the dismemberment and probable disintegration of the British and Holland Dutch colonial empires. Communism undoubtedly seeks world domination and is an ever increasing threat to other nations, as it is daily becoming more evident that it and any other economic and social system cannot long exist side by side without coming into conflict and eventual open warfare. The dismemberment of the British and Dutch colonial systems are also of great importance in the world situation, as there is the possibility that the new countries which have been established may become aligned with Communism, and there is no doubt that it is one of the major causes of the present economic slump in great Britain, whose industrial prosperity in the past has been largely due to its business with its dominions and dependencies. There is one great lesson which we should learn from the disturbing conditions which exist in other parts of the world today, and that is that we should never allow any conditions to develop here which will engender Communism or any of the other upheavals which have taken place elsewhere.

Taking into consideration all of the conditions which I have mentioned, and barring actual warfare, I am willing to predict that 1950 will be another prosperous year for American business, at least as good as 1949, and there are many signs that it may be better. I think the reason for this is that American business has proceeded with caution during the past few years, and that there has been more constructive business and less speculation. I know that this is so from my observations in banking, which is a type of business where all types of businesses converge, and where we can see greater and increasing evidences of economic stability.

FOWLER McCORMICK

Chairman of the Board, International Harvester Company

In writing about the outlook for our business in 1950, I find it impossible to talk with any reasonable degree of assurance about anything longer than the first six months. Our planning is based conservatively on the assumption that our volume will not be as large as in 1948 or 1949, but it is, of course, impossible at this time to give any exact estimate of what it will be.

Fowler McCormick

We are going to be bothered by shortages of steel for the next two or three months. The impact of these shortages will, of course, vary considerably in respect to our different lines of machines.

The two other things which could adversely affect our sales during the coming months would be labor disturbances caused by the activities of rival unions, and a somewhat lessened farm buying power.

Aside from these factors, we look for the first six months of our fiscal year to be good.

Offsetting the disadvantages mentioned, we have a completely new line of motor trucks to sell and a new line of household refrigeration. Volume on these lines should run considerably ahead of last year's.

All in all, 1950 looks to us to be a year in which quality of product, cost reduction and economy programs, and intelligent and aggressive salesmanship will count.

W. C. McCORD

President, Southland Life Insurance Company

This article on the outlook for 1950 in the life insurance industry is being written before Christmas, 1949, and before the President's budget message has been presented to Congress. The advantage of year-end figures are not yet available.

W. C. McCord

Most economists seem confident that business will be good for the first six months of 1950, or at least down into next spring. However, on the long-range outlook, there seems to be no unanimity of opinion. Even the remaining members of the Council of Economic Advisors seem unable to agree.

One is reminded of the question once asked Daniel Boone if he was ever lost in the forest. He replied, "No, but one time I was confused for three days."

In projecting a trend for 1950, the writer looked back over some of the predictions for 1949 and the previous years to see what degree of accuracy was obtained. The year 1949 showed some evidence of fear of deflationary forces beginning to work, but it was rather startling to look two years back and find the following prediction that appeared in a prominent newspaper during the first week of 1948 on the outlook of business for that year. It stated:

"Economists believe another prosperous year can be squeezed out of the postwar boom.

"Inflationary pressures now outweigh those making for the long expected postwar slump. Political considerations in an election year dictate the maintenance of the present trend, and the economy, though more vulnerable by a year of pipeline filling than it was 12 months ago, still has shown surprising resistance to deflationary factors.

"There are a vast number of mixed trends, and few of the nation's top economists are willing to go any farther than the first half in their predictions. But they see the inflationary pressures dominant for at least that period. And it is entirely possible, they say, that a year on a production level higher than 1947 will be achieved.

"Both the Republican master minds and the President agree on one vague policy—to keep this precarious prosperity balancing on a mild inflationary course. This will be the appropriate economic backdrop for the political speech-making of an election year. Political considerations are dominant. It will be for political purposes that the men in Washington will use—or refrain from using—the many tools they now have available for carving out the economic level."

It seems that such a quotation is worth repeating because it could be lifted with remarkable fidelity and placed in a current prediction of the new year 1950; in fact, some similar prediction may appear in this issue.

Actually, it is a prediction quite similar to the one I propose for the outlook of the life insurance business for the coming year.

Business optimism is now prevalent as was pessimism during the summer of 1949. Between that time and today, business has undergone a $12 billion inventory ring-out. Prices and supply now seem to be in better balance, and with demand better, there seems to be more confidence in the future.

During December, 1949, employment reached a high of over 59 million, and while you will have the figures by the time you read this article, it seems that Christmas business for 1949 will be as good as 1948. With dollar sales probably off about 4%, but with prices down about 6%, the volume of business should be about the same or maybe even a little better.

Surely no one will be surprised to hear an expression of optimism from a life insurance company in Texas, and not without justification.

Out of the 584 legal reserve life insurance companies in the United States, nearly 20% have their home offices in Texas, more by far than any other state in the Union, and to bring it even closer to our home, Dallas has more legal reserve life insurance companies than any other city in Texas, and exceeded in number by only three other cities in the United States.

In spite of this geographical feeling of optimism, I would like to give some figures to support my views.

At the end of 1947 optimism was expressed for the first half of 1948, but the inference was left that 1949 might show evidence of deflationary forces. This proved to be true, and a decline similar to the 1920-21 period could have developed. However, there were many factors which prevented such a precipitous decline, among these being, first, the cautious policy of business toward inventory. It will be remembered that a sizable constriction took place to the extent of nearly $12 billion. While this was deflationary at the time, it was found that the constriction had been too severe, and merchants needed to replenish their goods. This cautious attitude avoided speculative borrowing and inventory accumulation which were some of the weaknesses of the 1920-21 period. A second factor was the financial strength and liquidity of business and individuals. Another factor seems to be that peace-time adjustments did not come all at once.

Today as we look forward to the new year, we see the high level of income supported by several factors; among them must certainly be included "the high level of government spending." One can point out extravagances in almost any field, but to use the life insurance field for illustration let us look for a moment at the National Service Life Insurance dividend which the government is to pass out to 16 million veterans in the next few months, amounting to something over $2,800 million or well over a third of the annual interest charge on the total federal debt. It amounts to an over-all refund of about 70% of the premiums paid to the Veterans Bureau by all servicemen. Such dividend is made possible because the government paid all death claims that could be traced directly or indirectly to the extra hazard of service. In addition, the government has borne the maintenance cost of the policies. No private company could have operated on such a basis.

To give some idea of the cost, out of the $3,787 million of death claims paid through 1948, the government appropriations that did not come from premiums paid by veterans amounted to $3,291 million.

The mechanics of paying this dividend, the largest operation in life insurance history, involves the training of 3,000 additional new employees and issuing 16 million checks.

Thus the effect of government spending can be readily seem. To this should be added the expense of foreign spending, the cost of price support, unemployment compensation, and now the projected expense of a pension plan.

To do a little figuring on the cost of the pension plan, let us take a few facts.

It has been estimated that there are now over 11 million people in the United States that are 65 years of age or over. At $100.00 per month this would call for an annual expense of over $12 billion, or more than twice the interest charge on the Federal debt.

Due to the low birth rate in the 1930s, it is quite probable that the average age during the 1950-1960 decade will increase, making the cost of such a program to the government of fantastic proportions.

Other inflationary factors for 1950 that could be pointed out are: housing loans on easier terms by government agencies, wage increases with corresponding increases in industrial costs and the high liquid assets of both business and individuals.

How can this be interpreted in the life insurance field?

First, it is evident that as inflation robs the policyholder of the purchasing power of the dollar, his need for increased insurance becomes self evident. The amount of life insurance required to purchase $100.00 worth of 1939 food will now require about $170,000 worth of insurance. The life agent who sold his client a policy in 1939 to provide his beneficiary with $100.00 per month income now needs to go back and write him additional insurance to provide $70.00 per month more to do the same job he intended to do when to took out the policy—disregarding the fact that his requirements have probably increased.

With these facts as a background and with the belief that in 1950 we will have a high level of personal savings in the country and a high level of income, I would like to get to the business of making a few predictions:

First, I believe it is not unreasonable to assume that $25 billion worth of insurance will be purchased in United States companies during 1950, the highest figure in life insurance history and nearly two and a half

Business and Finance Speaks After the Turn of the Year

times the $11 billion figure of 1940, bringing the total amount of ordinary, group and industrial life insurance in force to a figure that may be close to $240 billion or about ten times the amount of life insurance in force in England.

These figures are large, but a goal not above attaining when you look at the 1948 figures and find that about 80 million people owned $207 billion of life insurance and that such amount represented only $4,800.00 per family, or only about ten months' income. The field of uninsured is still over 60 million, and the amount of insurance per family per dollar of national income is less now than it was in 1940 or 1930.

Total insurance figures are so large that they may lose significance so I would like to compare them on a basis of life insurance per family with national income per family in the United States.

During 1920 life insurance per family amounted to $1,500.00, while national income per family was $2,900.00, or, in other words, the average family owned life insurance amounting to about six months' income. By 1930 this insurance per family had increased to $3,500.00, while national income had dropped to $2,500.00. However, this was a bad year, and 1929 might be a better year to use for comparison, and the figures being $3,300.00 for insurance and $2,900.00 for the national income figure; hence in either year life insurance had increased to more than 12 months' average income. By 1940 life insurance per family remained at the same figure, $3,300.00, while national income per family had dropped to $2,300.00. From this year on the national income figure increased very rapidly, whereas life insurance per family lagged far behind so that by 1945 the life insurance per family amounted to $4,000.00 and national income per family had climbed to $4,900.00. The next year the insurance lag from the national income figure amounted to about only half of such difference, and was about the same for 1947. The year 1948 saw national income forge ahead to $5,600.00 with life insurance lagging behind at $4,800.00.

During 1950 this is going to be a good challenge to the wide-awake agent because there is a greater need than ever for life insurance. The average income has risen to where it makes additional life insurance both necessary and attainable.

Therefore, if I may paraphrase the economists of the fall of 1947, I will say that in the life insurance field the pressures of need to buy life insurance outweigh the pressures of inability to buy, that while political considerations may dictate the maintenance of the present trend, if private life insurance companies are allowed freedom from political pressures, a higher production level will be achieved for 1950.

PHILIP M. McKENNA
President, Kennametal Inc.

The cemented hard carbide industry producing tools, dies and wear-resisting parts is now a $25 million a year industry in America. Prices of these hard metal compositions have gone down from $1 a gram in 1928 to 90 cents a gram in 1933, to 45 cents a gram in 1936, 12 cents a gram in 1940 and about 4½ cents a gram during the war and at present. These very large price reductions have caused a large part of the output to be done at a loss, especially during the postwar years. Steadiness of output was not attained, because of the series of strikes beginning in 1946 in the automobile trade, stopping shipment of carbide cutting tools for machine shops then for over three months; and a series of strikes in coal mining, stopping the orderly production of carbide mining tools which constituted a minor but important field of use of these hard metals in the postwar period. The recent steel strike also disrupted orderly production in 1949. One of the long established but smaller producers of cemented hard carbide went into bankruptcy in the closing months of 1948 and has discontinued production. The average return to the industry was negative. That was all the more unfortunate because the energy necessary to apply and develop these cost saving hard metals which have been called "vitamins of industry" was not available to the extent necessary. Each sale of so many grams of these metals has to be accompanied by engineering work to realize the potential value in them. The cost of such work must be included in the price.


Philip M. McKenna

A bright feature in 1949 was the introduction of "Kentanium," a cemented hard composition chiefly titanium and columbium carbide, not for tool use, but for elements of gas turbines and other uses where the astonishing ability of these products of powder metallurgy to resist destruction by oxidation at temperatures as high as 2000 degrees Fahrenheit while retaining high tensile strength and high mechanical strength makes practical the use of more efficient high temperatures in such power units. Blades for gas turbines are now being made of Kentanium. It is probable that the cemented carbide industry will have a new field as large or larger than the tool and die fields of use of these hard strong metals, beginning commercially in 1949. The year 1950 should see the first important commercial uses of Kentanium in airplane turbines.

The economic and financial climate in the U. S. A. is not conducive to such developments due to the uncertainties introduced by deficit financing and irredeemable paper money. Despite entirely adequate gold reserves for resumption of specie payments providing a sound currency in which borrowers and lenders may have confidence, the authorities continue to cling to their usurped powers, sterilizing the gold in Fort Knox which otherwise would permit free men in industry to create real prosperity by providing a means of validating the promises men live by. "Heads I win, tails you lose," taxation laws keep the American people from enjoying the widespread use of such new discoveries. "Renegotiation" hamstrings those who need and can use capital to provide employment and strengthen our country. Freedom is a very practical consideration for industrial development in 1950.

THOMAS F. McCARTHY
President, Austin Nichols & Co. Inc.

The outlook for our industry for 1950 is quite mixed and uncertain which, I suppose, applies to many other industries also. We are faced with the ever more apparent fact that the $9.00 per gallon Federal excise tax on liquor is altogether too high. Sales are shrinking and bootlegging is increasing.


Thomas F. McCarthy

In my opinion all segments of our industry will coordinate in the fight for the reduction of the $3.00 per proof gallon war tax that was added in 1944 and which our Government promised to remove when hostilities had ceased. The industry's position is that this tax should come off when the other war luxury taxes come off, though there is a strong movement afoot to leave the liquor industry holding the tax bag and this we will fight to the last ditch.

Increasing costs are affecting the liquor wholesaler as in most cases his mark-up has been fixed and he has been unable to offset these increasing costs except with improved methods in operation and the opportunity to improve at his level is very limited.

Four-year-old domestic whiskey will again be plentiful by the latter part of 1950 and the competition of straight whiskies against blends is already becoming more apparent.

Scotch whisky with no age statement on the label will become more plentiful in 1950 but Scotch whisky with an eight-year-old age statement and older will probably become increasingly scarce until 1953 when the whiskies made in 1945 will be eight years old.

In the domestic wine business it appears the volume in 1950 will be as good or better than 1949, which is the second largest year the industry has had since Repeal, but over-production of wines is the most serious problem of the growers.

In spite of all this, the prosperity attendant upon the high national income forecast should give our industry, in my opinion, as good a year in 1950 as it had in 1949.

Continued on page 60

Henry B. Warner Co. Is Being Formed in Phila.

PHILADELPHIA, PA. — Henry B. Warner & Co., Inc. is being formed with offices at 123 South Broad Street to act as brokers and dealers in general market securities specializing in Philadelphia Transportation Co. issues. Officers are Henry B. Warner, President, and Paul W. Hicks, Secretary and Treasurer. Mr. Warner will be in charge of corporate trading and Mr. Hicks in charge of sales. Mr. Warner for the past 19 years has been with the Philadelphia office of E. H. Rollins & Sons as Manager of the trading department. Mr. Hicks was with Baker, Weeks & Harden.


Henry B. Warner

Also associated with the new firm will be Elizabeth Farrell, who was formerly with E. H. Rollins & Sons for 18 years, during which time she was closely identified with their trading activities.

George McDowell Pres. Of Detroit Exchange

DETROIT, MICH. — George A. McDowell, George A. McDowell & Co., has been elected President of the Detroit Stock Exchange, succeeding Armin H. Vogel, A. H. Vogel & Co.


George A. McDowell

Samuel Hague, Smith Hague & Co., was elected Vice-President, and Warren T. Olson, Wm. C. Roney & Co., Treasurer. John O. MacFarlane was re-elected Executive Vice-President and Fred J. Oppat Secretary. Named as Governors for three year terms were Dan Byrne, Paine, Webber, Jackson & Curtis; Sidney J. Forsyth, Baker, Simonds & Co., and Wayne M. Spade, Watling, Lerchen & Co.

Jacquin, Bliss Admit

Jacquin, Bliss & Stanley 44 Wall Street, New York City, members of the New York Stock Exchange, will admit Gayle L. Young to partnership on Jan. 26.

Continued from page 59

Business and Finance Speaks After the Turn of the Year

C. B. McMANUS

President, Georgia Power Company

The use of electric power enters into practically all industrial and commercial business operations, and thus the level of electrical consumption may be taken as a measure of the economic life of a community. Since the economic prospects for Georgia as a whole are of more general interest than the prospects for a single industry, this appraisal, based upon the Georgia Power Co.'s forecasts, will deal with the outlook for the State, rather than with the more restricted prospects for our own business.

C. B. McManus

In a single sentence, the year 1949 saw a return to what may be called normal conditions, following the abnormal period immediately after after the end of the war. In 1950, this "normal" level of business and industry is expected to continue with a slight upward trend.

It may be said, however, that present-day normal operations in Georgia are at a substantially higher level than the prewar standard.

Textile manufacturing is Georgia's largest industry. The sale of electric power to such plants constitutes about 60% of the Georgia Power Co.'s industrial business. Following the abnormally high demand of the postwar years, caused by an accumulated shortage of consumer goods, the textile industry has settled down to supplying current, rather than deferred demands. These current demands are requiring the mills to run at about 85% of total capacity or nearly 100% of economic capacity.

The postwar period saw the establishment of a number of large new industries in Georgia, including Ford, General Motors, Armstrong Cork, Clark Thread, M. T. Stevens Woolen Mills and others. While the industrialization of Georgia hs been proceeding at a steady rate for many years, the boom conditions in 1947 and 1948 and are not expected to continue. There will bel an increase in industrial development in 1950, but the growth is expected to be less rapid than in the postwar period.

During the past three years, the Georgia Power Co. has been adding new electric customers at the rate of approximately 30,000 a year. This rate is expected to continue in 1950 without material change. It results from the growth and expansion of our large and small cities and the surburban areas surrounding those cities. It also results from the extension of electric service in small-town and rural sections.

There is no serious unemployment problem in Georgia and there will not be one in 1950 if our forecasts are correct. A few marginal industries have closed down because of uneconomic operating conditions, but the employment problems thus created are small and local in extent.

The use of electricity by residential and commercial customers of the company is expected to increase at the uniform rate of the last several years. Sales of electrical appliances by the company should be approximately $4,000,000, or about $300,000 more than 1949 sales, according to present indications.

The Georgia Power Co.'s own construction program has had an important effect on the economic life of the State. Since the end of the war four steam-electric generating units have been constructed and placed in operation, providing a total of 145,000 kilowatts of new capacity. Two additional units of 100,000 kilowatts are under construction with completion scheduled for next Fall.

The Georgia Power Co.'s investment in new facilities has been running at the rate of $25 to $30 million a year and will continue at that rate in 1950 and for as far into the future as we can foresee.

WARD MELVILLE

President, Melville Shoe Corporation

During the past two years, the portion of consumers' expenditures which has gone into apparel and shoe purchases has been below what was considered the "normal" percentage in prewar years. With personal income after taxes at levels much higher than during the prewar years, it remains to be seen whether the postwar pattern will actually be the same. Several years of experience will be required to supply the answer. The general expectation seems to be that, even if we do not return to the prewar percentage, the apparel industries' piece of the national expenditures "pie" will increase somewhat in 1950. If so and if over-all consumer purchasing power is maintained, that would mean improved performance for the shoe industry.

Ward Melville

It cannot be assumed, however, that any particular industry is going to maintain its position without effort. The competition between industries for the consumer's dollar—now that those industries are on a basis of unrestricted production—is becoming as strong as in the immediate prewar years, when it was being recognized as an even greater factor, in some ways, than the traditional competition within industries. The large amounts which have been spent for automobiles, electric appliances, and other durable goods, during the past two years, are a reflection not only of the huge deferred demand for such goods, but of the merchandising skill of these industries in competing for the consumer's favor. Similar skill must be shown by the apparel industries if their share of the consumer's dollar is to be larger than what may be expected on the basis of necessity alone. Continued alertness in merchandising and increased emphasis on selling are essential if that is to be accomplished.

CLARENCE G. MEEKS

President, Hudson Trust Company, Union City, N. J.

So far as I am concerned, I am neither an economist nor a prophet. I do believe that business in our section will be good but I am basing that purely on local conditions.

GUSTAV METZMAN

President, New York Central Railroad

I look for the new year to be a much better one for the railroad industry, and the eastern railroads in particular, than was 1949.

Gustav Metzman

The persistent strikes and layoffs in the bituminous coal fields and the steel strike combined with a general business slackening to make 1949 a disappointing year for the railroads in the east.

While no one can predict with certainty the course of the nation's economy in 1950, the prospect is for a substantial diminution of strike turmoil in key industries. To that extent, and possibly in other ways as well, the picture appears much brighter.

BEN R. MEYER

President, Union Bank & Trust Co. of Los Angeles

During the past three years manufacturing, trade and financial institutions all over the country have been hard at work adjusting themselves to the normal growth prospects of the United States, and of their particular communities.

Some very dire predictions have been made for California, as a state in which more severe conditions will exist than for the country at large. Actually our adjustments started a little sooner than they did elsewhere but comparative statistics for the entire country show that variations as to both time and extent have been insignificant. For instance, from April, 1940 to September, 1949 civilian employment in Los Angeles County increased approximately 600,000 persons or 60%. Since the war employment in manufacturing establishments has declined due to reduced aircraft and shipbuilding activity. It has, however, been absorbed in other lines. Unemployment as a percentage of civilian labor forces, which has always been higher in Los Angeles County, is still in a normal relationship to the national figures.

It will take many years to complete the construction of required facilities for residence, transportation, civil administration, education and health to meet the needs of our present population. I believe there is justification for optimism for any community and especially for banking in that area as long as our national and local problems remain those of a dynamic and expanding economy.

Insofar as the banking industry on a national plane is concerned, in the next year I do not look for much change from the 1949 earnings and dividend experience. Some revenue will probably be lost through government bond refunding. This may very well be offset by a higher demand for loans than is now anticipated, by lower operating costs and by a normal deposit growth.

In closing, I should like to observe that the adjustment pattern after World War II now seems to be very well defined. One industry after another has gone through an adjustment as its production met demand. While these adjustments have progressed from industry to industry a huge money supply, stable consumer expenditures and the resourcefulness of the American people have substained the over-all economy at a satisfactory level. In 1949 we made considerable progress toward economic stabilization. In 1950 I believe we will continue along this same broad pattern of achieving stabilization by offsetting price adjustments where needed through greater efficiency and sales effort.

CARL W. MEYERS

President, The Colorado Fuel and Iron Corporation

We look forward to operations at a high rate of capacity for at least the first half of 1950 based on present backlogs and continuing demand for our products.

Operating profits for the first half of the current fiscal year which ends next June, will, however, be somewhat reduced as a result of curtailed operations due to the steel strike, and increased costs for raw materials, labor, transportation, and other services.

Carl W. Meyers

C. F. & I. has carried on an extensive modernization program during the past several years at its five Eastern plants, at its two plants in California, and at its steel plant at Pueblo, Colorado. One of the larger installations was the completion of a new modern rod mill at Pueblo in the latter part of 1949. A new construction program will also be in progress at the Pueblo plant during 1950 to enlarge power facilities and install a new Rail Slitting and Rerolling Mill.

In making large capital expenditures to improve its plants and diversify its product lines, C. F. & I. has faith in the continued growth of the basic industries that use its products—agriculture, petroleum, railroads, mining, construction, manufacturing and steel fabrication. Larger markets are also developing from industries that have established new manufacturing plants, particularly in the Western and Southwestern regions, and other large public and private construction programs are also under way or being planned.

While there is general agreement that 1950 will show a high volume of business activity, particularly in the early months, all signs also point to increasing competition. Studies to improve operating practices and selling methods will continue to be active projects during the year.

A rate of business activity higher than the national average prevailed throughout 1949 in many of C. F. & I.s important market regions, and there are numerous evidences that the higher level of activity will continue during the present year.

America's prosperity in 1950 in the steel industry, as well as in other basic industries, will depend to a considerable extent on the cooperation that exists between business management, labor and government. The productive strength of our nation must be maintained and this can only be accomplished through a program of mutual understanding and coordinated effort. Working together objectively—and for the common good—America's enterprise economy can be preserved. With only a small part of the world's people, the United States produces about half of the world goods, and steel is one of the vital needs in peacetime or in the defense of our nation.

Great progress has been made in the steel industry in the past 50 years. During my own 43 years of experience in the industry, I have seen many improvements in the art of steel making, through research and the ingenuity of American workmen. The next half century, starting with 1950, will again bring new and wonderful technical advancements. I hope we are equally successful in the field of human relationships.

CLIFFORD W. MICHEL

President, Dome Mines Limited

The gold mining industry in Canada, which is second only to South Africa among the gold producers of the British Commonwealth, is making a good comeback from the depressed and difficult conditions of the last eight years. Production for 1949, estimated at $148 million shows an increase of 20% over 1948 production and 38% over that of 1947. The advance, while not spectacular, is steady and based on solid improvement in operating conditions.

Clifford W. Michel

To this three factors have contributed.

Labor in the immediate postwar years was in short supply and the industry suffered from a heavy turnover of transient employees. During 1948 and 1949 some 4,000 men were brought out to Canada from the Displaced Persons camps of Germany for the mining industry, and a good proportion of them were allocated to employment in the gold mines of Ontario, Quebec and Manitoba. These men have settled well, done excellent work, and gained valuable experience. Many are staying permanently with the industry. With larger and more stable working forces many mines have been enabled to expand their operations and plan their programs with greater confidence and continuity.

Additional labor, however, would not in itself have been sufficient to keep in operation some mines, especially those with marginal ore bodies. With sharply rising costs of operation and a fixed price for their prod-

Business and Finance Speaks After the Turn of the Year

uct, a price which was actually reduced by 10% in July 1946 with the establishment of parity between the Canadian and United States dollars, the squeeze became almost insupportable for many marginal mines. In order to keep such mines in operation and to maintain the communities which depend on them, the Canadian Government devised and implemented "The Emergency Gold Mining Assistance Act."

This was a cleverly designed plan for giving cost-aid assistance on a sliding scale in proportion to the mines' costs of operation. As its title implies, it was an emergency measure. It was to operate for three years beginning the 1st of January, 1948. Under this plan some $10 million was paid to the gold mines in 1948 and something like $13 million will be paid in 1949.

For 1950 the plan will be continued, but in a modified form to allow for the increased price of gold which Canadian operators receive as a result of the devaluation of the Canadian dollar, which took effect in September last and restores the Canadian price of gold to its pre-parity figure of $38.50 an ounce.

The effect of these three factors, a larger and more stable labor force, government cost-aid assistance, and the increased price of gold account for the improved record and the brighter prospects of the Canadian gold mining industry.

Several new producers, benefiting by the tax-exemption granted for their first three years of operation and by cost-aid assistance, which a new mine receives on all its first year's production, have got under way in 1949. Quite a number of established producers have increased their milling capacity. The year 1950 should therefore be one of further growth and expansion for the gold mining industry in Canada. It remains to be seen what will be the effects of the expiry of The Emergency Gold Mining Assistance Act at the end of 1950. That question will no doubt have the careful consideration of the Canadian Government during the course of the coming year.

There are good grounds for looking to the future with confidence. The devaluation of the Canadian dollar should prove an inducement to American investors. The revaluation of currencies has given rise to earnest consideration of the role of gold in monetary economics and international trade. Apart altogether from the disputed question of whether the American Government will increase the price of gold, there appears every reason for taking a sanguine view of the future of Canadian gold production. New areas, such as the Red Lake area of Ontario, parts of Northern Quebec and Yellowknife in the Northwest Territories, show great promise. It would not take very much by way of more favorable conditions to give these and other areas a considerable impetus.

Canada's gold output is now again in the ascendant.

DON G. MITCHELL

President of Sylvania Electric Products Inc.

Business in 1950 should be on a more constructive basis with less emphatic seasonal swings. These swings were accentuated in 1949 by inventory reduction programs and by a recession fear complex. Inventories of both finished goods and components were reduced too far with the result that fourth quarter demand put a strain on manufacturers. At the same time, this situation wiped out recession anxieties.

Don G. Mitchell

With the exception of a relatively few lines, where demand may continue to crowd production, the buyer will be in the saddle and the market will be strongly competitive.

While prices will continue to be under pressure, there should be less of the weakness that prevailed during the second and third quarters of 1949. Present conditions seem to indicate that this year's market will be much more orderly.

Television should continue to show its spectacular growth in 1950 with industry estimates of an increase in the number of sets to be sold in the order of 50% or around 3¾ million sets. Judging from the current demand for picture tubes, the market should be 90% or better in 12½-inch and larger sets.

In addition to requirements of set manufacturers, a certain proportion of television set users should be in the market this year for tube replacements, slowly at first but growing throughout the year. It has been estimated that 1950 sales will be about 5 million picture tubes. Sales by the industry in 1949 are estimated to have reached nearly 3½ million tubes.

Previous record year for radio receiving tubes was 1948 when nearly 205 million tubes were sold. As the result of the heavy demand by television set manufacturers and a revived radio set market, receiving tube sales for 1950 are expected to exceed 200 million tubes and may very easily set a new record. Tube sales in 1949 are estimated to have been something over 190 million tubes.

Other electronic tube sales are dependent in large measure upon requirements of the armed forces. Judging from the size of the Federal budget for defense, the industry should run at a comfortable, if not full capacity for the next year and a half. Sizable orders towards the close of last year give substance to this prediction.

Demand for incandescent and fluorescent lamps is not expected to show any marked increase over 1949 but there should be a comfortable, if not large increase in fluorescent lighting fixture sales. A number of local communities are expected to engage in relighting activities. Very little of this kind of promotion has been done since before the war.

Any improvement in the photographic market, such as was experienced in the last half of this year, is bound to be reflected in sales of photoflash bulbs. Conditions at the year-end favor such a situation.

Uncertainty continues to exist with respect to exports due to dollar shortage abroad and recent currency devaluations. Competition from European manufacturers is increasing all the time so that it would not be surprising if 1950 exports failed to equal those for 1949.

All in all, however, the outlook for 1950 is favorable and employment should show a great improvement in stability.

W. F. MOORE

President, Arabian American Oil Company

American oil companies engaged in international operations today are deeply involved in the old problem of trade and payments. The balance-of-payments difficulties and the resulting inconvertibility of currencies stem from the destruction and dislocation caused by two world wars and from the fact that between 1914 and 1948 the export surplus of the United States was over $100 billion. Some of the best minds in public and private life are at work in search of answers to these issues. The British loan of 1945 and the Marshall Plan of 1948-1952 are emergency bridges of the Dollar Gap, and the Point IV Program is projected for the economic transfusion of underdeveloped areas. We Americans in the international oil business have a real stake in the outcome, and I believe that we can make an important contribution to international economic well-being.

W. F. Moore

Since the discovery of petroleum only 90 years ago, a barrel of crude oil has become perhaps the most economic package of energy yet found to serve and amplify the power of man. The United Statse now consumes some 604 gallons of oil per year per capita as compared with an average of about 21 gallons per capita for the rest of the world. I believe that there is a direct connection between American productivity and oil consumption. American mass production techniques, first developed in the automobile industry, have reached maturity in the age of oil.

Until recently the basic economic concept of the oil industry has been one of scarcity, calling for limitation of consumption and conservation to prolong the use of a rapidly depleting asset. Great new discoveries have been made in recent years, the extent of which as yet is only partially known. The immense reserves of the Persian Gulf basin of the Middle East, coupled with expanding reserves in the Western Hemisphere and other areas, should be adequate for many generations.

Much is being said about the threat and the danger of the Middle East reserves to the American oil industry.

Continued on page 62

Thomas Graham Heads Kentucky Homecoming

LOUISVILLE, KY. — Thomas Graham, of the Bankers Bond Co. and a member of the board of directors of the Kentucky Chamber of Commerce, has been appointed Chairman of the statewide committee in charge of "My Old Kentucky Homecoming —1950," by J. Stephen Watkins, President of the State Chamber. Judge Charles I. Dawson is Vice-Chairman, and Honorary Chairmen are Vice-President Alben W. Barkley and Governor Earle C. Clements; Kentucky's two Senators and nine reresentatives in Congress are Honorary Vice-Chairmen.

Thomas Graham

Hecht & Co. to Admit

On Feb. 1, Ernst Wolff will be admitted to limited partnership in Hecht & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. Edna Wolff will retire as a limited partner in the firm on Jan. 31.

Smith, Hague to Be N. Y. Exch. Members

DETROIT, MICH.—On Feb. 1, Richard L. Lamborn, member of the New York Stock Exchange, will be admitted to partnership in Smith, Hague & Co., Penobscot Building, members of the Detroit Stock Exchange, and the firm will become members of the New York Stock Exchange. Other partners are Hal H. Smith, Jr. and Samuel Hague. Mr. Lamborn has been active as an individual floor broker in New York.

Walston, Hoffman Admit

SAN FRANCISCO, CALIF. — Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges, will admit Maitland Alexander, Jr., and Norman S. Mellon to limited partnership on Jan. 31. Mr. Mellon will make his headquarters at the firm's New York office, 35 Wall Street.

On Jan. 31 Minna Gombell will withdraw from limited partnership in the firm.

S. Vernon Mann Dead

S. Vernon Mann died at his home at the age of 77. Until his retirement in 1931, Mr. Mann headed his own firm which was a member of the New York Stock Exchange.

Continued from page 61

Business and Finance Speaks After the Turn of the Year

Cries of alarm are arising from those who deplore the inescapable fact that the center of known petroleum reserves has shifted to the Middle East while the center of consumption remains in the United States. The Eastern Hemisphere is the natural market for Middle East oil and it is probable that Middle East oil will continue to serve as a marginal source for the Western Hemisphere is well. The question is not whether this oil will be produced and marketed, but rather who will produce and market it and upon what terms.

It is not comfortable for the American oil man abroad today to face withering markets and the prospects of being totally excluded from large world areas as a result of what I believe to be narrow and unwise economic concepts. What is happening to oil in the world today is not important only because oil is involved, but because the great British Commonwealth and sterling area seems firmly embarked upon economic and financial practices which can only divide and weaken the free democratic nations in dangerous times. The problem is not only the sacrifice of American foreign oil investments on the altar of the Dollar Gap. The basic issue is whether we are heading toward an expanding world economy and higher standards of living, or whether we are going backward to suffer once again the effects of rampant economic nationalism, bilateralism and discrimination. The United States taxpayer providing Marshall Plan aid has the right to insist that these grants to other countries shall not be used to wreck the foreign industrial activities of his fellow Americans.

American economic policy is founded upon free competitive enterprise, mass production, wide markets and prices which foster increasing consumption. I believe it is fortunate that large foreign oil reserves are being produced by American companies. That fact should insure that oil will not atrophy as did tin and rubber under Anglo-Dutch cartel control in the pre-war period.

Much is being said about ways to stimulate and encourage the outflow of American capital to assist the underdeveloped areas under the Point IV Program. American foreign oil investments today, which amount to about 26% of total American investments abroad, have been rapidly expanded in the face of growing payments problems. The Arabian American Oil Company and the Trans-Arabian Pipe Line Company have an investment of approximately half a billion dollars in the Middle East. The part the American oil industry is playing in an expanding world economy is indicated by the U. S. Department of Commerce report that during the years 1946-1948 almost three-quarters of new American investments abroad were made by the oil companies.

The people of Europe and the underdeveloped areas need more and more oil. Greater production is the only sound cure for the old problem of trade and payments. Hard currencies are built on the foundation of high productivity.

The American oil companies serving foreign markets are facing the hard realities of inconvertible currencies. They are moving as rapidly as possible toward minimizing their dollar costs. In general, this means paying for equipment, supplies and services as far as possible in the currencies of the consuming countries. This policy is not only necessary, but is also good business and sound economics to the extent that it can be accomplished without unduly compromising efficiency of operations and costs. The aid and assistance of the American Government is needed in two principal fields: first, in overcoming policies by foreign governments which are discriminatory against American industrial operations abroad; and second, relief from the dilemma of receiving income on dollar investments in currencies which cannot be used to pay American income taxes. In the long term the American people must come to realize that we must import more than gold if America is to continue to prosper and sell its goods in the markets of the world.

GLENN K. MORRIS

President, National Bank of Germantown and Trust Co., Philadelphia

A year ago a spirit of caution and uncertainty ruled the thinking of business executives. Short-term planning was the rule. Today, optimism predominates and one hears predictions on all sides of good business conditions, at least for the first half of 1950. Where caution is evident, it is confined to a lack of definite prediction concerning the latter half of the year.

Glenn K. Morris

For the past three years downward adjustments were experienced in most lines of business during the first quarter of each year. That experience was not unlike what accurred prior to World War II. These adjustments which were just about to be considered as normal seasonal patterns are discarded insofar as the year 1950 is concerned.

It appears wise to analyze the factors back of the prevalent optimistic predictions. Are they the result of sound fundamental economic conditions which were hoped for but not present in preceding years? Unfortunately, that is not the case. The important factors appear to be artificial shortages in the heavy goods industry due to work stoppages in the final quarter of last year, return to deficit financing by the government with the resultant increase in money supply and large distributions to veterans in the form of dividends on life insurance policies and bonus payments by several states which will result in increased indebtedness of the states.

The inflationary potentiality is great and whether it will remain as merely a potentiality or become active inflation is the real question for 1950. Prior to this year, management of business and industry followed a cautious attitude with respect to inventories and forward commitments. Periodic price adjustments and fear of the long expected postwar adjustments in prices dictated such a policy. The lack of caution in nearly all present-day predictions may bring about a reversal in inventory policy. Should that occur, bank loans could substantially increase and rates of interest for short-term loans and investments increase somewhat.

However, it must be remembered that rates of interest are no longer determined by the laws of supply and demand. Deficit financing is again the governmental policy and together with a very large portion of debt up for refunding this year, it does not appear likely that much increase in rates of interest will be permitted to occur.

History records that severe adjustments in the economy usually occur when confidence is high and predictions are uniformly optimistic. It is believed that inventory policies will not be substantially changed in 1950 and, as a result, bank loans will increase only moderately during the year. If this occurs, rates of interest will remain near present levels. As higher coupon bonds are called and refunded, the problems of reinvestment will increase. Costs of operations will probably continue upward in the banking field with the result that it will be difficult to maintain net earnings from current operations, but total income of banks may exceed 1949 due to increased possibilities for bond profits.

RAY MORRIS

Partner, Brown Brothers Harriman & Co.

I cannot see the industrial situation for 1950 very clearly. At the present time it seems to me, however, that there are a few safe generalizations that can be made. One such generalization is that it seems to be very easy for the American economy to get into a temporary condition of overproduction, and I rather think most of our violent economic swings in the past have come from just this. Sometimes the overproduction is represented by too rapid construction of railroads, as in the years before 1873; sometimes it has taken the simpler form of excess machinery and excess capacity to produce an ever so many separate items.

Ray Morris

It seems to me, looking back to the comments that were made a year ago, that many observers were fooled by the fact that the great valley of demand had not been filled up, although there were a few exceptions to this, such as the textile trade. But, in general, heavy industry had plenty of work ahead, and I suppose that one of the quaint factors in the situation was that of the many industrial strikes, which may have prevented the overproduction from coming sooner. What I am most afraid of is that increasing costs will price first one industry and then another out of some essential part of this market, and I think we may well see that in 1950 before the year is out.

WM. C. MULLENDORE

President, Southern California Edison Company

When in 1942 and 1943, our country was involved in a world war, the outcome of which no one could forecast with certainty, it did not make much sense to predict a continuing "prosperity" for the country or for any particular industry within the country, basing the prediction on the current high rate of business activity and unprecedented demand for goods and services. Every informed adult citizen was aware that war-created demand was bad and not good for the sound and healthy development of the country's economy. Every intelligent person, when called on for a forecast of the future in 1942 and 1943, would, of course, say: "It all depends upon the length, the cost, and the ultimate result of this world-wide conflict in which we are engaged."

Wm. C. Mullendore

Well, the hot war came to some kind of an end in 1945, but it was at once succeeded by a cold war on a world-wide scale and by an ideological war within each country as well as internationally. Further, the wartime inflation and other powerful, destructive, and unsettling forces set free by the war have continued on into peacetime and continue to create turmoil and confusion in all human affairs in this fifth year since V-E and V-J days.

Much of our economic activity today was war-born and still more of it stems from the cold war. Hence it is that it is no more possible accurately to determine how much of sound and healthy production and trade there is in our present economic activity than it was in the midst of World War II. First things must come first, and the crying first need for all prophets today is an awareness of the mess the world is in. Since it makes no sense to try to predict the outlook for the utility industry, except as one can predict the outcome of the cold war and the prospect for the survival of American freedom, let me use this space merely to emphasize a few facts which may help to awaken someone to the realities of our present situation.

The following is a very brief and incomplete summary of the economic facts and forces which confront the people of the United States:

The bust which followed the boom of World War I brought into power a New Deal in 1933 and during the ensuing eight years much of Socialism replaced American individualism in the policies, aims, and purposes of government and to a large extent in our economic system. The free market was badly impaired and the power of initiative in economic life passed from the free citizen operating in a free market to government in such broad and controlling economic areas as banking, credit and the value of the medium of exchange, agriculture, wages and employer-employee relations. The theories of Lord Keynes, which encouraged recklessness in government expenditures and public debt, were adopted and implemented. The Federal Government conspired with union labor leaders, legalized feather-bedding, undertook to redistribute the wealth and income of the people, and initiated a vast program of so-called "Social Security." By 1939 all these efforts admittedly had failed to solve the problems undertaken. We had a short-lived boom which busted in 1937 and 1938, and in 1939 we still had 9,000,000 unemployed.

Then came the great world conflagration known as World War II, and the terrible waste and destruction with the resulting forced draft upon our economy before, during, and after our direct involvement, induced the inflation boom of the past decade during which the real savings of the American people have been halved, a false and insecure scale of living has been encouraged, and an insupportable public and private debt contracted.

Now, here at the beginning of the second half of the century, with a world population in turmoil and divided between the more militant and less militant Socialism, and with 150 million Americans saddled with responsibility of partially supporting one half of the world while carrying on a cold war against the other half, we hear there is "no serious threat visible on the horizon." So great is our confusion indeed that business as well as political leaders are proclaiming an unprecedented era of prosperity. At a time when our country is nearing the greatest crisis in its history and when our free institutions, which were and must continue to be the source of our strength, are impaired as never before, our people generally are so blissfully unaware of their situation that they listen hopefully and confidently to the promises of deluded and ignorant leaders who tell them that we are still on the right road and moving swiftly and surely toward the elimination of poverty and the guaranty of security, and a higher standard of living for all.

With the wreckage of the economic system which gave us world leadership lying all about us, we are boasting of how much greater will be our achievements under that system in the next half century.

I do not undertake to say what the future holds for us. I know, however, that, ignoring all danger signals, we are driving at breakneck speed along a dangerous road which leads only to disaster. Until and unless we regain our sanity and return to the American way, there is simply no point to indulging in the wild guess as to how fast we will travel in 1950 and where we will be next December. One can only say with certainty that if we do not radically mend our ways, we will be in much worse condition next December than we are now, even as we are now much worse off than we were one year ago.

M. C. NAFTZGER

President, Southwest National Bank, Wichita, Kans.

The damage is done. For the last 50 years our foreign policy has been to save the British, French, and Dutch Empires. We are now mortgaged for more than we are worth. Each day our money can buy less. The international crowd here in the United States has made economic slaves of all little people.

The only way out is to get out of debt. That will be a 100 year job. Follow the advice of Washington—"Keep Out of Foreign Entanglements," and Jefferson—"Trade With All Nations. Political Connections With None."

Business and Finance Speaks After the Turn of the Year

A. G. NEAL

President, Potomac Electric Power Company

During 1949 Potomac Electric Power Company sold more electricity to more customers than at any time in its fifty-three year history. Kilowatt-hour sales amounted to 2,074,595,000—an increase of 67,100,000 over 1948.

A. G. Neal

Although the average kilowatt-hour use per residential customer reached a new high during 1949 the increase in kilowatt-hour sales was principally due to the record level of building activity in the Washington area. 31,300 new homes and apartments were started during 1949, far surpassing the 19 000 units which were started in 1948.

An all-time system peak load of 476,000 kilowatts was established in June 1949, an increase of 4.8% over the 1948 peak.

The Company has reached the middle point in its postwar expansion program which during the period from 1946 to 1952 will require total expenditures of $96,000,000 and which will enable it to continue to provide an adequate supply of electricity to meet the ever increasing demands of its customers. This total expenditure is almost equal to the $109,000,000 that was invested in property and plant by the end of 1945, the close of the first fifty years of the company's existence.

The largest item in this expansion program is the Company's Potomac River Generating Station in Alexandria, Virginia. Approximately $27,000,000 will be invested in the first section of this new generating station which will include two 80,000 kilowatt turbo-generators. The first unit of this new plant was placed in service in October 1949 and it increased the Company's total generating capacity to 585,000 kilowatts. The second 80.000 kilowatt turbo-generator unit will be completed about June 1950.

The financing of this large expansion program will be facilitated as a result of the merger at the close of 1949 of Potomac Electric Power Company with its wholly-owned subsidiary, Braddock Light & Power Company, Incorporated.

Aided by a large volume of television sales, the electrical appliance business in this area was about the same in 1949 as in 1948—a record year. It is believed that the transition from a seller's to a buyer's market in the appliance industry has been completed and the outlook for 1950 continues to be favorable. The distribution of insurance refund checks to Veterans will be a factor in maintaining the present volume of sales of electrical appliances.

P. J. NEFF

Chief Executive Officer, Missouri Pacific Lines

During 1949, in accordance with our long-range policy, the Missouri Pacific Lines have continued their program of roadway improvements and acquisition of new rolling stock in order to serve the public more efficiently and economically. Total capital expenditures during the past year have amounted to $43,465,000 of which $28,978,000 is for equipment which includes Diesel locomotives and freight and passenger cars, and $14,487,000 for roadway improvements which include new rail, yard tracks, siding and industry tracks, changes in grade and alignment, signals and freight and passenger stations.

P. J. Neff

This improvement program will be continued in 1950, the most important items being the purchase of 63 new Diesel locomotives at a cost of $11,299,000 which will bring our total ownership to 274 Diesels, and the acquisition of 1,820 freight cars at a cost of $9,260,000.

A study recently made of conditions in the territory served by the Missouri Pacific Lines indicates favorable business conditions in 1950. If there are no similar widespread labor disturbances in 1950 as occurred in 1949 there is abundant evidence that the volume of traffic available for transportation in our territory in 1950 should continue at a high level.

A large portion of the territory served by our system is predominantly agricultural and agricultural products provide approximately one-fifth of our total freight revenue. The total production of agricultural products in the territory we serve, in the absence of adverse growing or harvesting conditions in 1950, is expected to approximate the production in 1949. Although the production of cotton and certain other products may be less than in 1949, dependent upon the program of crop control adopted by the government and the effectiveness of it, production of fruits and vegetables in 1950 should exceed that in 1949 because of adverse weather conditions that existed in the latter year. Production of grain in 1950 should equal or exceed that of 1949.

Construction, both industrial and residential, is expected to continue at a high level during 1950. Besides building materials, such as lumber, steel, glass, cement, sand, gravel, roofing materials and plumbing fixtures, new construction exerts an imporant influence in many articles of commerce—among these are furniture, refrigerators, ranges, floor coverings, electric appliances, furnaces and other heating devices.

The expansion of industry in the territory served by the Missouri Pacific Lines through the location of new plants and the establishment of many chemical plants in the Gulf Coast area reflects the increasing importance of this territory in the nation's economy and engenders confidence in the future of the Southwest.

Equal participation by the railroads in the prosperity of the nation is certainly not possible unless the railroads are accorded equality of opportunity with other transportation agencies. Production and marketing systems of the industry of the United States were built upon the rate structure and services provided by the railroads.

Industries have a far greater stake in efficient railroad service than many of them have yet come to realize. The prosperity of the nation is dependent upon adequate railroad transportation—not only in times of a national emergency, but in times of peace as well.

"Box cars" on the public highways are not only ruining the highways, but they are ruining the system of distribution and marketing upon which this great nation was built. Railroads, in order to compete with "box cars" on the highways and barges operated on waterways and channels built and maintained at public expense, must be accorded an equal opportunity with other forms of transportation.

Comprehensive presentations of unfair practices with which the railroads must compete are set forth in the report sponsored by the Brookings Institution entitled "National Transportation Policy," by Charles L. Dearing and Wilfred Owen, and the recent report of Secretary of Commerce Sawyer to the President entitled "Issues Involved in a Unified and Coordinated Federal Program for Transportation."

These two impartial studies point out the difficulties which confront the railroads in competing with trucks operating over highways paid for by the public and with barges and other vessels operating on waterways made navigable and maintained by funds provided through taxation.

We are at a most significant stage in the development of the American system of transportation. American business has the opportunity to formulate a national transportation policy which will provide equality of opportunity for all forms of transportation.

C. A. NORRIS

President, Alaska Juneau Gold Mining Company

The prime interest of Alaska Juneau Gold Mining Company has been in gold mining—and for the past five or six war and postwar years, in the preservation of not only former producing properties, but of several large low-grade lode properties which were in an advanced state of development with important blocked out reserves warranting equipment.

As you no doubt know, all gold mines were closed down early in the war by War Production Board limitation order known as "L-208." This order has now been rescinded but only a few of the higher grade domestic properties have been able to resume production under the statutory, fixed price of $35 per fine ounce; most gold properties, including our Alaska Juneau properties, cannot produce profitably on this Treasury price

Continued on page 64

Arnold Seidel Joins Morton Seidel & Co.

SAN FRANCISCO, CALIF. — Arnold Seidel has become associated with Morton Seidel & Co., 458 So. Spring Street. After completing his studies at the University of California and the University of Southern California, Mr. Seidel was associated with the Farmers & Merchants National Bank of Los Angeles. He has recently finished a course with the New York Institute of Finance.

Arnold Seidel

Melville Merritt to Be Harris, Upham Partner

BOSTON, MASS. — Melville P. Merritt will become a partner in the New York Stock Exchange firm of Harris, Upham & Co. on Feb. 1, making his headquarters at the firm's new Boston office at 30 State Street. Mr. Merritt was formerly a partner in F. S. Moseley & Co.

George I. Griffin With Kirchofer-Arnold

(Special to The Financial Chronicle)

RALEIGH, N. C. — George I. Griffin has become associated with Kirchofer & Arnold Associates, Inc., Insurance Building. Mr. Griffin was formerly head of Griffin & Co. and prior thereto was a principal of Griffin & Vaden, Inc.

Also associated with Kirchofer & Arnold Associates are Bedford E. Love and John T. Ruffing.

Lamson Bros. & Co. To Admit Two Partners

CHICAGO, ILL.—Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges, will admit George F. DeMarke and Lynn W. Gochenour to partnership on Feb. 1. Mr. Gochenour has been with the firm for some time.

Dean Witter to Admit

SAN FRANCISCO, CALIF. — On Feb. 1, Dean Witter & Co. 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges, will admit Wendell W. Witter and William M. Witter to partnership.

Continued from page 63

Business and Finance Speaks After the Turn of the Year

and, under the Gold Reserve Act of 1934, are not permitted to market their product anywhere else at any price. The future, therefore, does not look encouraging for the domestic gold miner.

With the purchasing value of the U. S. dollar at about 40% of 1935-1939 average, the present value of an ounce of gold is indicated at about $14, compared with the prewar average. Several remedial measures have been introduced in Congress during the past few years, but so far no relief is in sight. There are two measures now in the Senate and hearings have been had before a subcommittee on Senator Pat McCarran's bill providing for a open, free market for gold, with nothing of a definite character indicated as to what the Senate action on the bill may be. The Administration has recently expressed a more or less positive attitude against increasing the price of gold, which may or may not be justified insofar as it may affect the government buying price, but it does appear to be entirely unfair, if not immoral, to deny the domestic gold producer the right to dispose of his product elsewhere at a higher price if he is able to obtain it.

ARTHUR J. NEUMARK

Partner, H. Heintz & Co., New York City

The major elements of recent years will continue to exert the greatest influence on the economy of 1950. They are a high level of government spending, strong support of major crop prices, higher wages, increasing population and large capital expenditures, although undoubtedly this last will be from 10% to 20% lower than last year.

Arthur J. Neumark

The return to a buyer's market, increased productive capacity, a reduction in our exports and an increase in imports are factors that will tend to stabilize prices and create a mildly deflationary condition, which I believe will be more than balanced by deficit financing, higher wages and/or larger pensions.

The year 1950 shapes up as another good one, with a high level of employment and purchasing power. The first half of the year should find general industrial activity around the best levels of 1949 with soft goods sales ahead of last year and further stimulated by distribution of the veterans' bonus. I anticipate a falling off in the second half with the year's results comparing favorably with the best peacetime years. The overall volume of business for the year probably will be moderately lower than last year. Corporate profits will be somewhat less, although the prospects appear good for larger profits in the railroad, utility, television, retail stores, airline and canning industries.

Securities as measured by normal yardsticks still seem conservatively priced and, in many instances, greatly undervalued. It is my opinion that the trend toward a higher percentage of dividend distributions will continue this year and this should act as an added stimulant to stock prices. The gap between low bond yields and high stock yields should narrow in favor of the latter. With proper discrimination in purchases, excellent returns may be combined with good appreciation this year, in my opinion. Particularly favor the rail, steel, motor, utility and retail groups.

ERNEST E. NORRIS

President, Southern Railway System

It is as difficult to predict what might happen in this country of ours in 1950 as it is to decide whether to join the ranks of those who insist 1950 will be the last year in the first half of the 20th century or to line up with those who claim it to be the first year in the second half.

Ernest E. Norris

It is not prediction, though, to say that there are hopeful signs for the year. We can observe and be encouraged by the swing away from the welfare-state idea in other nations that have tried and found wanting many of the schemes social planners and political opportunists would force upon the United States. We can learn, if we will, from Australia, New Zealand and Great Britain that the state cannot substitute in getting things done for free men who work together to solve economic and/or social "problems."

The battle of those who are fighting against what seems like planned national bankruptcy in the United States is not over. But it is encouraging to see in news reports that members of the 81st Congress say they are hearing strong demands from the "grass roots" for tax reductions, governmental economy and a balanced Federal budget. I leave it to political forecasters to say what this may mean in terms of legislation. Certainly, American taxpayers, business firms and individual citizens, can stand a lot of all three. There was a time when strong medicines were brewed from herbs and roots; let us hope this "grass root medicine" will act as a purge on socialistic tax-wasters.

There are even hopeful signs for the railroad industry in 1950 if we can believe that there will be a serious attempt made to deal with the transportation needs of our country on a basis of the country's best interests. Certainly, the recent report made to President Truman by Secretary of Commerce Sawyer can be an excellent starting point. It fails to state clearly that the best thing for the country will be free competition for business, without subsidies, among the various agencies of transportation but it certainly says so by inference. That has been the traditional position of the railroads and it is all they ask.

Subsidies, either direct or indirect, to forms of transportation that cannot exist competitively without subsidies, waste tax funds, are bad for the country's general economy and weaken the railroads that receive (and are asking) no subsidies. It is the railroads that must carry the overwhelming bulk of our land commerce in peacetime; they must also be prepared to carry the "winning" part if war comes again. Our railroad system is the only transportation medium that can increase its carrying capacity "overnight" to meet the greatly expanded transportation requirements of any national emergency. That there appears to be a growing awareness of this important fact among people who truly have the best interests of their country at heart is, indeed, an encouraging sign.

Such an attitude—against breaking down the railroads—does not preclude the sound and continued development of other means of transportation. Instead, it is the attitude that permits all transportation groups to make their maximum contribution to the country's economy as each performs the service it can accomplish most efficiently and most economically, without tax-wasting subsidies or other aid from the public purse. Such a policy is the best assurance that American shippers and travelers will have better service in peacetime and a stronger joint transportation "line of offense" in time of war.

Strong railroads, too, are direct contributors to the successful operations of countless other American businesses. In fact, their combined buying power is what makes it profitable for many other free enterprises to exist. For example, the Southern Railway System alone has spent approximately $125,000,000 in the years 1946 to 1949 for additions and betterments to road property and equipment, about $97,100,000 for equipment alone. And this is, of course, a small part of our total expenditures in wages, taxes and purchases of supplies and fuel.

The betterments and equipment purchases were needed to keep abreast—slightly ahead of, we hope—the growing needs of the territory the Southern serves. It is in that territory we make our living. Assuming that 1950 will be a year of peace and, with fingers crossed, a year free from lengthy strikes or other things upsetting to our economy, the territory served by the Southern will continue the pattern of healthy growth that is everywhere apparent in today's South. We have helped and nurtured that growth and are proud of our share as a railroad in it. Right now, I will nominate the South as "Region of the Year for 1950" and I will allow the nomination to stand for many years to come.

JOSEPH H. NUFFER

President, Air-way Electric Appliance Corporation

After studying the many factors in our economy, I feel that we have an opportunity in 1950 to break all previous annual sales records. Practically all factors considered are on the plus side with only a relatively few on the minus side. Progress will be particularly noticeable by companies who not alone recognize that competition is keen but will provide adequate support to their selling divisions to capitalize on what I feel will be a sustained high level of buying power.

Joseph H. Nuffer

The impact of the payment of $2.8 billion in veterans insurance refunds will certainly cause a wild scramble for these consumer dollars which I believe will be largely spent and a relatively small percentage tucked away. There is every indication for continued high demand for housing. There will be fluctuations in retail prices by industries and commodities, some up and others down but on an average, not much change from current levels. Some people have held off buying, waiting for lower prices and these same people are now realizing that price adjustments that have already been made is all that can be expected.

Despite the government deficit, there is every indication that the government will feed the stream of purchasing power during an election year. Government spending for armament and farm price supports will continue to stimulate the economy. The probability of no tax increase and the possibility of the removal of at least some of the war born excise taxes, will be stimulating.

One of the negative factors in our economy is the miners strike which has and will continue to reduce sales possibilties in mining areas. It must also be recognized that many companies will be faced with increased costs due to pensions, some of which may have to come out of profits rather than passed on to the customer, to avoid pricing the company out of the market.

Considering all of these factors, we in Air-Ways are determined to sell a larger number of Air-Way vacuum cleaners in 1950 thereby topping our previous all time high reached in 1949. To that end we have planned an aggressive program involving the opening of additional branch offices; increased advertising and increased contact with the field organization and an expanded program of research.

LAWRENCE OTTINGER

President, United States Plywood Corporation

There is every indication that business in our industry will continue good through 1950 with high production at firm prices. I am, however, deeply concerned with the economy of our country.

Lawrence Ottinger

The high rate of economy is being artificially stimulated by the support farm prices, by the shipment of large quantities of merchandise for which we will not be paid, by FHA loans for the full values of houses which are being built, by RFC loans to a large number of enterprises, many of which are not sound, by the manufacture of armaments and by the making of huge loans to foreign countries and at the same time we are exporting our equipment and our know-how and are reducing our import duties.

I do not know what more effective steps we could take if we were deliberately courting bankruptcy. We are doing many of these things because we believe them to be politically necessary although nothing could play into the hands of our diabolical enemies better than an economic breakdown. I cannot see how we can continue to violate every known rule of sound economic procedure and remain a strong nation. Despite official denial, I feel that it will be not too long before the printing presses are rolling and our currency sharply devalued. What that will mean to saving bank balances and insurance policies is all too obvious. We will prosper as long as this artificially-needled economy can hold together and then the reluge.

IRVING S. OLDS

Chairman, Board of Directors, U. S. Steel Corporation

As we approach another year, I believe that industry in general will benefit from the full resumption of steel operations after the recent steel strike, and from the prospect of a high rate of steel production for some time to come. Considerable backlogs of steel orders have resulted from the strike. Then too, there is a substantial continuing demand for steel products of many kinds. The capacity of the steel industry should be capable of meeting all of these demands.

Irving S. Olds

The steel strike ended with the general establishment within the steel industry of expensive pension programs under which the employer pays the entire cost of the pensions. This is a new development for most steel companies. The new insurance program in United States Steel is to be paid for equally by employee and employer.

Few people seem to realize the great cost of these new insurance and pension programs, or to recognize that employers must meet their obligations under these programs in years both of good and bad business. It may be elementary to point out that a pension plan must be financially sound to insure that the money will be available to pay pensions as they fall due. The funds for this purpose can come only from what a manufacturer receives from the sale of his products. That is the sole continuing source of money out of which any manufacturer can meet his costs of operation. It is natural and inevitable that as such costs advance prices will advance to pay the higher bill. That is what has recently happened in the steel industry.

Statements have been made that the steel industry should be able to absorb the pension costs out of existing profits, without price increases. Even if present profits were adequate to bring this about, which is questionable, no one can guarantee that past or present profits will continue at such rate indefinitely into the future. Pension costs, however, are a continuing, constant item to be paid year in and out, regardless of the extent of current profits.

I should suppose that any fair-minded person would admit that pensions should not be paid at the undue expense of stockholders. In many large companies, stockholders are as numerous as employees. Stockholders provided the money which made American industry

Continued on page 66

Continued from page 9

Mutual Funds Manager Views 1950 Economy

providing 64 million jobs and placing $30 billion to $45 billion more per year in the hands of consumers (an average of nearly $1,000 for every American family) is optimistic and indicates that the Administration hopes to supplant the cyclical rise and fall of business by a steady growth. This, while possible, appears, from our economic viewpoint, rather difficult to attain.

(6) The President recognizes that the recent downward trend in business investment for expansion and modernization of plant facilities is a cause of real concern. It appears that it is his desire to create a favorable atmosphere for business that would warrant a resumption of such programs. Undoubtedly such an expansion would be warranted if a $300 billion Gross National Product can be attained over the next five years. Business will likely be cautious and only expand facilities when fully warranted.

(7) The comment on Government fiscal operations wherein it is mentioned that "The fiscal policy of the Federal government must be designed to contribute to the growth of the economy," accompanied by the statement that the budget should be balanced at the earliest date consistent with the welfare of the country, indicates no immediate tax changes that would be detrimental to business. In fact, the President recommended changes in our tax laws which would reduce present inequities, stimulate business acitvity and yield a *moderate* amount of additional revenue. The stimulation of business activity implies reduction in excise taxes, which we expect, but it is doubted that there will be an increase in corporate or personal taxes.

(8) The statement that the Federal Reserve Board should have broader powers to increase bank reserve requirements as applied to all banks insured by the Federal Deposit Insurance Corporation and to control instalment buying will likely meet with opposition in both the Senate and the House. From the longer term viewpoint of the economy, both probably would be desirable but such legislation is unlikely this year.

(9) The recommendation that farm income support should come from production payments implies the Brannan Farm Plan which we believe will not become law this year although farm supports are expected to be continued.

(10) The specific emphasis on Social Security programs will get little support this year, although the number of persons covered for old age benefits is expected to be increased.

(11) The advocacy of an extension of rent controls for another year, and the program to stimulate low-cost private funds into middle-income housing, we believe, will be favorably accepted and so acted upon.

(12) The suggested long-term programs of aid to friendly countries, while vague, will nevertheless have "hard sledding" in the Congress.

Budget

The proposed Federal Budget for the year beginning July 1, 1950, forecasts a deficit of $5,133 million.

On the receipts side of the Budget, the proposed income from taxes on individuals and corporations does not take into consideration any increases in personal or corporate taxes (we expect no such increases). Excise tax receipts also do not take into consideration any reduction in such taxes, as we expect. The reduction in excise taxes will probably be offset by higher income (at current rates) from corporations and individuals owing to the high level of prosperity. There are also items in the Budget that would result from proposed legislation whose passage we seriously question; however, these would not affect the estimated receipts. Over all, total estimated receipts in the Budget are considered conservative.

Although there is a substantial representation in the House and Senate committed to the reduction of expenditures and the more efficient operation of the Government, we believe expenditures will not be reduced by more than $1 billion from the Budget figures.

We therefore feel that the Budget deficit at the year-end on June 30, 1951, will be approximately $4 billion.

Conclusion on President's Messages

Based upon the aforementioned conclusions of the staff on the President's State of the Union Message, the Economic Report and the Budget Message, it was the unanimous conclusion that there was nothing in the three messages that would adversely affect the major trend of stock prices over the period ahead. To the contrary, a continuation of high spending and a coalition control of the proposed legislation indicates a favorable climate for the future.

The Economy for the First Six Months of 1950

The following represents the composite judgment of the staff on the outlook for business, earnings, dividends and securities prices for the next six months:

Industrial Production—The Federal Reserve Index of Industrial Production (1935-39=100) averaged 175 in 1949. We believe this index will average about 177 during the first six months of 1950.

Gross Product—National Income — Personal Income — For 1949 Gross National Product was approximately $259 billion and National Income $222 billion and Personal Income $212 billion. We expect the annual rate during the first six months of 1950 will be: Gross Product $230 billion, National Income $223 billion, and Personal Income $212.5 billion.

Employment—The average number of people employed in 1949 was 58.7 million and unemployed averaged 3.4 million. Employment during the first six months of 1950 should average over 59 million and unemployment about 3.8 million.

Cost of Living—The BLS Consumers Price Index (1935-39=100) averaged 169.2 in 1949. The trend during the first six months of 1950 is expected to be only slightly down, the index averaging about 167.

Wages and Strikes—Increased labor costs due to social insurance and pensions are expected in many industries this year. A substantial reduction in strikes this year as compared to 1949 appears likely.

Commodity Prices — The BLS Index of Wholesale Commodity Prices, 900 Series (1926=100), averaged 155 in 1949. During the first six months of 1950 we expect this index to average about 150.

Farm Income—Farm income for 1949 amounted to about $28 billion. The annual rate of farm income for the first six months of 1950 is expected to be about $25 billion.

Retail Trade—Retail trade for 1949 amounted to $127 billion. The annual rate of retail trade for the first six months of 1950 is expected to be about $125 billion.

Plant and Equipment Outlays—For the year 1949, Plant and Equipment outlays by business are estimated at $17.9 billion. The annual rate for the first six months of 1950 is expected to be $16.1 billion or off 10% from the first half of 1949.

Construction—Dollar volume of all U. S. construction in 1949 amounted to about $19.3 billion. During the first six months of 1950 total U. S. construction is expected to be at a $19.5 billion rate.

Inventories and Manufacturers' Sales — Inventories at the 1949 year-end were about $55 billion. They are expected to remain practically unchanged at the $54-55 billion level during the first six months of 1950. Manufacturers' sales in 1949 amounted to about $215.8 billion. The annual rate of manufacturers' sales for the first six months of 1950 is expected to be about $228.7 billion.

Money Rates and Bond Yields—During the first six months of 1950 short-term money rates are expected to remain practically unchanged. Long-term money rates are expected to be very slightly higher. Municipal bond yields should remain firm, and high-grade corporate bond yields are not expected to change much, if any.

Common Stock Yields—For the first six months of 1950 we expect the yield on Moody's 200 stocks to average about 5.9%. (The average yield for 1949 was 6.6%.)

Domestic Financing—During the first six months of 1950 we expect corporate bond financing to change little from 1949 but an increase is expected in equity financing.

Government Budget and Debt—It has been reported that the U. S. Budget for the fiscal year ending June 30, 1950 will show a deficit of about $5.5 billion. The Government debt at the 1949 year-end was $256 billion—and it will no doubt increase in the first six months of 1950.

Federal Taxes — We believe there will be no change in Federal corporate or personal income taxes by June 30, 1950. Excise taxes are expected to be reduced on many items.

Money in Circulation — The amount ($27.7 billion) of money in circulation at the 1949 year-end is not expected to change very much during the first six months of 1950.

Gold Stock — The U. S. gold stock ($24.4 billion) at the 1949 year-end is expected to remain practically unchanged during the first six months of 1950. No change in the U. S. official price of gold is expected during the first half of 1950.

Bank Loans and Investments—Total earning assets of banks (loans and investments) at the 1949 year-end were $67.4 billion. We expect them to rise to about $70 billion by June 30, 1950.

Margin on Securities—Securities margins of 50% (Regulations T and U) are not expected to be reduced by the Federal Reserve Board during the first six months of 1950.

Savings by Individuals—Individual savings are expected to advance during the first half of this year. Personal savings (currency, $22 billion; savings accounts, $68 billion; checking accounts, $41 billion, and U. S. Government securities, $69 billion) at the 1949 year-end totaled $200 billion and we expect to see an increase of about $5 billion by June 30, 1950.

Foreign Trade—Imports during 1949 amounted to about $6.6 billion. Exports during 1949 amounted to about $12 billion. It is expected that a trend of lower exports and somewhat higher imports will prevail during the first six months of 1950.

Financial Strength—All U. S. Corporations—The working capital of all U. S. corporatioins at the 1949 year-end is estimated at $70 billion (an all-time high). Working capital is expected to continue to grow during the first six months of 1950.

Corporate Earnings — Net income of the RAILROADS for 1949 is approximately $400 million. For the first six months of 1950 net income is expected to be about $190 million (up 10% over the same period in 1949).

Net income of UTILITY (electric power) corporations for 1949 is approximately $765 million. For the first six months of 1950 net income is expected to be $424 million (up about 10% over the same period in 1949).

Net income of INDUSTRIAL corporations for the year 1949 is approximately $14.9 billion. For the first six months of 1950 net income is expected to be about 4% greater than in the same period in 1949.

Railroad and public utility earnings only account for about 7% of all corporate earnings. Considering these and the industrial corporatiions, we expect for all U. S. corporations, 1949 combined net earnings will total about $16.8 billion. Total net earnings of all U. S. corporations for the first six months of 1950 should exceed the earnings for the first six months of 1949 by about 4% to 5%.

Corporate Dividends—Total corporate dividends for the year 1949 are estimated at $8.4 billion. During the first six months of 1950 total dividend payments from all U. S. corporations are expected to exceed by about 7½% the amount paid in the first six months of 1949.

Conclusion

Business activity will continue at a relatively high rate during the first six months of 1950. High corporate earnings, liberal dividend disbursements and confidence in the future, we believe, will result in stock prices generally higher than those currently prevailing. Variations as to industry and issues will be wide over the period ahead and therefore careful selection is of vital importance.

Continued from page 64

Business and Finance Speaks After the Turn of the Year

possible. When business conditions permit, an industrial enterprise should be allowed to earn a fair profit and the stockholders of that enterprise should be entitled to a reasonable return on their investments. Otherwise, private business will soon dry up.

This and other matters of importance today face the steel industry and other segments of American business. I am hopeful that the New Year will bring a sane and sound solution of all such problems, and a solution which is fair to all parties concerned.

GORDON D. PALMER

President, The First National Bank of Tuskaloosa
President, Alabama State Chamber of Commerce

In general the business prospects for 1950 in the South parallel those of the nation, and since the vast mapority of informed opinion expects business in this country to be sustained on a relatively high level at least for the early months of the current year, the volume of business in the Southern region should be well maintained in the immediate future.


Gordon D. Palmer

The textile industry, an important factor in Southern economy, after having curtailed substantially its operations in 1949, appears more optimistic about future business and is expanding production.

The distribution of refunds of premiums on government insurance to veterans in the next few months will stimulate retail trade. The building industry in this section should be well employed for some time. The decline in building of plant facilities in this area should not be as great as in other sections, for Southern industry is expanding. Recently Dun and Bradstreet published a report which contained the following: "The cotton belt is gradually becoming a power-driven industrial belt, for regionally, the recent percentage growth in manufacturing population was greatest in the Southern states."

The utilities of the region are engaged in extensive additions to their production plants and their distribution facilities. Research in the South is on the increase and more trained technical persons are available to industry.

Historically the Southern states have ranked low in per capita income. They still remain at the bottom of the list, but there has been a considerable lessening of the difference between the per capita income of the South and the rest of the country. The larger income has caused increased demand which Southern industry has been quick to observe and is expanding to meet.

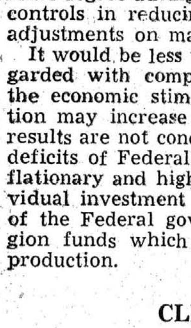
Agricultural income will more than likely decline to some degree during the year. The imposition of stringent controls in reducing cotton acreage will cause serious adjustments on many farms.

It would be less than realistic if the situation were regarded with complete satisfaction. Certain aspects of the economic stimuli are inflationary and while inflation may increase business temporarily, its long range results are not conducive to a healthy economy. Current deficits of Federal, state and local governments are inflationary and high rates of taxation are retarding individual investment in industry. The enormous tax take of the Federal government is siphoning out of the region funds which might well be used to expand its production.

CLIFFORD E. PAIGE

President, The Brooklyn Union Gas Company

The completion of a year during which earnings have improved and services to customers have increased always holds promise for a public utility. The promise is in the company's strength to make the most of the opportunities of the new year; in its ability to acquire new resources, and to develop and expand the company's services in the direction in which they will do the most good for the employees, the stockholders, and the customers.


Clifford E. Paige

At the beginning of 1950, The Brooklyn Union Gas Co. greets this promise more confidently than ever before. And the outlook for the gas industry in general in 1950 is equally optimistic.

Throughout the year 1949, the gas industry made business headlines with the installation of new and improved gas-making processes, with expansion of production and distribution facilities and, spectacularly, with the growth of the country's natural gas system. New records were made in virtually every sphere of activity; new customers were added to gas utility lines and services to old customers were expanded. Gas sales and revenues from sales increased; and capital expenditures for construction and plant expansion were greater than ever before. During 1949 the gas utilities of the country were directly serving 23,763,400 customers, including 334,000 liquefied petroleum customers, for an increase of 2.5% over 1948.

In 1949 a total of $943 million was spent for construction of new facilities and expansion of present facilities and expansion of present facilities. During the next five years, manufactured and mixed gas companies will expend $500 million and natural gas facilities $3 billion on construction and expansion.

For the first 11 months of 1949, Brooklyn Union revenue from gas sales increased $1,878,000, a 5.56% increase over the same period in 1948 and 6,669 active meters were added. Net income for the first 11 months was $2,854,000, an increase of $2,486,000 over the net income for the corresponding months of 1948.

Within the territory served by Brooklyn Union, acceptance of automatic gas appliances grew in degree and in satisfaction. At the end of 11 months, dollar sales had already passed the total for the previous year to write a new merchandising record. With an 8.49% increase over the same period in 1948, appliance sales had reached $5,212,000 at the end of November. Brooklyn Union's centennial year, 1949, was indeed remarkable. This record promises well for 1950.

With the expectation of the arrival of natural gas in 1950, a great possibility for increased gas service comes closer to the community. This, with the completion of our $25 million building program, brings additional facilities to meet the growing demand for gas. The partial easing of the house heating restrictions in 1949 gave us more freedom to move in an important field. The introduction of the automatic gas laundry dryer gave us a new product to sell and a new convenience for the housewife.

To a company young in spirit and outlook, there is more than inspiration and satisfaction in the completion of 100 years of successful operation. There is challenge, too, to continue to grow with the community's development during the next century.

T. S. PETERSEN

President, Standard Oil Company of California

Petroleum today fuels well over 50% of the nation's activities, and with the unexpected population growth which this nation has recently enjoyed, the future outlook for oil is encouraging.


T. S. Petersen

There are hundreds of products made from this basic raw material; in fact, everyone uses daily literally dozens of things which the petroleum industry has helped to make. yet the product which most consumers think of is GASOLINE.

This product is now consumed in the United States in quantities which represent a 56% increase over 1940. Incidentally, while the price of gasoline has increased along with other commodities since 1945, it not only has increased much less, but its price today is at approximately the same level as in the middle 20's, before adding State and Federal gasoline taxes, and it is far superior in quality.

In 1949, the demand for motor gasoline in this country increased by 5% from the previous year. It is showing appreciable increases each year, as the automobile industry continues to supply the growing population with large numbers of new motor cars, as the trucking industry expands, and our farms become more mechanized.

It is also of interest to note that the average consumption of motor gasoline per vehicle in the United States is now 740 gallons per year; in 1940 it was only 680 gallons.

Commercial aviation also continues to show phenomenal growth—not only the carrying of passengers, but the handling of freight, express, and mail. For example, the air lines have continuously cut into the handling of passengers in the "first class" category. They now total about 6 billion passenger miles per year as compared with 9 billion for the railroads, in pullman service.

The 1949 increase in the total consumption of aviation gasoline (excluding the military) was 13%; these increases likewise are of a continuing nature.

Aside from gasoline, the nationwide Dieselization of the railroads and very large annual sales of oil burners, largely for use in homes, has caused extensive and growing use of Diesel and heating oils produced by the oil industry. While the use of the heavy residual fuel oils shows much lower rates of increase, they nevertheless are used in a quantity totaling about 485,000,000 barrels in 1949, which is 43% higher than prewar. The vicissitudes of weather greatly affect the seasonal consumption of both distillates and heavy fuel oil, a factor which caused very low consumption in these products in the eastern part of the United States early in 1949.

After the war, the oil industry was hard pressed to find, produce, transport and refine sufficient crude oil to meet the unexpected high demands. However, a characteristic of free enterprise has always been its ability to develop needed raw materials and finished manufactured commodities, usually with astounding rapidity and in quantities tending to exceed demands. For consumers, such situations mean ample supplies, and under the laws of economics they mean reasonable prices. For management they pose major problems in preventing supplies from becoming excessive to the point of wasting a natural resource such as petroleum. However, oil men have had long experience in handling such problems, and there is no reason to expect that they will fail in the present instance.

All in all, petroleum is basic to our American way of life, and as our economy and standard of living continue to progress, we can anticipate further growth and prosperity in our petroleum industry.

ELLIOT S. PHILLIPS

President, Devoe & Raynolds Company, Inc.

The paint industry in the year 1948, according to the Bureau of Census report covering 680 manufacturing establishments, had a business of $1,052,624,451, the largest for any year in the history of our industry. The reported figures are estimated to represent 90% of the actual volume. When the missing 10% is added, the estimated total sales stand at a record-breaking figure of $1,169,582,867.


Elliot S. Phillips

The industry figures for the first seven months of 1949 show a decrease of 12.2%. This is, of course, partly due to decreases in selling prices in all divisions of sales in the industry, but it very definitely means that the seller's market, prevalent during the war period and the last few postwar years, is a thing of the past. In my opinion, this presents a direct challenge to the paint industry. Can we continue to grow as an industry and compete successfully with other industries for our share of the consumer's dollar? Are we alert enough, smart enough, aggressive enough to make the consumers of the United States conscious that paint products are a necessity in their daily lives, and that the protection of their homes, furniture, automobiles, household appliances and property is a "must" item in their existence, as well as the beauty of color and its effect on their daily lives in their offices, factories and homes? Can we convince them of the fact that psychologically and from the standpoint of health the very well-being of their families is influenced by the use of paint products?

The industry through its cooperative advertising campaign is attempting to do its part in carrying this message to the public. Many individual manufacturers are spending large sums of money advising the public of the many uses for paint products. Others are stressing the value of color in the homes, offices and factories. All these are a great help in our effort to make the public paint conscious, but, in my opinion, they are just scratching the surface of the vast market that exists for our industry's products. All you have to do is to travel through practically any town, city or community in the country and look at the pitiful condition of many homes, office buildings, factories and warehouses to realize that my statement is true.

What can we as individual manufacturers do about it? (1) We can get solidly behind our industry advertising campaign and key it in with our own advertising and promotion efforts; (2) we can devise ways and means to cut the cost of manufacturing and distributing our products to the consuming public; (3) we can, through product development and research, create new products that will more adequately take care of the public's requirements; and (4) we can promote and encourage a nationwide crusade—at the community level—to show the consumer that paint with the myriad of colors can greatly influence the happiness and contentment of the home, the family and the worker in office and factory.

The task of educating the public into the health and welfare benefits of painting is one requiring the combined efforts of every segment of the industry. It is not an easy story to tell, but it is worth telling because it is true, and we will be performing a public service by telling it. And by so doing we will be unlocking the doors to a vast new and neglected market for our products.

The annual Clean-Up-Paint-Up Week affords an excellent opportunity to convey this message through publicity in the local newspapers and radio stations. Despite the efforts of the National Paint, Varnish & Lacquer Association and, more recently, the younger Retail and Wallpaper Distributors of America organization, this campaign has not been successful in too many cities and towns. It has failed through lack of necessary organizational work at the local level. It has been highly successful in other cities where dealers have worked through local civic groups and city departments to organize public sentiment. The success has been in direct proportion to the amount of effort expended.

I say to you, that in the new era to come, from 1950 forward, there is a direct challenge to the paint industry if it is to continue to get its share of the consumer's dollar, as well as take care of the paint requirements of the country. What are we going to do about it? Devoe & Raynolds Company and all of its operating divisions are laying their plans now. The balance of the industry, I am confident, will do likewise.

Continued on page 68

Continued from page 2

The Security I Like Best

ALLAN J. HENRY

President, Allan J. Henry & Co., Wilmington, Del.

In writing this monograph on "The Security I Like Best," I wish to state at the outset that it is impossible for me (even after 30 years' experience in investments of all types) to do anything but generalize on such a broad subject as is embraced by the title quoted above. Matters of prime importance which have very little if anything directly to do with equities, such as taxation, certainly would, or should, affect one's judgment in naming the ideal security—that is from this dealer's standpoint. Over a long period of activity in trading, I have seen values in certain classes of bonds and stocks melt away in the face of taxes, unforeseen competition, government interference, et al. I refer particularly to the Street Railway business which, at one time, was in high favor with astute investors. Who will dogmatically assert that the great Electric Power industry will not meet the same fate? Another shining example of the same character was the complete wrecking of the real estate market by unsound financial devices which were countenanced by some of our best-regarded trustees with disastrous results. The railroads, once rated highly, also have had "rough sledding."

Allan J. Henry

With this preamble in mind, I will attempt to describe the "Ideal Security" or Securities without being too specific.

Of tax-exempt obligations I would prefer obligations of cities with a population of 100,000 and up; bonds of the City of Wilmington and Philadelphia School District, for example.

In the industrial equities I prefer Christiana Securities Common and Diamond Alkali Common.

Among the many attractive common stocks in the Electric Light and Power category, I look with favor on Oklahoma Gas and Electric, Florida Power and Light, Central Arizona Light and Power, and Delaware Power and Light.

A well-designed and ably-managed Investment Trust always has appeal to investors. Also I have dealt in stocks secured by rental values in real estate, such as City and Suburban Homes, which has a splendid record.

Of the rails, Atchison, Topeka & Santa Fe Common has both speculative and investment appeal, as has also Union Pacific.

The stocks of Banks (including Trust Companies) and Insurance Companies are regarded as conservative and are well represented, in my opinion, by Chase National, Wilmington Trust, Bankers Trust, Insurance Company of North America, and Continental-American Life, the last-mentioned being a prosperous and seasoned company with headquarters in Wilmington, Del.

The most successful accounts I know of are those which are active, in that they take profits as the opportunity offers when a logical trade is in prospect. Frozen accounts, either rendered so by design or carelessness or prejudice, are undesirable. Conservative investment trusts follow this policy, the Harvard Endowment Fund, for example—incidentally, one of the greatest of its type. This, of course, is operated solely for the benefit of the University.

Most of the foregoing is nothing new to the majority of the "Chronicle's" readers so I will end as I have begun this article, with the statement that my best judgment is not too specific about the matter under discussion, and I must, therefore, deal in abstractions at the risk of boring those who happen to be readers of this article.

ERNEST JELLINEK

Partner, Jacquin, Bliss & Stanley, New York City

There cannot be any doubt that over a period of years currencies have been inflated in every country of the world. There is only one currency which would be retaining its purchasing power, the one based on the free exchange of gold. Such a currency is not existent at this moment. As a matter of fact, it is unlawful to hoard the precious metal. So, I am looking around to find a substitute for gold. Gold mining shares are suitable, but the mining costs are too high and profits, if any, too small. While the investment in the long run may turn out to be satisfactory, yields and possible capital gains are very doubtful at the present time. Possibly metal producing companies could be chosen as an inflation hedge because they all have gold as a by-product while they have a good and profitable business in the production of copper, lead, zinc, etc. Another group are the oil producing companies; they all own large stretches of land and their oil reserves per share can be figured out almost to the barrel. Oil is black gold. Of course, the earnings depend on the result of drilling operation, the selling price of the oil, the competitive situation of the business and last, but not least, on the importation with the world's currency unstability. The companies owning vast lands, prairies, and deserts of the West and Southwest containing unlimited resources of minerals and oils to my mind offer both an inflation hedge and fairly stable income from royalties without run-

Ernest Jellinek

Continued on page 69

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late David W. Smith to John H. Libaire will be considered on Jan. 27. Mr. Libaire will act as an individual floor broker it is understood.

Transfer of the Exchange membership of the late Herbert R. Wilson to Charles M. Hoffman will be considered on Jan. 26. Mr. Hoffman will act as an individual floor broker.

Continued from page 66

Business and Finance Speaks After the Turn of the Year

THOMAS I. PARKINSON
President, Equitable Life Assurance Society

Another year of postwar prosperity for the American people is threatened by a "tax the thrifty in 1950" trend now noticeable in Congress. That the country can confidently look forward to a year of high business activity is emphasized by the events of 1949. The expected minor recession in the summer of last year has come and gone, proving that the nation's economy could take such setbacks in stride without loss of confidence.


T. I. Parkinson

However, unwise taxation could act as a brake on the country's expected prosperity. The threat of retroactive taxation on business is especially dangerous because it creates confusion and hampers the planning so necessary to keep business activity at a high level.

On the false basis that a loophole in the income tax law has enabled the life insurance companies to go without paying taxes during 1947 and 1948, a subcommittee of the House Ways and Means Committee is planning to impose retroactive taxes for those years on the life insurance companies. This is an exceedingly dangerous proposal for which there is no precedent.

I have been familiar with the details of our Federal income taxes officially and unofficially for the last 35 years and I know of no instance in which Congress has ever imposed a retroactive tax. It ought to be unconstitutional; it certainly is unreasonable and undesirable.

The life insurance companies have closed their accounts for 1947 and 1948 and have made their dividend distribution to policyholders. To go back now and take from their relatively low earnings sums for taxes which were not due under the law is almost unbelievable. Such action would be a plain capital tax on the 80 million policyholders of the life insurance companies.

The present tax law, first adopted immediately after World War I, was carefully fitted to the fundamental requirements of life insurance soundness and solvency. That meant no life insurance company had any taxable income until there had been taken out of its gross income the required amounts for accumulation against eventual maturity of the face value of the policy. The reason the life insurance companies have not paid income taxes during '47 and '48 is not the law but the facts. The companies simply haven't had taxable income! The reason they had no taxable income in 1947 and 1948 is because of the low yield on their investments.

The low investment yield resulted from interest rates deliberately reduced through the vast powers to control credit exercised by the fiscal and monetary officials of the Federal Government. The Treasury has derived benefit from those low interest rates. They were deliberately manipulated by the Treasury for its own reasons.

Policyholders have for years borne a heavy burden of personal taxation. The present proposal to levy on their savings in the hands of the insurance companies is another illustration of the willingness of certain politicians to do indirectly what they are reluctant to do directly.

Close to $50 million are involved in the proposed retroactive tax on life insurance. But far more significant is the precedent that will be created. If a life insurance company can be taxed now on the business results of 1947, so can the automobile companies. So can other industries. American business simply can't progress and prosper if it must carry on under a constant threat of such retroactive taxation not only in 1950 but in the decades ahead.

JAMES H. POLHEMUS
President, Portland General Electric Company

If it can be assumed that electric utility statistics are a barometer of general business conditions, the year 1950 may be one of transition from the Pacific Northwest's abnormal postwar boom to a more normal rate of progress.


James H. Polhemus

There are no current signs of any sharp break in general commercial and industrial activity to be found in the year-end figures posted by PGE and most other systems interconnected in the Northwest Power Pool. In fact, new records have been set during the past year in peak and average loads carried and in number of customers served.

But the rate of increase is not so high now as it was a year ago and indications seem fairly clear that the tapering-off process which commenced early in 1949 has developed into a definite and continuing trend.

Kilowatthours distributed through the PGE system, which serves the most populous portion and the industrial heart of Oregon, totaled 1.87 billion in the 12 months ended Nov. 30, 1949. This was an increase of approximately 10% over the corresponding period a year ago, compared with a 15% increase recorded in 1948.

Among favorable factors which point to a sustained rather than a rapidly falling trend line for general business have been (1) rapid mid-year recovery from a rather sharp dip in kilowatthour sales early in 1949; (2) the continuing increase in electrical consumption by residential customers, revealing a healthy purchasing power still remains in possession of the general public; and (3) the creation of a backlog of potential industrial expansion held in check during the last two years due to stringency of power supply.

Residential customers served by PGE consumed an average of 5,001 kilowatthours in the year ending Nov. 30—an increase of 12% over the previous year. The total is more than three times the national average.

Industries which had planned to extend operations into the Pacific Northwest but delayed doing so through inability to obtain firm power supply, as well as existing industries which put a brake on expansion plans for the same reason, may go forward with them as new power sources are developed. These should provide the region with new job opportunities and tend to fill, partly at least, any developing economic valleys.

ABNER S. POPE
President, The Seaboard Citizens National Bank of Norfolk

As I view it, a reduction in expenditures by corporations for capital improvements is to be expected, but more than normal expenditures for housing and public improvements will continue throughout the year; and while there are indications that profits of many corporations will not reach the unprecedented level of the past year, it does not follow that personal incomes and personal spending will be greatly reduced, so there may be a moderate decline but no drastic change in business conditions in 1950.


Abner S. Pope

Forces generated by the war and sustained during a reconstruction period, here and abroad, have not lost their momentum. People generally have fair incomes, which they are spending, and some are spending their savings while others are availing themselves of the opportunities offered in making instalment purchases. The government will continue to spend at the annual rate of $43 billion. Taxes should not be increased and the budget probably will not be balanced by reducing appropriations. Promises of pensions for the aged add a further incentive to spending, so I conclude 1949 will not be the end of the kind of prosperity we have experienced for several years. As long as government deficits persist and subsidies are generous, the problem, in final analysis, is inflation.

Here at Norfolk the shipping business, already at a low ebb, has been further retarded by the coal strikes, and this affects adversely the ship repair yards. On the other hand, construction in this area continues in a degree comparable to that during and immediately after the World War period. Those engaged in the retail trade are operating in a prosperous manner.

All things considered, conditions at Norfolk continue satisfactory.

FREDERIC A. POTTS
President, The Philadelphia National Bank

Bankers during 1950 should operate in a business environment in which total industrial output may be 5 to 10% below that of last year. It will be a period in which the supply of most goods will have caught up with the demand. Competition, therefore, should increase and with likely higher labor costs the maginal producer will find it increasingly difficult to operate profitably. The corrections which have been gradually increasing in tempo should continue during this year with a probable larger number of business failures.


Frederic A. Potts

The final results for the new year will depend to a great extent on what happens in the capital goods, construction and consumers' durable good industries. If their volume can be held at a reasonable level, with respect to last year, the overall demand for nondurable goods should be sustained.

For passenger cars, 1950 output is estimated at from 6 to 10% below that of last year. On the basis of a volume of 5,100,000 cars during 1949 a cut of 10% would still permit production in excess of that during the peak years of 1929 and 1948. Television is still rapidly expanding, but the quantity of other consumers' durable goods may decline. Although the trend in the sales of machinery, machine tools, railroad equipment, etc., has been downward, it now appears that the bottom may soon be reached with respect to the first two classifications. Total construction volume, consisting of housing, industrial and commercial construction as well as public work, is likely to continue at somewhere near its present levels. Costs will probably decline, but the physical quantities are expected to be higher. In addition, there will be some shifting from the industrial and commercial classification to public work. The latter, which includes highways, public schools, sewers and water supply systems, may increase some $750,000,000 out of total construction expenditures of approximately $18.5 billion.

Commodity prices have continued to decline from the 1948 peaks with basic raw materials some 12 to 16% below those at the beginning of 1949. The outlook for this year is not clear. Downward pressures on prices will be exerted by large supplies of crops and by increasing marketings of livestock. Competition will be keener, which should likewise create pressure on prices. The full effect of devaluation has not appeared and increased foreign competition is, consequently, expected. Upward pressures will be felt as the result of the National Service Insurance dividend payments, continued Federal deficit financing, as well as increasing wage costs. The downward pressures are expected to exceed the weight of those exerting an upward influence and prices should be stable or declining.

Under these circumstances average outstanding loans and discounts will be lower. With increasing competition it is going to be necessary to review more carefully borrowers' requests. Deficit financing will enlarge the supply of government securities, but it is doubtful if on balance the banking system will be able appreciably to augment its earnings assets. The problems of 1950 should not be vastly different from those of the past year.

GWILYM A. PRICE
President, Westinghouse Electric Corporation

As the world moves into the second half of the twentieth century, American business and industry are piling up impressive evidence of the superiority of our competitive enterprise system.


Gwilym A. Price

In this country today, we have the world's highest standard of living; industry is operating at a level far exceeding anything achieved before the war; our scientists are converting into actuality the technical dreams of only a few years ago; great strides are being made in atomic power, electronics, transportation, and dozens of other important fields.

For the long-term future, these gains will serve as the springboard to still greater progress. I feel confident that historians of the year 2000, reviewing the twentieth century, will have good reason to write: "The last half was richer than the first."

For the immediate future there are some encouraging signs, too. One of these is the smoothness with which our economy switched from a postwar boom to more normal business conditions—still at a level greatly exceeding prewar. During all of 1949, Westinghouse—like many other companies—operated in a buyers' market for the first time since the end of the war. Although this led to some declines in production from the 1948 peaks, the downward trend was arrested at mid-year and, in some cases, notably consumer lines, production turned upward; in the closing months of the year it was hardly equal to the demand.

Government reports indicate that the end of 1949 found most manufacturers with adequate stocks of goods to meet the needs of their customers, but generally without the high inventories that proved to be a burden at the beginning of the year. Granted a few assumptions, I feel that we have a firmer foundation for our business structure now than we have had at any time since the beginning of the war in 1941. These assumptions are that there will be no prolonged major strikes, and manufacturing costs and prices generally do not rise much above present levels.

While our population has increased about 15% in the past 10 years, this country still is doing well on a per capita basis. For example, the production of fuels, construction materials and consumers' durable goods, such as ranges, refrigerators and automobiles, is at least 50% ahead of the 1935-39 average. Semi-durable goods production is ahead about 35% and capital goods production is nearly double the 1935-39 average.

Our own experience at Westinghouse supports these statistics. Even though there has been a decline during 1949 in new orders for electric generation and distribution apparatus, our production of such equipment still is three to four times as large in dollar volume as it was in the best prewar years. Incidentally, prices for electrical products have been increased less than for almost any other type of goods.

One of the firmer areas of business in 1949 was the construction industry. Estimates now are that there will be some $18,000,000,000 of new construction in 1950, ap-

Continued on page 70

Continued from page 67

The Security I Like Best

ning market risk of the oil business.

Texas Pacific Land Trust is the more seasoned and popular stock of that type. Formed by holders of grant bonds of the **Texas Pacific Railway Company,** the first objective is to liquidate the holdings end to retire the certificates of proprietary interest. In 1948 the company bought and cancelled 39,000 shares and as of Nov. 10, 1949 an additional 42,000. The original acreage brought in by the bondholders in 1888 was 3,450,642 acres. These holdings were gradually reduced ever since and as of Dec. 31, 1948 the properties of TXL consisted of 1,845,787 acres located in 29 different counties. All monies received from sales of land are used to retire the stock by buying in the open market; the number of shares outstanding as of Dec. 31, 1948 was 2,559 original certificates of proprietary interest (representing the equivalent of 255,000 sub shares) and 1,216,189 sub shares, therefore altogether 1,472,089 sub shares, as quoted on the New York Stock Exchange. Each share of stock represents 1¼ acres of rich grazing pasture or proven oil land with a market value of $70 per acre which compared very reasonably to prices recently paid for oil prospect acreage in the Leduc field of Canada, where prices up to $1,000,000 were paid for lots of 100 to 150 acres. Income and dividends depend on royalties based on allowable production; overhead and expenses non-existing, except taxes. Although dividends are not comparable with other oil companies, price appreciation is the main objective for buying this stock.

It is understandable from a long-term point of view why a company like **U. S. Smelting & Refining** decided rather to forego declaration of dividends and accumulate 100,000 shares of **Texas Pacific Land Trust** and 50,000 shares of **Louisiana Land & Exploration** although from the angle of a stockholder such action of the directors may be temporarily unsatisfactory.

S. LOGAN STIRLING

Manager, Investment Research Dep't, Eastman, Dillon & Co., New York City

Although the word "future" has become a rather loose and vague term when used in the investment field, I nevertheless feel that of the selected issues which I would recommend at this time for investment, United Biscuit Company common stock stands out as being one of the most attractive.

S. Logan Stirling

The cracker and biscuit business, previously noted for its stability, has grown substantially since the war, which reflects rising per capita consumption of these products, relatively high consumer income and gains in population. The industry now is in the unusual position of possessing good growth characteristics as well as being somewhat depression-proof during periods of a declining general business activity. As the third largest factor in this favorably situated industry, United Biscuit has shown better than average growth in recent years and earnings and dividend payments in 1949 were the highest in the company's history. The outlook for 1950 appears quite favorable. Profit margins are expected to benefit from the declining trend of primary ingredient costs and the full operation of new plants and equipment. An increase in sales volume is indicated for this year, and as consumer goods prices generally lag behind any reduction in raw material prices, I would expect to see this situation result in a further gain in earnings this year. In view of the encouraging earnings outlook, together with the company's strong financial position, there would seem to be basis for believing that a more liberal dividend policy may be established early this year.

United has operated at a profit and has paid dividends every year since its formation. During the five years ended Dec. 31, 1948, company's dollar sales of its biscuit divisions increased approximately 75% and the tonnage sales approximately 12.5%.

The major products of this industry are the universally used soda crackers or saltines and packaged cookies, but there is a wide variety of items and they cover a broad price range. When times are generally good and payrolls large, such as at present, customers are inclined to purchase fancier, higher priced goods, and this situation is currently being reflected in rising earnings for this industry. Profit margins are not so dependent on the trend of sales as they are upon the level of ingredient costs. Of the many ingredients used, the most important are wheat and lard, which are subject to wide ranges in price, but the price trend of these items is currently moving in favor of the industry. The biggest price decline has occurred in lard, which is now selling at about 50% below its price of a year ago. United Biscuit follows the policy of purchasing most of its raw materials on a day-to-day basis with the exception of flour. At crop time, it carries up to 120-day flour inventory, and at other times a 60-day inventory. Thus any decline in commodity prices could be beneficial. Labor costs in this industry are of lesser importance. In 1948, United Biscuit turned its inventory over better than 11 times, which is higher than the average for the industry, which was about 8½ times. Credit losses in this business are negligible as the business is practically on a cash basis.

Selling prices of the company's products change rather slowly. Soda crackers and cookies are selling for about the same high wholesale prices as in 1947 and 1948, while wheat, lard and cocoa have declined sharply during the last 12-18 months. This has been a factor in helping to maintain relatively satisfactory gross profit margins. Operating costs should be reduced further as the industry proceeds with installation of huge band ovens. It is estimated the use of band ovens can reduce labor costs per 100 pounds of crackers to around $1.30 compared with a cost of around $3 per 100 pounds, using the older reel-type oven. Earlier this year band ovens accounted for about 12½% of United Biscuit's output, but this ratio will steadily increase as new equipment is installed. This trend provides a basis for anticipating further marked improvement in the company's profit margins and earnings in line with its projected plant improvement program.

The stock of United Biscuit Company is selling for only about 5.2 times estimated 1949 earnings as compared with around 12 times for National Biscuit and about eight times for Sunshine Biscuits. At the same time the yield on United is about the same as for its two competitors and, as previously mentioned, I believe the regular dividend may soon be increased. It would thus appear that the stock of United Biscuit (currently quoted at around 31 and paying a $1 regular dividend plus extras of 60 cents last year) is somewhat behind the market for issues in its class and consequently appears to possess above average possibilities for investment consideration at the present time. The stock, listed on the New York Stock Exchange, can be considered as a conservative investment for individuals as well as institutions.

World Bank Reports Gain in Net Income

Earned $6,672,667 in last six months of 1949. Loans now exceed half billion dollars. To issue $100 million serial bonds in redemption operation.

The International Bank for Reconstruction and Development reports a net income for the six months ended Dec. 31, 1949, of $6,672,667, as compared with $4,804,057 for the first six months in the preceding fiscal year. Gross income, exclusive of $2,709,416 transferred to the special reserve, amounted to $12,268,685 as compared with $10,291,345.

Total administrative expenses for the six months ended Dec. 31 were $2,171,506. In the first half of the preceding fiscal year administrative expenses amounted to $2,062,840.

Disbursements on loans during the six months' period amounted to $40,721,716, increasing the total as of Dec. 31, 1949, to $567,012,730.

During the six months ended Dec. 31, 1949, the Bank made loan commitments of $94,045,000, increasing the total since the Bank began operations to $743,906,933, after making allowance for the cancellation by the Grand Duchy of Luxembourg of $238,017 from its original loan contract. The Bank granted a loan of $12,000,000 to Luxembourg on Aug. 28, 1947. As a result of a determination by Luxembourg that it would not need $238,017 of the loan, the Bank was requested to agree to a cancellation of this amount, which cancellation became effective Dec. 19, 1949.

On June 16, the Bank publicly advertised for bids for a $100,000,000 issue of serial bonds. Proceeds of the issue will be used to retire a like amount of 2¼% 10-year bonds, due 1957, which were called on Dec. 30 for redemption on Feb. 17 at the Federal Reserve Bank of New York.

Bids for the new serial bonds, which will be dated Feb. 15, 1950, and which will mature $10,000,000 annually from 1953 to 1952, inclusive, will be received at the New York office of the Bank at 33 Liberty Street until 11 a.m., Jan. 25, and will be opened at that time. It is expected that the new serial bonds, in temporary form, will be delivered against payment on Feb. 17 at the Federal Reserve Bank of New York.

Cowen Co. to Admit

Cowen & Co., 54 Pine Street, New York City, members of the New York Stock Exchange, will admit William F. Neubert to partnership on Feb. 1. On Jan. 27 George N. Cowen will acquire the Exchange membership of the late Isaac Siegel.

Continued from page 68

Business and Finance Speaks After the Turn of the Year

proximately the same as for 1949. This, incidentally, indicates the need for approximately $750,000,000 worth of electrical building supplies and equipment, about one-third of which will be used in residential, commercial and other small types of building units.

In consumer lines, prospects are encouraging for the near future. Inventories of electrical appliances, for example, are below normal for this time of year, largely due to a sharp pickup in demand in recent months and shortages of steel that resulted from the eight-week steel strike. At Westinghouse, our appliance output will be increased about 15% during the first quarter of 1950 to help correct this situation.

Of all the consumer goods, television has turned in the most spectacular performance. The output of all manufacturers in 1949 has been well over 2,000,000 television receivers, as compared with 950,000 in 1948; and 185,000 in 1947. With improved programs, and increased broadcasting facilities, television receiver production in 1950 may well exceed 3,500,000 sets.

All of these things are encouraging signs that point toward a high level of business and industrial activity. I should like to emphasize, however, that business still is faced with a number of perplexing problems. One of the most serious is the possibility of further steep increases in the cost of manufacturing the things we need to support our high standard of living. This higher cost, of course, would mean higher prices and more inflation. It might be well to point out that prices have been held down to their present levels, in many cases, only because of new manufacturing techniques, increased use of electrical production aids, and scientific advances that served to offset higher costs for material and labor.

Then too there is an urgent need for economies in the operation of our Government. The Federal income tax structure should be completely revised—high taxes that may take as much as 82% of an individual's income are throttling the incentive to invest in American business. So, also, is the double taxation of dividends—they are taxed first as corporate income, then as individual income of a stockholder.

These things are not alone the problem of the businessman. They deserve the close attention of eevryone in this country. Initiative and free enterprise have paced our prosperity as a nation. Our future progress depends upon preserving the incentive system that made the American way of life a shining example for all the world.

H. W. PRENTIS, JR.

President, Armstrong Cork Co.

The new year holds considerable promise for the wide variety of products of the Armstrong Cork Co. The return to more balanced market conditions, however, naturally calls for more intensive effort in order to maintain the sales and profit levels of 1949. With "It's time to sell" as its principal theme, our organization is placing even greater emphasis on merchandising, production efficiency, and research programs.

H. W. Prentis, Jr.

The outlook for most building materials now appears to be good, with construction generally expected to remain at or near the 1949 volume. Some shift in specific product use may be anticipated as public housing and institutional building expand, while moderate slackening from present exceedingly high levels occurs in private residential and industrial construction. However, the record volume of new homes scheduled for completion during the first half of 1950 should be a strong stimulant to the demand not only for building materials but hard-surfaced floor coverings as well. While some needed retail inventory rebuilding was accomplished in floor coverings during the past year, the task of inventory balancing to service customers satisfactorily has not yet been completed. Consumer response to new products and designs indicates sustained high demand for hard-surfaced floor covering products for the year ahead.

The company's numerous industrial products are linked closely to level of over-all industrial activity, which is expected to be well maintained, at least through the early months of 1950. One important factor in this situation is the resurgence of business since settlement of the steel dispute. New and improved product development can be expected to play an increasingly important role in this industrial field where customer needs continually are changing. Users of glass containers and bottle closures have expanded their orders in recent months, following a period of inventory liquidation and balancing. This industry generally has achieved and appears to be maintaining a volume of business substantially above the prewar level.

With the uncertain political environment in which all business enterprises must operate in 1950, individual success seems likely to depend to an increasing extent upon ability to reduce costs while maintaining—and whenever possible improving—quality. Consumer purchasing power may be expected to remain high in the months ahead. Yet the amount and extent of actual buying will depend more directly upon price-quality inducements than it has since 1940. Here is a challenge for business management in the year ahead.

T. R. PRESTON

Chairman of the Board, Hamilton National Bank, Chattanooga, Tenn.

The outlook for 1950 is reasonably good in this area. The greatest handicap business has at the present time is the enormously high taxes prevailing in our Federal Government. In addition to the high rate this is the one country in the world where double taxation exists. As an example—a corporation is taxed on its earnings, and the dividends it pays to the owners is also taxed. If that is not double taxation, what is it? Under such conditions it is difficult to build up a business at the present time, compared to what could be done a few years ago, and the building up of business is one thing that is absolutely essential to make a people prosperous and elevate the standards of living.

T. R. Preston

This area has been growing very rapidly in textile industries up to a few years ago. As an example—about 60 years ago a family in a small town in this section decided to go into the textile business. All the capital they put into it was $60,000. The capital and surplus now in this company is slightly over $6½ million, all earned except the $60,000. This is in addition to cash dividends that have been paid over a period of about 50 years. Their total earnings have been a little under $9 million. Directly and indirectly they are supporting about 3,000 people, have aided the schools of their neighborhood, in addition to providing hospital facilities for their workers, and helping many of these to own their homes. This could not possibly be done now under the present Federal Government tax burden.

One thing that is going to be a continuous burden to our people is what is known as the Marshall Plan, unless this is greatly reduced or done away with entirely. Many people think this plan may eventually impoverish this country in order to give to foreign countries.

It is imperative that the extravagance of our government cease, otherwise it is headed for bankruptcy and socialism.

C. A. PUTNAM

President, National Association of Manufacturers, President, Markem Machine Company, Keene, N. H.

My own view of the economic outlook for 1950 is an optimistic one, tempered somewhat by the realization that such factors as large-scale strikes and government actions discouraging to business cannot be foreseen.

C A. Putnam

On the favorable side, I would place the fact that American industry has shown in 1949 remarkable resilience and inherent strength. Production declined in the first half of the year to a point where many observers felt we were in for a full-fledged recession. Then, when we were ascending from that decline, nation-wide strikes in the steel and coal industries threatened to push us down again, harder than before. But although production did, of course, suffer, the economy rebounded with surprising vitality.

That our American business and industry could take these set-backs in stride, and make rapid readjustments, is perhaps the principal reason that most businessmen feel confident that our economic activity will continue, in 1950, at a high level—although probably not as high as the record years of 1947 and 1948, when the postwar expansion and replacement boom was at its height.

Considerably encouraging was the fact that the production index turned up 8% in the two months of August and September. However, the decline in the first six months, plus the effects of strikes in the fall, will put the average monthly output for 1949 8% or 9% below the corresponding figure for 1948.

It may be interesting to note that at the lowest part of the 1949 decline—prior to August—the Federal Reserve Index of production was down 17%. In the declines of 1920-21 and 1937-38, the index was down about 33%, or nearly twice as much.

As for my own business, the company of which I am President, is building a new plant near our present site in Keene, N. H. If I did not think we are going to continue to "go to town," that new plant would not be under construction.

My belief about the economy as a whole is similar. Barring the unforeseeable—the possibility of serious strikes, of higher taxation, of increased government controls or further assaults upon incentives to succeed and expand—I think American business will go ahead in the coming year.

As I see it, the true nature of our economy is not made up of cut-and-dried theoretical propositions and statistics; it is the sum of the activities of all of our people going about the business of earning a living. Therefore, the way people feel about their prospects of jobs, wages and profits, and about the course of prices and the value of their dollars, inevitably will have a tremendous effect upon business activity.

Consumers, spending at a rate of about $178 billion annually, as they have, exert a mighty influence. Industrial managers, with a spending power of billions in the purchase of raw materials, and from $15 to $20 billion yearly in capital equipment, also have a great impact on the economy. The decisions of the public and of business to buy, or to postpone buying, are the result largely of their psychological attitudes. These attitudes, in turn, may be greatly influenced by government actions—which themselves are not immune from human factors.

With these considerations in mind, it is my conviction that if we can achieve understanding of our interlocking interests, between our production employees and their leaders on the one hand, and managers on the other—and develop a similar level of understanding with government—our nation will go forward to a prosperity the like of which has never yet been known.

WILLIAM M. RAND

President, Monsanto Chemical Co.

The year 1950 begins with a wave of optimism. Seldom have economists and businessmen been so unanimous in their appraisal of the business outlook. Such confidence appears justified if it is based on an expected return to normal competitive conditions, but there are no indications of a return to postwar boom levels.

William M. Rand

During the past two years a pattern of industry-by-industry readjustment has been set which should continue during 1950. Certain heavy industries hit new peaks in 1949 and will probably decline to lower levels. A problem inherent in the chemical industry — accurate evaluation of divergent trends among the industries which consume its products—will become intensified in 1950.

In sharp contrast to the many shortages of the immediate postwar periods, there is an adequate supply of virtually every product in every field. The competitive conditions anticipated at the start of 1949 materialized and will very probably continue. Competition, however is healthy; it does not inspire pessimism. It invariably engenders new ideas and forces thinking into new channels. If unhampered by excessive taxes and by crippling strikes, competition can spur business, not retard it.

The chemical industry, serving almost all segments of the economy, naturally felt the impact of the business decline in 1949. The operating results of the past year have demonstrated the practical value of diversification and new product development. Competitive conditions during coming years should speed up the introduction of new, improved and cheaper chemical products.

Although declines are in prospect for industries which enjoyed sellers' markets during 1949, over-all business activity should remain at favorable levels through the first half of 1950. There may be a seasonal slump during the Summer months, followed by a recovery in the Fall. The American economy, however, demonstrated its vitality and resiliency during the adjustment period of 1949. The year ahead should be a satisfactory one for the chemical industry. Efficiency has been increased, and there still appears to be a strong consumer demand for quality products at reasonable prices.

ROBERT RAE

President, Dominion Bank

For Canada, the year 1949 has been one of steady and indeed, outstanding national progress and can be considered a fitting end to the first half of this century. The economy is at a stage where it would be folly to attempt to forecast the future in any detail, but one can perhaps draw certain inferences for 1950 from what happened during the past year.

Robert Rae

The Federal election last year returned the party in power by a large majority, which appears to assure a continuance of moderate policies for a term of years. The fiscal policy has been that of a balanced budget or surplus—which is sound—but Canada probably must spend considerably more for defense and no appreciable change in tax rates for 1950 is expected. Provincial finances are healthy, but municipalities face a heavy program of improvements which will probably result in higher tax rates and increased debt.

Canadian banking is in a stronger position than at

Business and Finance Speaks After the Turn of the Year

any time in its history. At 31st October, last, deposits, loans and total assets reached an all-time high. Deposits of business and individuals in Canada exceeded $7,000 million while commercial loans were $2,212 million—a sound position and one that leaves plenty of latitude to finance the commercial business of the country. The capital market has been buoyant and should continue so with little change in interest rates considered likely.

Foreign trade is unusually important to Canada, complicated by the fact that our agricultural exports traditionally move largely to the British Commonwealth and Europe, while our import needs are for the most part obtained in the United States. Exports from Canada for the first 10 months of 1949 were down only 2% from the corresponding period in 1948, but special circumstances made this possible and with developments abroad, 1950 will be a very difficult year for our overseas trade. An encouraging feature has been the maintenance of exports to the United States at unusually high levels in spite of the reduced business activity there and our U. S. dollar and gold reserves have thereby been helped to remain at approximately $1 billion. The recent devaluation of the Canadian dollar in terms of the U. S. dollar should help to ameliorate our unfavorable U. S. dollar trade balance.

In 1949, trade in Canada was good in all lines—in fact, it was a banner year, but we saw increased business failures mostly in under-capitalized and inexperienced concerns and increased consumer credit helped many sales. Undoubtedly, business in Canada has flattened out, but momentum should carry us forward at near present levels for several months at least. On the credit side, we have the momentous developments in the oil fields of the west and in the iron ore deposits of Ontario, Quebec and Labrador and encouragement for gold and base metal mining through devaluation of the Canadian dollar; in addition, governmental and private capital expenditures will probably continue at a fairly high level and much new housing is still needed, construction of which is being stimulated by government action and financing.

RICHARD S. REYNOLDS, JR.

President, Reynolds Metals Company

Aluminum was used more widely by American industry and the consumer during 1949 than ever before. The prospect for 1950 is that many new applications of aluminum will develop and that its position among the major metals will become even more firmly established.

R. S. Reynolds, Jr.

The major reason for the continued high volume of aluminum sales is that manufacturers are finding that the use of aluminum helps them to cut the net cost of their products. As a result of the rapid increase in labor and freight costs during recent years, the lightness of aluminum has enabled industry to realize savings in handling and transportation expense. The ease with which aluminum can be fabricated and its low maintenance requirements have also attracted many industries to using it.

On the farm, aluminum is adding to the cash income. Aluminum roofing means a cooler dairy barn and poultry house because it reflects 95% of the sun's heat. Farmers find cooler buildings mean a greater production of milk, eggs and chickens during the summer months. In the rural electrification field, aluminum cable has become the principal material used to extend the benefits of electricity to the farmer and his family.

One of the major selling campaigns of 1949 was the introduction of Reynolds Wrap, the household aluminum foil, into millions of American homes. It is being used daily for better and easier cooking, and to do countless handy packaging jobs around the house. The wide and constant use of aluminum foil by millions of families is rapidly increasing the consumer acceptance of aluminum products of every type.

The industry enters 1950 stronger than at any time since the end of the war. This is the result of the steady development of aluminum postwar markets, and the increasing recognition of the metal's advantages by the manufacturer and the consumer alike.

HOBART C. RAMSEY

President, Worthington Pump & Machinery Corporation

Our billings to customers and net income for the year 1949 will approximate the totals for 1948. Bookings of new orders in 1949 were at a reasonably satisfactory level until the fourth quarter when there was a sharp decline which was due in a large measure to the effect on the capital goods industry of the uncertainties occasioned by the coal and steel strikes.

Hobart C. Ramsey

During recent weeks there has been an appreciable improvement in new bookings and our forecast of operations for 1950 contemplates that billings will approximate the average of the past two years. However, Impending economic factors, such as pension plans and related social benefits, and their effect on costs and selling prices make it extremely difficult to forecast with any reasonable accuracy the income for the coming year.

Scientific research has never before been so progressively carried forward on all fronts and I believe that there are unlimited opportunities for engineering research, the development of products, and the improvement of sales techniques.

In 1949, Worthington has continued to cooperate and collaborate with several university and government-sponsored laboratory engineering research programs and, in addition, has carried forward research and test work with its own facilities in all plants of the corporation. A

Continued on page 72

El Salvador Bond Exch. Offer Extended to 1-1-'51

The Republic of El Salvador is notifying holders of certain of its bonds, certificates of deferred interest and convertible certificates that the time for exchange of the bonds and convertible certificates and for the payment of the certificates of deferred int. has been extended from Jan. 1, 1950 to Jan. 1, 1951. Affected by the extension of this offer, it is announced, are holders of Customs first lien 8% sinking fund gold bonds, series A, due July 1, 1948; 7% sinking fund gold bonds, series C, due July 1, 1957; certificates of deferred interest (scrip certificates) issued with respect to bonds of series C; and convertible certificates for 3% external sinking fund dollar bonds, due Jan. 1, 1976. The National City Bank of New York, corporate agency department, is the New York agent of the fiscal agent, Banco Central de Reserva de El Salvador.

Continued from page 71

Business and Finance Speaks After the Turn of the Year

few of the developments emanating from such activities, which reached the marketing stage in 1949, are the Dual-Fuel Plunger Pump and Automatic Thermal Air Control for Dual-Fuel Engines; a new Uniflo Gas Engine Gas Compressor for gas pipeline service; a completely modern and comprehensive line of Vertical Turbine Pumps for agricultural and industrial use; and a cold process slurry type precipitating water softener for municipal and industrial water treating.

Worthington's export business continued at a moderately high level in 1949 with some decline the latter part of the year due to dollar shortages and the devaluation of foreign currency as well as the increased availability of products from European sources of supply.

Having just returned from a tour of the corporation's European operations, I can confirm recent statements concerning greatly improved economies in most of the ECA countries and Spain, and believe that, while there should be a continuing demand for Worthington products in export markets during 1950, the competitive situation will be much stronger, particularly until material and labor costs in Europe have been adjusted upwards to compensate for recent currency devaluations. On the other hand, the factors which may reduce the demand for the export of domestic products should tend to increase the volume for the foreign affiliates of American companies.

SAMUEL K. RINDGE

Chairman of the Board, Citizens National Trust & Savings Bank of Los Angeles

The banking business today is faced with continuing competition from the many agencies of the Federal Government which make loans, and this competition is not based on the laws and regulations under which banks operate but is based on a much looser basis. These loaning agencies of the Federal Government make loans on terms which cannot be considered by the banks, for they are not bound by any need to earn a profit for their stockholders, nor are they faced with the possibility of adverse comment by a bank examiner; and finally Congress is willing to give them practically all they ask for in the way of additional funds.

Samuel K. Rindge

The deficit, or infaltionary, basis on which the government is operating is also a matter of serious concern to the banking business, because it imposes a presently remote, yet ever approaching threat to the financial stability of the nation.

The industries of the nation, in general, are in better shape financially today than they have been for some time. Consequently it does not seem as if the demands for business loans will be large, except from the so-called war babies—those concerns which were started during or immediately after the war, and which are undercapitalized.

It appears that in general deposits will continue around the same levels as at present, provided that the condition of the nation remains unchanged. However, if Congress should increase taxes, or if the Administration should do anything which would impair the confidence of the business community or the people in general, it is doubtful if conditions will remain as they are.

Therefore it appears that the outlook for the banking business is the same as that of the nation in general; for the banks do not make or create the condition of the nation, but on the contrary they perforce reflect the condition of the nation. The outlook for any given bank will depend on the ability of its management to secure the greatest possible amount of sound loans, on its ability to keep its costs under control, and on its ability to hold and increase its deposits.

FRANK C. RATHJE

President, Chicago City Bank and Trust Company

With the beginning of 1950 we enter upon the second half of the Twentieth Century which will undoubtedly prove as unpredictable as the first half of this century.

With employment at its present level, ample bank credit, and with government spending at record high, the expectation is warranted that the general business activity in the nation will continue at reasonably high levels for some time to come. With the year of 1950 there is also a very delicate balance between inflation and deflation which has been in effect for the past year.

Frank C. Rathje

During the next six months the fiscal decisions of our Government will play an important part in maintaining this present position. The pendulum could swing swiftly to one side or the other because of the fiscal policies of the government and its agencies.

Because the business of commercial and savings banking has become such an integral part of financing the United States Government, through our investment in government securities, bankers are becoming increasingly concerned over the effect of debt management on our economic structure particularly in a period of readjustment.

Preliminary estimates indicate that at the end of the Government's fiscal year, June 30, 1950, our Government will operate with a sizable deficit, adding materially to the Federal debt. How many more years can we tolerate red figures?

With the dollar at its present level one can conceive a Federal debt sometime in the future out of proportion to our national wealth and our national income.

Another important aspect of present day banking is the regrettable rumor of further dollar devaluation. During the past year many foreign countries have used this method to eliminate their unfavorable trade position.

From all indications the countries which devalued their currencies for this reason have not accomplished their purpose and are already experiencing a recurrence of the troublesome problem leading up to their devaluation.

Today the American dollar is the strongest man-made power in the world. It is sought after in every market place and as a nation and as individuals we are duty bound to defend its strength and world leadership.

With such problems as these some may be discouraged from their purpose of maintaining our free enterprise system although, personally, I am confident, because of my great faith in the future of America, that we will overcome these problems through adherence to the philosophy of our Federal Constitution.

J. F. RINGLAND

President, Northwestern National Bank of Minneapolis

The year 1949 has been a good year for business, not as good as 1948 but better than anticipated last spring. Many fields, baking included, have enjoyed as good or better profits than in 1948.

To appraise the outlook for industry and banking for the year 1950, it is necessary to consider both inflationary and deflationary factors which may be anticipated. Of the inflationary, notable are the $2.8 billion of cash insurance refunds to be paid soon to veterans, the prospect of a continuing high level of construction activity, the Treasury and Federal Reserve easy money policies which may be expected to continue unless considerable inflation takes hold, and the trend of the Federal Government to spend in excess of its income. Among the more important of the deflationary influences to be expected are the nearing completion of war plans for plant and equipment, the likelihood of a further drop in our export balance of trade, and the prospect of continuing decline in prices of agricultural products. However, these conflicting influences appear sufficiently in balance that business in 1950 generally should be as good as in 1949—possibly it will be better in the first part of the year and not as satisfactory in the second part.

J. F. Ringland

With this general outlook, it would seem that banking could expect a year in 1950 that will average about as well as in 1949. Bank deposits for the year 1950 should continue in line with 1949 levels, with a tendency to rise. Part of the deficit of the Federal Government will probably be financed by the banks, resulting in some expansion of bank deposits. Similarly, the banks may add to deposits through purchase of substantial blocks of state and municipal bonds. Little if any increase in deposits may be expected from an increase in loans, unless there should be a wave of substantial inventory accumulation by business. Increase in loans may be anticipated in consumer credit, real estate mortgages, and CCC loans, offset possibly by a decline in business loans.

Costs of operation of banks should not rise as rapidly in 1950 as in recent years so that a modest increase in investment in bonds, with loans holding fairly constant, should stabilize net operating earnings around the 1949 level if rates of interest continue steady. At the beginning of the new year these rates appear likely to hold and if business continues good for the next few months, current rates may readily obtain throughout the year. An improvement in business might strengthen the rate structure slightly. A decline might weaken it, but such a decline if substantial could be accompanied by further reduction in reserve requirements for Member Banks, and the resulting larger earning assets could offset a decline in earnings from softening rates. So we may expect a year for bank earnings not greatly different from that of 1949 provided, of course, there are no increases in corporate income taxes and no new important inroads on the business of private banking by the Federal Government.

In the Ninth Federal Reserve District, when discussing the outlook for business and banking, we must always have in mind what may happen to farm crops. Agriculture and its products are such an important part of our business that unusually good or bad crops upset calculations for business in this area. For a number of years we have had especially favorable weather conditions for the farmer. Last year was more spotted in this respect, particularly in eastern Montana and the western Dakotas. If we should have poor crops throughout the district in 1950, earnings of many businesses and banks in the Ninth Federal Reserve District would suffer. Barring this contingency, we expect to enjoy moderately good results for business and banking in this territory in line with that which we expect for the country as a whole.

ROBERT T. RINEAR

President, Huyler's

The business of Huyler's falls into two principal categories—the manufacture and sale of candy and related confections and the operation of a chain of 24 retail operations of the combination restaurant-confectionery type.

After the war, both the restaurant business, and the candy business began the return to more normal competitive conditions somewhat sooner than many other businesses. As a result, candy of the type widely sold under war conditions became a common inventory problem in the industry. One reason for this was that the public evidenced a strong demand for a return to goods of pre-war quality and sizes.

Robert T. Rinear

The candy industry reached an all time peak in 1948 of a billion dollars at wholesale prices. While this level was not maintained in 1949, the inventory problems of the candy industry were substantially liquidated during the year and a very satisfactory standard of quality was achieved and maintained in the case of the front-rank manufacturers. Profit margins were definitely lower during the year. We expect that the drive of the industry to hold and improve its position in the general economy of the country will be intensified this year. It is also to be anticipated that competition within the industry will become sharper. We do not anticipate any further marked price adjustments nor any substantial decrease in total dollar volume in either the candy business or the restaurant business, but we do expect some further decrease in profit margins due to rising labor costs and selling expense.

In the case of Huyler's our candy division and our restaurant division will be actively engaged this year in stimulating sales effort, still further improving quality and service and controling costs.

The level of activity in our field in 1950 may be expected to correspond quite closely with developments in business generally. We regard the prospects for the first six months of this year quite favorably but we find it exceedingly difficult to reach any satisfactory conclusion as to what may be expected in regard to general business because the most important domestic factors in the situation, namely; Federal policy in regard to fiscal tax, labor and agricultural matters, are controlled by politics. In this circumstance, normal business considerations are necessarily of secondary value in taking decisions.

E. A. ROBERTS

President, The Fidelity Mutual Life Insurance Company

In the light of the forebodings with which we entered 1949 and the way we seem to have straightened away from the uncertainties of the early part of the year, it is easy to accept the almost uniformly optimistic predictions for the first half of 1950.

While the monetary policies being followed are not pleasing to all in our business the fact is that they are pretty well known and understood and we give evidence of being able to live under them.

E. A. Roberts

The rules of the market place are changed under controls. We will see more, rather than less, of controls if our economy tends markedly toward either inflation or deflation. The managers of our government are more concerned about deflation than inflation. Unquestioned evidence is the present unbalanced budget.

It is not enough to say that if the purchasing power of the dollar further declines people will need more life insurance dollars. Some may not be able to get more.

But fairness and simple honesty should cause us to remember that people have paid for their insurance in various sized dollars. Insurance with this Company maturing this year as death claims average in excess of 20 years' duration. Twenty years takes us back through the great depression. Although the national income is now almost three times as great as then, our people are dedicating about the same percentage to insurance. To be

Business and Finance Speaks After the Turn of the Year

sure, they are more absolute dollars, for a far greater aggregate of coverage.

Then again, under the settlement options available, a beneficiary must take income in the currently prevailing sized dollar but may elect to leave proceeds on the chance that the size of dollars will be enhanced.

Because dollars will buy less one's present insurance is not to be minimized. To the contary, there is a greater need for more coverage. Believing this to be true in the case of most of the men and businesses I know, I am logically brought to the conclusion that we enter upon an enlarged and enlarging market.

In the area of sales we can change our emphasis from the man of wool or of cotton to the one in rayon or nylon if he more greatly prospers. Similarly in other fields such as coal and oil or railroads, trucks or air transport. A country of 150 million will need more of everything, not less, including life insurance.

In the area of investment, because of the assets we manage for our policyowners, the problem is not as simple. The U. S. Treasury is interested in the lowest possible debt service on our large national debt. Rounding figures, 250 billion dollars at 2% is 5 billion dollars of annual carrying charge. While we should all approve of the theory that there is a lesser total in the national budget if debt service is kept down, the irony of it is that interest rates payable by others for the use of money are artificially lowered—lowered so they bear small resemblance to the risks involved. Savings through life insurance and otherwise have greatly increased. Constantly increasing sums are seeking investment. Except for modest cash balances, all the assets of life companies are invested and represent the debts of others—Government bonds and the bonds of public utilities, railroad, industrial companies, individuals on mortgages and otherwise.

Unless the country goes forward in the building of plants and of homes, of roads and the like—money savings will be idle.

While it is harder to test the risk for investment and while it is harder to find outlets at rates hitherto satisfactory, money can still be put to work. Today's interest rates are almost the lowest we have seen. Continued low interest rates can only mean higher costs of insurance in the return of lesser dividends. After all the American people have been conditioned for higher costs in almost all lines just as they have been accustomed to higher earned incomes. Both living costs and incomes will finally emerge on some plateau considerably above pre-war.

Regardless of mass coverages, I see only a constantly expanding market for life insurance for individuals and for business. Because I know of no substitute for the creation of an immediate estate, and because tax rates of all kinds will remain high indefinitely, I think the market for our product is unlimited.

I have never seen a family that lost its breadwinner which could not use all the dollars provided for it. If the dollar is smaller—more of them is the only answer.

V. H. ROSSETTI

President, The Farmers and Merchants National Bank of Los Angeles

To venture an expression as to the outlook for the coming New Year, particularly in view of the many factors involved, one is constrained to a hesitancy, but I believe I am justified in saying that the economy in our Los Angeles area reflects, and without doubt will continue to reflect, the effect of the unsound and uneconomic policies in the administration of our Federal affairs, as reflected in an admitted substantial deficit in a period when our national income is at a high level, unemployment at a minimum and in the extension of unwarranted subsidies, price supports, and a very evident and general trend to the nationalization of all activities, and many other practices almost too numerous to mention with their adverse reflections on our whole economy.

V. H. Rossetti

While we have assumed leadership in world affairs, we should indulge our contributions within limits of reasonableness, lest we invite a collapse of our national economy, if not bankruptcy.

In spite of the evidence of substantial savings in the form of United States Savings Bonds and deposits of savings in banks, the lack of purchasing power is reflected in the report generally of a diminution in retail sales in spite of practices indulged to stimulate them, such as no down payments exacted in the sale of household appliances and other items, and the extension generally of longer term credits on retail sales. There is every evidence that buying power has been substantially expanded as reflected by the reported increase in the amount of in excess of $1 billion in the item of consumer credit alone for the past year, the substantial amount of so-called personal loans, which are predicated on nothing more than a mortgaging of future earning power, and other evidences too numerous to mention and a very definite evidence of production overtaking demand. There is evidence here of a stagnation in the real estate market and an availability of a substantial supply of residential and other properties for sale and for rent, and with apparent and reasonable office building and store vacancies.

An unfavorable reflection to which one cannot justifiably subscribe is that we have become the mecca for the aged, by invitation it is true, appreciating that we do have an obligation to those residents who have made at least some contribution to our economy in the past, but which presents a very serious situation in our local as well as our State economy, particularly as the result of the liberality of our provisions for the needy, and which situation would have been much more serious had not the voters of our State seen fit to repeal the previously enacted law for even a more reasonable one.

There appear to be on the horizon indications for increased wages on the part of labor for 1950, and no doubt incited by the policies of our Federal Government in their prodigality, unwarranted and unjustified production and price controls over the essential food items, with the resultant maintenance of high living cost levels.

In conclusion, it can be reasonably assumed that with the present policies of the Administration in Washington to be maintained and possibly enlarged, plus the enormous amount of spendable money to be disbursed to our veterans (and justifiably), that we may experience a reasonable favorableness in our local and national economy in the coming New Year, but with the full appreciation that sooner or later the "fiddler must be paid" and at the expense of all, whether in the higher or the lower income brackets. Fundamentals do not change but we are prone to believe so by reason of the magnitude of our present economy and our distorted discernments as a result, which make for our violations. As to the time element, one guess is as good as another.

ARTHUR REIS, JR.

President, Robert Reis & Co.

The past year was a year of readjustment in the Men's Furnishings Industry. Inventories were reduced and liquidated all along the line. Sales were conducted in retail stores throughout the country. Manufacturing plants generally operated well below capacity output. Profits suffered accordingly.

Arthur Reis, Jr.

With this behind us, we enter 1950 with a far healthier condition prevailing in the industry than at this time a year ago. The limited number of sales at bargain prices of men's furnishings that are currently in progress reflect the healthier conditions at retail level. After a year or more of reduced buying, the consumer may now have to take a more active part in replenishing his wardrobe. At the manufacturing level considerably lower inventories likewise prevail. Accordingly manufacturers have been buying sizable quantities of raw materials during the past few months so as to operate their plants more actively. With these industry factors accompanied by the healthier tone of our overall economy, it is reasonable to anticipate that 1950 will show improvement over its predecessor.

Over-optimism should not prevail, however. The industry is faced with rising costs and intense competition. The latter will tend to keep prices relatively stable. The manufacturer will not readily be able to pass on his increases in freight costs, in raw material costs, and in undeterminable increased labor costs resulting from new legislation. Thus what should be a good year will,

Continued on page 74

Payment to Holders of Bonds of Chile

The Caja de Amortizacion of the Republic of Chile announced on Jan. 16 the payment of interest under Law No. 5580, on the external dollar bonds which have not been assented to the 1948 Readjustment Plan, of $11.259 per $1,000 bonds for the year 1949 payable beginning Feb. 1, 1950. Bondholders who have assented to the 1948 debt readjustment plan have received interest for the same period of $20 per $1,000 bonds. The following principal amounts of bonds were amortized and retired during 1949 with the sum of $2,531,000 assigned under Law No. 8962 for amortization. £296,900 (U. S. $6,138,000) and Swiss francs 8,955,000. After these amortizations the external debt outstanding as of Dec. 31, 1949, was £22,426,482 (U. S. $119,547,000) and Swiss francs 97,722,100. The payment of $11.259 per $1,000 bond to holders who did not assent to the 1948 readjustment plan will be payable at the office of Schroder Trust Company, Trust Department, 57 Broadway, New York 15, New York.

Schwamm Co. Adds John Mayer to Staff

Schwamm & Co., 50 Broadway, New York City, dealers in municipal bonds, announce that John Mayer, formerly sub-manager of the New York agency of the Bank of London & South America, Limited, has become associated with the firm's sales department.

Sheldon Named V.-P. Of F. S. Yantis & Co.; Winters Joins Dept.

CHICAGO, ILL.—J. G. Sheldon has been elected a Vice-President of F. S. Yantis & Co., Inc., 135 South La Salle Street, members of the Midwest Stock Exchange, in charge of the firm's municipal bond department and Charles P. Winters has become associated with the firm in that division.

Bache Adds Three To Chicago Staff

CHICAGO, ILL.—Augustine J. Doherty, Herbert L. Grosby and George L. White have become associated with Bache & Co. in their Chicago office, 135 South La Salle Street. Mr. Doherty was formerly associated with Continental Casualty Co. and Shields & Co. Mr. Grosby was previously with Merrill Lynch, Pierce, Fenner & Beane, and Mr. White was with Hicks & Price and formerly headed his own firm, George L. White & Co.

Continued from page 73

Business and Finance Speaks After the Turn of the Year

nevertheless, not equal the immediate postwar era. Then, competition was of lesser consequence and prices were keyed to costs, with more adequate profit margins readily attainable. In 1950 retail stores, furthermore, will no doubt continue to buy according to a conservative pattern. While this pattern in the long run is a stabilizing factor, it may in the immediate present tend to mitigate against the favorable situation already outlined. Thus, in summation, 1950 should be a good year but in all probability not a boom year for the industry.

MRS. MARGARET RUDKIN
President, Pepperidge Farm, Inc.

There is little chance of any sizable cut in the cost of production of bread in 1950.

The basic problem of the $2,085,000,000 bread industry is that the cost of ingredients that go into the 15 billion loaves of bread baked each year, remains high. With practically all ingredients—wheat, milk, sugar, eggs, butter, other fats, etc.—directly or indirectly subsidized, prices are kept at a high level. All hope of tax reductions is rapidly fading in the face of the government's return to deficit financing, many problems become more acute daily.

Margaret Rudkin

Subsidies have cost taxpayers billions of dollars to date. Eggs alone will have exceeded normal cost by $200 million by the end of 1949. They could cost taxpayers an additional $200 million in subsidies in 1950, unless the support program is modified. Citizens must perforce meet this cost twice—through taxes paid to finance these subsidies and, again, by artifically higher prices. Thus there is no question of lowering the selling price of articles made from agricultural products.

If surpluses of agricultural products were made available to the public, prices would certainly go down. However, if the government is going to continue to bridge the always increasing gap between a normal selling price and a high fixed parity price, taxes will have to continue to rise in order to pay the subsidies.

The cost of new baking equipment rises rapidly, as the increased cost of steel is passed on to the purchaser of equipment. Though there is much talk about agricultural prices the public is seldom told about the rising costs of the equipment without which industry cannot produce goods. Today, replacements of equipment cost more than, and sometimes double, prewar prices: an oven priced at $32,000 in 1947, is now $50,000. Whether increases in the cost of steel come from raised hourly wages, or pension or welfare funds, they always result in increased costs to the public.

All transport costs have risen, with Railway Express rates more than doubled, and trucking rates upped to meet increased costs.

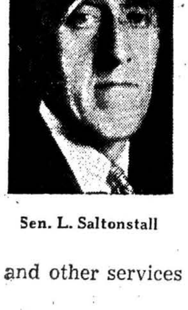
Store-door delivery has encountered an acute problem in increased local traffic in large cities and small towns alike. Delivery trucks lose hours daily trying to get in and out of traffic jams in shopping centers. This despite the fact grocery stores naturally want and need delivery of goods at the time stores open. Because delayed delivery of perishable foods is a major cost item, increasing with every hour's delay, towns and cities would do well to plan to move or build their shopping centers away from arteries of through traffic.

When the whole situation has been analyzed, the basic difficulty is the lack of controls on government costs, which means taxes must pay the bill. Any one of average commonsense knows that you cannot get something for nothing. There's always a price. And if the price for the political mirage of prosperity, based on deficit spending, is the heavy yoke of government debt with a suicidal tax structure, then the price is too high. With this system, keeping down the price of the most essential of food items becomes an almost impossible challenge.

LEVERETT SALTONSTALL
U. S. Senator from Massachusetts

Our strength is the strength of free men.

To be free there must be peace in the world. The attainment of that peace is the first objective of Congress. Until it is attained, the maintenance of our security is its most pressing problem. To maintain our security we must be strong—with strong enough armed forces to protect our shores and to live up to our responsibilities elsewhere in the world—strong enough in our industrial and agricultural production to keep the respect of peoples everywhere. Only by such show of strength can our citizens feel reasonably secure in this troubled world, until such time as a true and lasting peace is assured within the framework of the United Nations.



Sen. L. Saltonstall

Free men use their freedom to promote their individual abilities to most advantage. To keep that freedom and to still provide the social security for old age, unemployment and other services that our citizens expect of their Government is the most pressing problem of Congress at home. If we are to maintain our strength we must live within our ability to pay for our Government, so Congress must keep us within our means to pay. Waste and extravagances must be eliminated from Government activities. Taxes must be decreased where possible in order to promote savings and new enterprises.

Our security, our liberty and freedom, the maintenance of our way of life within our resources are the primary problems of the Second Session of the 81st Congress.

J. S. SAYRE
President, Bendix Home Appliances, Inc.

We have just completed a rather exhaustive analysis of 1949 Washer and Dryer Industry Sales, and believe that as the result of this study, the outlook for the automatic washer section of this industry is indeed favorable for 1950.

We forecast that total automatic washer sales, in the price brackets $249.95 to $300, will reach 700,000 units in 1950.

J. S. Sayre

The percent of total washer sales captured by this bracket of automatic washers has increased steadily for three consecutive years. New, low-pricing strategy inaugurated by Bendix in September is bringing about a marked improvement in sales, and particularly in the amount of energy and effort that retail dealers stand willing to put behind soundly priced products.

During the second half of 1949, Bendix launched an automatic washer, revolutionary in nature—the Bendix Economat at $179.95—designed and priced for the masses—which has contributed considerable strength to Bendix industry position.

We believe that we see a return to the fundamentals of sound selling on the part of a high percentage of appliance dealers throughout the country.

Currently, Bendix holds a unique position as a result of this new pricing philosophy, designed to give the housewife a larger value for her money, and this will become more apparent when Bendix announces (which it will do on Feb. 6), a Bendix Dialamatic Economat to retail at $169.95.

These several influences lead us to the conviction that 1950 will be a favorable year for those with a demonstrably better product, reasonably priced to attract consumer buyers.

WILLIAM SCHMIDT, JR.
Chairman of the Board & President, Consolidated Gas Electric Light and Power Company of Baltimore

Economists and forecasters have been busy predicting the outlook for business in 1950. The consensus seems to be that the year as a whole should be good barring upsetting events such as extended strikes in major industries not now anticipated. In Baltimore we also expect business in the year ahead to be good.

William Schmidt, Jr.

The pipelines which will bring natural gas to Baltimore are about completed and during 1950 Consolidated Gas Electric Light and Power Company of Baltimore will change over from distribution of manufactured gas to distribution of natural gas. Present water gas production facilities will be converted to make a gas with a heating value equivalent to natural gas and will be used in meeting peak loads and emergency conditions.

A new 66,000 kilowatt electric generating unit will be placed in operation at our Westport power plant and work will go forward on the housing for a 75,000 kilowatt unit to be installed at our Riverside power plant in 1951. These new installations will produce operating economies and, together with enlargements and extensions of our substation and distribution facilities, are being made to keep pace with the growth of Baltimore as one of the nation's leading ports and industrial centers.

The electric and gas industries generally are preparing to meet increasing demands for their services. The application of electricity to new uses and additional processes and the extension of natural gas to new areas are expected to push sales of electricity and gas to new records.

The large-scale expansion of production and distribution facilities begun shortly after the end of the war is continuing at a high level. Electric and gas utility companies will require adequate earnings to attract at reasonable rates the large amounts of additional capital needed to carry on this program and coincidentally maintain well-balanced capital structures.

In addition to a reasonable level of current earnings, investors must view the future of the utility industry with confidence if they are to be induced to put their money into electric and gas securities. The many successful utility financial transactions during the past year are evidence that investors, at the present time, do have confidence in the industry's future. However, unless the trend of Federal encroachment in the electric utility field and other Government moves toward socialism are checked, investors' confidence in that industry and in the future of all privately operated enterprises may be seriously undermined.

The record shows that private enterprise, under proper regulation, can do a better and more economical job of operating a business and provide a higher standard of living for the public than Government can.

Electricity and gas supplied by tax-paying business-managed utilities have contributed greatly to the remarkable production records of American industry. They have made living happier and more pleasant for the workman and the farmer, and for their wives and children, by providing the conveniences, labor-saving assistance, comforts and entertainment that enable the American family to live on a scale that is the envy of other nations. The American system under which these benefits have been made available is certainly worth preserving, and all who believe in that system must join in devoting greater effort towards bringing about a better public understanding of it.

W. W. SEBALD
President, Armco Steel Corporation

From the present perspective, the steel industry will operate at an average of 80% of capacity during 1950. It is expected that the first half of the year will show production averaging between 85% and 90% and the last half of the year 75% to 80%.

W. W. Sebald

The higher rate for the first half will be due in part to the shortage of steel which accumulated as a result of the strike during October and November of the past year and also in part to the continuing high level of demand for steel-consuming products. The statement is based on an examination of the major markets for steel products; i.e., construction, consumer durables and capital goods.

Reports from the construction field show that the total dollar expenditures for 1950 will be close to that of 1949, which was the highest on record. With such a building program, there will be a substantial demand for many of the major steel products and particularly for flat rolled steels.

Last year's production of major appliances, such as refrigerators, ranges and washing machines averaged about 25% less than the 1948 peak. Some of this decline was due to an inventory problem in the first half of 1949. When this had been corrected, production was resuming an upward trend when the steel strike interrupted.

Demand for automobiles, the largest consumer of flat rolled steel, will continue at a high level for the next six months, after which we may expect the usual seasonal influences to become evident. These same seasonal patterns will probably appear in other consumer goods lines, but the total production of these goods for 1950 should at least match last year's volume.

Current surveys show that expenditures by business for plant construction, machinery, and equipment will continue the slow decline which started in the fourth quarter of 1948. However, these outlays are still at record levels, and even with the decline that is foreseen, total expenditures would represent a substantial increase over prewar years.

The nature of this business spending will also change somewhat from other postwar years. Outside of a few industries, capacity expansion will be secondary to improvement of efficiency. This means that there will be less of the total spent on new construction but proportionately more on cost-cutting machinery and equipment, a field where stainless steel is finding profitable outlets, particularly in such fields as textiles, chemicals, pulp and paper, etc.

In the utility field, the decline is not yet evident, and the long-term outlook for expansion in this field is one of the reasons for Armco's increase of plate capacity, and the cooperative venture on a pipe mill in Houston, Texas for the production of large diameter gas pipe.

Summing up our impression of these major markets leads us to believe that steel production in 1950 should be very close to the 1949 level, if nothing is done by the Administration to upset the economy. We believe that flat rolled steels will continue to secure an increasing share of the total output of steel products, and in view of that growth trend we are increasing our sheet producing capacity.

Continued on page 76

Continued from page 5

The State of Trade and Industry

where a drive by rank-and-file United Mine Workers for an all-out showdown strike against the coal industry resulted in more than 86,000 miners being idle in six states. Notwithstanding the gravity of the situation, the President refused to declare a national emergency and invoke the Taft-Hartley law.

As a result of the fuel shortages stemming from the coal strike several steel companies this week announced that their mills would operate at a lower rate of capacity.

* * *

Prospects in the automotive industry appear bright with full employment and considerable overtime pay in store for Detroit workers and other auto manufacturing centers next month, Ward's Automotive Reports hold. It predicted further that nearly all plants will operate at capacity and successive weekly output records will be chalked up. Production of automobiles and trucks in the United States and Canada last week reached the highest level since September. It rose to 155,164 units, from 116,768 last week and 112,587 a year ago.

Progressive output gains through February were predicted by Ward's Automotive Reports, with almost all producers scheduled to operate at practical capacity next month and new weekly output records likely.

Chrysler divisions are still lagging behind projected schedules because of parts manufacturing difficulties, Ward's noted. Most General Motors and Ford divisions, however, are close to highest 1949 levels, it added.

Steel Output Rises to 98.2%, the Highest Since the Week of April 18, 1949

The steel industry still has the edge in its cold war with John L. Lewis—but only because it was planned that way a year ago. If most major steel companies had not then begun an all-out drive to build up coal and coke stocks many mills would now be grinding to a halt, states "The Iron Age," national metalworking weekly, in its current review of the steel trade. And with them would go the booming business of the automobile, appliance and other steel-using industries.

By the spring of 1949 most of the big steel companies had boosted their coal stocks to better than 60 days' supply. They did it by keeping up their own mine production and buying usable commercial coal wherever it was offered. They also bought surplus coke stocks.

Of course they acted in self-interest to keep ahead of Lewis, but it raised steel-making costs.

Not all steel companies built big coal stockpiles and even those that did are seeing them dwindle every day. Some mills will be in trouble if coal mining does not get into a regular production pattern very soon. Even before that electric power cuts will halt some electric furnace and rolling mill operations at Pittsburgh if the miners stay out there, this trade magazine adds.

Steel company officials who are now polishing up their cases for presentation at the hearings next week in Washington should be optimistic on the outcome. While Senator O'Mahoney's staff members are reportedly having trouble finding fresh ammunition, steel leaders should come up with some little known cost figures and some challenging facts. The question of whether it is right for one steel user to subsidize another may also be aired.

Scores of manufacturers have now finished cost studies showing that their steel went up more than the average of $4 a ton—on the basis of their historical buying pattern. On this basis, increases of $10 and more a ton can be found. ("The Iron Age" estimate of $6 to $8 a ton for automobile steel has been confirmed by a recent study in Detroit.)

Steel executives could be very blunt on this point. They may say that where one buyer got a $15-a-ton price boost while another got a $5 advance, the former was in effect subsidizing the latter under the old price schedule. They will argue that the latest revision was designed to do two things: (1) increase prices to meet mounting costs; and (2) price each product according to the cost of the work done on it. And they may add that it is all right with them for the buyer to revise his order pattern if he can get a lower price on a different specification or do the work cheaper than the mills can—even if in doing this they whittle down the average steel price increase to less than $4 a ton.

Steel business, "The Iron Age" notes, is still generally good but a bit spotty. Plate, bars and structural shapes are easy in the East, but are tighter in Chicago. Sheets and strip are in very strong demand everywhere. This demand, however, is not as frantic as it was in 1948. Today, there are only a few automotive companies interested in conversion steel.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 98.2% of capacity for the week beginning Jan. 16, 1950. This compares with 97.2% in the preceding week.

This week's operating rate represents a rise of 1.0 point from last week. The present rate is the highest since April 18, last, when the rate was 98.4% despite walkouts and curtailed work weeks in the soft coal mines.

This week's operating rate is equivalent to 1,810,300 net tons of steel ingots and castings compared to 1,791,900 net tons one week ago. A month ago the rate was 94.5% and production amounted to 1,742,100 tons; a year ago it stood at 100.1% and 1,845,400 tons and for the average week in 1940, highest prewar year, at 1,281,210 tons.

There is no indication as yet that reporting steel companies have been forced to curtail as a consequence of conditions in the coal fields, a spokesman for the Institute stated.

Electric Output Attains a New All-Time High Record

The amount of electrical energy distributed by the electric light and power industry for the week ended Jan. 14 was estimated at 6,028,589,000 kwh., according to the Edison Electric Institute.

This figure represented a new all-time high record in the industry's history and compared with the previous high level of 5,996,606,000 kwh. established in the week ended Dec. 17, 1949.

It was 333,217,000 kwh. greater than the figure reported for the previous week 301,881,000 kwh., or 5.3% higher than the total output for the week ended Jan. 15, 1949, and 658,477,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Move 2.3% Above Previous Week's Level

Loadings of revenue freight for the week ended Jan. 7, 1950, which included the New Year's Day holiday, totaled 506,947 cars, according to the Association of American Railroads. This was an increase of 11,313 cars, or 2.3% above the preceding Chrismas holiday week.

It represented a decrease of 214,560 cars, or 29.7% below the corresponding week in 1949, and 323,863 cars, or 39% below the similar period in 1948, both of which weeks included holidays.

Auto Output Advances to Highest Point Since September, 1949

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada is estimated at 155,164 units compared with the previous week's total of 116,768 (revised) units.

The current output figure is the highest reached since September, 1949.

The total output for the current week was made up of 123,062 cars and 24,269 trucks built in the United States and 5,527 cars and 2,306 trucks built in Canada.

The week's total compares with 112,587 units built in the U. S. and Canada in the like 1949 week.

Business Failures Show Substantial Increase the Past Week

Commercial and industrial failures rose to 207 in the week ended Jan. 12 from 161 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in six weeks, casualties were above those in the comparable weeks of 1949 and 1948 when 127 and 61 concerns failed respectively. Despite this increase, they remained considerably below the pre-war total of 380 which occurred in the similar week of 1939.

Failures involving liabilities of

Continued on page 77

Continued from page 74

Business and Finance Speaks After the Turn of the Year

JOHN A. SCHOONOVER
President, The Idaho First National Bank

It does not take a great deal of courage to forecast good business conditions for the current year, for various factors support the conclusion that employment will be good; business activity in most lines will be excellent and farm income, while reduced a bit, will still be very good. I am sure that Idaho will not be different from the rest of the nation in these respects.


John A. Schoonover

The thing that does cause some concern to all of us is the apparent inclination of the government to proceed with deficit financing in years of heavy business activity. I believe that most of us have come to recognize that in our very complex society it is not practical to expect that a pure supply-and-demand relationship can possibly work out. Nevertheless, it is an indication of definite lack of courage in government when in a peace-time year of full employment and heavy business activity the government does not tax sufficiently to pay its expenses and other outlays without borrowing from the future.

It is my opinion that to some degree the recent strength in the stock market, particularly in the Rails, is because of some flight from the dollar, and in too many conversations these days there is an indication that some folks expect a continued depreciation in the dollar. This, if true, is a frightening development, and our political leaders by real statesmanship must immediately convince our folks that their dollars now have and will continue to have value.

Encouragement of thrift has always been considered good policy, and when our government takes action which encourages our young people to believe that there is no wisdom in saving, we have indeed reached a sorry state. There is no sense in our going out and lambasting everything that the government does, but we should insist that if we are to have the good things of life in years of peace and prosperity we must tax upon a broad enough scale so that these luxuries may be paid for as they are enjoyed.

It should be obvious to any thinking person that many economies can be effected by the government which would also be helpful along this line.

This is a rather depressing outline at a time of the year when bright and happy forecasts are expected, but it is apparent that we as bankers should speak up when the government trends are so obviously wrong as they are today.

I look for a small increase in bank deposits during 1950, and also some increase in loans, especially in the Real Estate Mortgage category. Interest rates may tend a bit weaker on receivables, with some inclination toward payment of slightly higher rates upon savings accounts in banks which are aggressively seeking mortgage loans.

On the whole, well-managed businesses able and willing to give efficient service should have no trouble making reasonable profits in 1950.

FRANCIS P. SEARS
Chairman of the Board, The Columbian National Life Insurance Company

Nineteen-fifty is a Congressional Election year and, therefore, it is not likely that Congress will pass any very controversial measures this year and is not likely to take much interest in the recommendation of the President in his address on the State of the Union. This is especially true as regards taxes which already are very much too high and could be greatly reduced if the recommendations of the Hoover Report were promptly put into effect. Some of them are being gradually put into effect and I expect there will be more accomplished on this line during the present session of Congress. I think there will be some reductions in taxes and I do not expect repeal of the Taft-Hartley Act or that anything extremely expensive will be adopted in regard to health insurance. The outlook for the first half of 1950 is certainly most encouraging with the tremendous production of automobiles, the steel companies operating at nearly 100% of capacity and the probable total income at the rate of around $200 billion per annum for at least the first half of the year. The steady rise in price of common stocks on the New York Stock Exchange during the past four or five months indicates that people are becoming more confident of the stability of the country and of prospects for a long period of prosperity.


Francis P. Sears

As I predicted last year, the Life Insurance Business could look forward to an active and successful year in 1949. That proved to be the case and my own company made an all-time record both in production of new insurance and in volume of insurance in force, assets and income.

The new forms of life insurance which I outlined last year, namely, Deferred Endowment Annuity, Juvenile Insurance, the Family Income Rider and Group Insurance, all proved to be immensely popular. But the fact remains that the growth of life insurance is nowhere near as great as the growth of income or improvement in the standard of living. Therefore, it behooves the life insurance companies to put forth greater efforts to increase production of new insurance.

Although the following matters may not be for the benefit of general prosperity in the long run, yet they do indicate a great many more dollars to be spent in 1950 than in the pre-war years. Among these items are the probable large size of farm income with the government support; heavy government spending; ECA aid and the shipment of military equipment to members of the North Atlantic Pact, which should counteract any otherwise to be expected slump in export trade; the boosting of the minimum wage and the upgrading of other wage rates, thus increasing wage-earners' incomes; the great volume of public works and public housing and the present easy money and credit policy which the government is maintaining, as well as the $2,800,000,000 of dividends going to the servicemen on their government insurance this year.

J. PENFIELD SEIBERLING
President, Seiberling Rubber Company

In the replacement tire market, 1949 was an upside-down year. During the summer, when business should have been good, it was slow. In the fall and winter, when it is usually slow, it was good.


J. P. Seiberling

But I am optimistic about 1950. This should be a year of sound development, growth, and better rewards. Business should be better in the replacement field, both from the standpoint of volume and profit.

Passenger tire replacement sales volume for the industry are expected to be up 6 to 8% in the first half of the year, compared with the first half of 1949.

Truck tire replacement sales should be even better: 10 to 12% over first-half 1949. Farm tire replacement sales, which were disappointing in 1949, should be up about 10%, and recapping ought to continue at its present high level.

Too many factors are involved to try to predict the course of the second six months now. However, I confidently believe that when the year is ended, the record of 1950 will show a distinct improvement over 1949 in sales volume, and, barring an unforeseen economic decline, in profits as well.

Here are my reasons:

1. Tire dealers are soliciting business more aggressively than at any time since before the war. In short, they are learning to sell again.

2. During 1950, we will re-tire a lot of cars purchased in 1946, 1947, and 1948. Many motorists are going to demand better quality tires and more tire service because of their experience with postwar tires, and they will get what they want.

3. Mileage per vehicle, gasoline consumption, and average driving speeds are higher than ever today, and still climbing. This means we will have to supply more tires and even better tires.

4. In the replacement tire field, we now have a rising market, which means more sales and more profitable sales. Motorists and truck owners are buying tires because they know that prices cannot remain at their present levels for long.

5. Good business conditions mean good tire business, and I believe that the level of business will remain high during 1950.

There was little profit in selling tires to the replacement market in 1949. Volume was disappointing in the first half of the year because of the spring business recession. This in turn caused a wave of sharp competitive price cutting at all levels, which began in early spring and continued through the summer.

When the turn finally came, late in August, and sales began to show a marked increase, much of this volume was at "starvation" prices, and some tire manufacturers had committed their output for September and part of October at these low prices.

It was not until November that a measure of relief was provided by a 3½% increase in prices, followed by a similar increase a month later. In the automotive field, tires are still the biggest bargain by a wide margin.

At this writing, both production and sales are at high levels, and should remain above the level of a year ago for the first six months of the year. After that, the normal curve of higher tire sales in warm weather, lower sales in cool weather, should be restored.

WILLIAM J. SHRODER
President, The Peoples Bank and Savings Co., Cincinnati

I believe that business generally will maintain its current level during the first half of 1950. Should the effects of deficit financing, of insurance dividends to ex-service men, possible monetary or credit changes, wage and pension increases, and other inflationary influences prevail, it is fairly certain that there will be higher prices and their accompanying buyers' resistance. If this should happen we might well run into another period of cautious spending which, with its accompanying fears, could readily lead to another recession. This is not at all unlikely in the latter half of 1950. Changes in the world situation might bring about a similar result.


William J. Shroder

Banking follows business, so that my feeling about 1950 is that, on the whole, the banks will do about as well as they have done in 1949, but should not expect anything better.

ROSS D. SIRAGUSA
President, Admiral Corporation

Admiral Corporation looks forward to a banner 1950 after a record-breaking 1949.

Admiral Corporation sales for 1949 are expected to total $110,000,000 against $67,000,000 for 1947. The fourth quarter of the year promises to be by far the best of the year.


Ross D. Siragusa

We are counting on a substantial increase in sales of the Admiral refrigerator, the most compact-large-capacity refrigerator on the market, and a similar increase in sales of electric ranges.

Admiral's payroll is at an all-time peak of more than 5,000 employees. Our production lines continue to turn out one TV receiver every 10 seconds, and we are now making in excess of 3,000 sets per day.

In my opinion, color in the TV picture is still some time away. It will come within 18 months after a system is developed employing a single tube to emit the three basic colors. I estimate that this will be within a minimum of two years and a maximum of 10 years.

The television industry will produce approximately 4,000,000 sets in 1950 and Admiral promises to maintain its position in the field, using the same tools which have made possible our tremendous strides in the past—mass production methods, improved design and enlightened engineering techniques.

LOUIS SEGAL
President, Segal Lock & Hardware Co., Inc.

The general outlook for the builders hardware industry is favorable and volume should be maintained at a high level in 1950.

The chief factor influencing the industry is the continued pace of residential construction which is expected to maintain the records established in 1949.


Louis Segal

While a slight decline in housing units financed with private capital is forecast, this will be more than offset with housing programs stimulated under existing government legislation.

The moderate declines expected in non-residential building will focus competitive attention on the hardware requirements for residential construction. This will necessitate more intensive selling effort with emphasis on quality and service.

Local dealers and contractors will find excellent opportunities for hardware business through public housing developments in their areas. Full cooperation will be extended from the factory in properly estimating, quoting and negotiating for the locks, knobs, hinges, door closers, plates, hooks, stops and other products of brass and bronze in the hardware specifications.

As the initial emergency phase of housing construction is passed and building plans are considered on a more orderly basis, there will be a definite return to traditional quality types of builders hardware. With raw materials in ample supply, the old established manufacturers will offer the permanent type durable mortise locksets and other hardware at little increase over the substitute types. This will represent excellent values recognizable by architects and builders.

Of great significance to the industry is the potential market for hardware products in home repairs and mod-

Continued on page 78

Continued from page 75

The State of Trade and Industry

$5,000 or more rose to 169 from 130 and exceeded the 103 of this size a year ago. The increase was less marked among small casualties, those with liabilities under $5,000, which rose to 38 from 31 and compared with 24 last year.

Retail failures increased to 101 from 61, while manufacturing and construction rose slightly to 55 and 19, respectively. In wholesale trade, casualties remained at 21 and in commercial service dipped to 11 from 17. All industry and trade groups except service had more concerns failing than in 1949; the sharpest yearly increases were in manufacturing and retailing.

Six of the nine regions reported weekly increases in failures. Small declines occurred in the New England and West South Central States, while the Mountain States reported no change. Seven regions had more failures that a year ago; the rise was sharpest in the Mountain and West North Central States where more than twice as many businesses failed as in the similar week of 1949.

Wholesale Food Price Index Extends Mild Rise of Previous Week

Further strength in foods last week lifted the Dun & Bradstreet wholesale food price index for Jan. 10 to $5.76, a rise of 3 cents over the $5.73 of a week ago. It was, however, still 5.3% under the comparable 1949 figure of $6.08.

The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale Commodity Price Index Slightly Lower for Week

Following a continued mild rise during the early part of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., declined rather sharply in the closing sessions to stand at 244.92 on Jan. 10. This compared with 245.49 a week earlier and with 268.88 on the corresponding date a year ago.

Leading grain markets continued to fluctuate irregularly on the Chicago Board of Trade last week. Trading in futures was less active, averaging 23,600,000 bushels per day for the week, as against 26,600,000 bushels the week before. Wheat showed strength at times but demand was not urgent and closing prices were slightly under those of a week ago.

Export demand for wheat was slow and government buying continued light.

Corn prices were easier toward the close of the period due to a lack of aggressive demand. Earlier in the week prices were sustained by active demand from domestic and export sources, coupled with very light country offerings. Trading in oats was quite active and prices were stronger, aided by good export business during the week. The domestic flour market remained dull, with buying still confined largely to actual needs. Cocoa values moved slightly higher, following substantial advances of recent weeks. Coffee prices were a shade easier in less active trading. Lard and other vegetable oils were higher for the week. Livestock markets at Chicago were generally stronger, aided by continued firmness in dressed meats. Slaughter lambs led the advance with a rise of about $1 per hundredweight over a week ago.

Cotton prices in the domestic market continued firm the past week.

Spot values climbed to new high levels for the season with the New York quotation showing a net gain of 21 points for the week.

The market was stimulated by good mill demand and foreign price-fixing, and reports of increased activity in cotton goods markets. Activity in spot markets increased during the week; sales in the 10 spot markets totaled 186,300 bales, as compared with 159,600 the previous week, and 143,200 in the same week a year ago.

Volume of sales in the 10 markets for the season August through December were said to be the largest on record.

The movement of cotton into the government loan stock in recent weeks has been much lower than had been expected. Loan entries for the week ended Dec. 29 totaled 183,400 bales, comparing with 189,800 in the previous week and 262,000 two weeks earlier. Cotton reported pledged to the loan for the season through Dec. 29 aggregated 2,383,400 bales, as against 3,932,300 bales pledged to the corresponding date a year ago.

Cotton mill activity was reported at the highest level in 18 months, with many mills sold forward well into the second quarter and some accepting orders for third quarter delivery.

Stocks of cotton at the mills were reported low in relation to the current rate of consumption.

Retail Trade Lower, Due in Part to Unseasonal Weather; Wholesale Trade Level Near 1949 Week

Unseasonal weather helped to further the usual January retail decline in the period ended on Wednesday of last week; consumer buying was slightly below the level for the comparable week in 1949. Wide promotions and clearance sales spurred shopper interest, but failed to reverse the decreasing total dollar volume, Dun & Bradstreet, Inc., reports in its latest summary of trade.

The retail garment trade generally was adversely affected by the unseasonal weather conditions prevailing in many parts of the country.

Many shoppers neglected winter wear, despite the prevalence of promotions stressing present needs. While travel and cruise items were in scattered demand, sport clothing was generally sought by both men and women. Dresses remained largely unpopular, except for inexpensive print and housedress lines.

The volume of food bought by housewives remained virtually steady in the week; slightly more delicacies were purchased to counteract a scarcity of some vegetables and fruits following prolonged periods of frost in the South and West. The demand for dairy products rose considerably in some localities. The interest in canned and frozen fruit juices remained on a high level.

The retail dollar volume for durable goods decreased slightly last week; low-priced articles were preferred by many shoppers. Small items, such as silverware and leather goods, were in large demand. A large unit volume of towels and bedding was sold with the aid of "white sales" and similar promotions. Major appliances remained popular; the wide use of discounts diminished dollar volume.

Total dollar volume for the United States in the period ended on Wednesday was estimated to be from 2% to 6% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

Midwest, Northwest and South —2 to —6; East and Pacific Coast —1 to —5; New England +1 to —3 and Southwest —3 to —7.

Stimulated by a number of trade shows, wholesale ordering rose noticeably in the week. The dollar volume of orders did not vary considerably from that in the corresponding week a year ago. There was a record number of buyers present at the various wholesale centers last week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 7, 1950, decreased by 25%* from the like period of last year. In the preceding week a decrease of 3% was registered under the like week of 1949. For the four weeks ended Jan. 7, 1949, sales registered no change from the corresponding period a year ago, but for the year to date show a decline of 5%.

Retail trade in New York last week held below that of the similar period in 1949 with department store sales registering a decline of about 15% for the week. This decrease, however, was considerably smaller than the 26% fall reported for the preceding week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Jan. 7, 1950, declined by 25%* from the like period last year. In the preceding week a decrease of 4% (revised) was registered under the similar week of 1949. For the four weeks ended Jan. 7, 1949, a decrease of 2% was reported from the like week of last year. For the year to date, however, volume decreased by 6%.

*The large decreases shown for this week reflect in part the fact that this year the Monday after New Year's day was a holiday and the week therefore included only five shopping days as compared with six shopping days in the corresponding week last year.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions, by referring to "Indications of Current Business Activity."

Kebbon, McCormick to Admit Cady, Torrey

CHICAGO, ILL.—On Feb. 1, Paget K. Cady and George R. Torrey will be admitted to partnership in Kebbon, McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Both have been associated with the firm for some time, Mr. Torrey as Manager of the trading department.

Colombia Extends Time For Exchange of Bonds

Republic of Colombia announces that it has extended from Dec. 31, 1949 to Dec. 31, 1950, the time within which its 6% External Sinking Fund Gold Bonds, due Jan. 1, 1961, its 6% External Sinking Fund Gold Bonds of 1928, due Oct. 1, 1961, and appurtenant coupons may be exchanged for Republic of Colombia 3% External Sinking Fund Dollar Bonds, due Oct. 1, 1970. The period for exchange of Convertible Certificates for the 3% Dollar Bonds of the Republic has been extended from June 30, 1950 to June 30, 1951. Copies of the exchange offer, which was made June 5, 1941, may be obtained from The National City Bank of New York, Exchange Agent.

Continued from page 76

Business and Finance Speaks After the Turn of the Year

ernization. While there has not been too great emphasis on this field in the past few years, it is expected that the generally stabilized price levels of building materials will stimulate long delayed renovation plans.

There will be an increased demand for security hardware, including jimmy-proof locks, chain fasteners and window guards directly attributable to increased rate of burglaries and other criminal activities.

The alarming trends reported by the F.B.I. will be manifested by positive protection measures moving substantial volumes of auxiliary locks from hardware dealers to concerned home-owners and apartment dwellers.

Again intensified selling effort at retail and wholesale levels will be required to maintain proportionate volume of this business.

HON. FREDERICK C. SMITH
U. S. Congressman from Ohio

When the Congress in 1946 in the guise of making itself more efficient to perform its prescribed duties—passage of the so-called Reorganization Act—voted its members pensions it largely destroyed its independence as a legislative body and definitely committed itself, perhaps irretrievably, to the ideology of the Welfare State.

Frederick C. Smith

It is generally acknowledged by the members who voted for the Reorganization Bill that their action in doing so was prompted by the pension provision in it, that, indeed, except for this provision, they would not have supported the measure.

The contribution to the Congressional pension fund, which is not made by members, but which is otherwise derived from taxes, is no less a subsidy, "something for nothing," than the payments made to farmers under the Farm Price Support Program; or savings made by consumers of electricity produced by the political authority such as the TVA makes possible; or old age and survivors' benefits derived directly from taxes, but spelled out on the books as interest charges on the phantom Social Security Trust Fund; or benefits which accrue to persons engaged in business and industry who, lacking sufficient credit standing to obtain the necessary capital for their ventures directly from private sources by voluntary agreement, resort to the appropriate political agency at Washington to circumvent their lack of trustworthiness and sequester for them by taxation private capital to satisfy their wants; or the other hundred and one subsidies that come from taxes.

Congress having thus made its own members recipients of the incipient Welfare State — it may be further along than we think—having, in fact, joined the Welfare State party, what else can possibly be expected from this body but more and ever more welfare legislation.

With respect to our foreign policy, the outlook is far continued emasculation of the United States, for more "insanity" as John Bassett Moore, our greatest international lawyer, has so correctly termed it.

C. R. SMITH
President, American Airline

The year just concluded has been a profitable one for most of the U. S. airlines. We believe the volume of air transportation in 1950 will be somewhat greater than in 1949, perhaps something less than 10% greater.

C. R. Smith

In the air transportation industry we will continue to have problems of a basic nature in 1950 that we have had during the past few years. The principal economic problem arises from an excess of competition, which has been increased in many areas to such an extent that the result has been wasteful.

Since the end of the war the Civil Aeronautics Board has authorized more additional services than public convenience and necessity reasonably requires. This has resulted in higher costs to the public, rather than lower costs, both in increased mail payments to some airlines and in higher fares.

This problem can be remedied by the Civil Aeronautics Board if it will cease granting additional route authorizations unless they are unmistakably required to serve the public adequately, and if it will correct previous mistakes by decreasing duplicating route mileage where experience indicates the services are neither self-supporting nor required by the public.

Another basic problem results from the administration of the portion of the Civil Aeronautics Act dealing with mail compensation. Some carriers receive ten or more times the amount of compensation as competitors on identical routes for transporting a ton of mail. No system could be better devised to discourage initiative and reward relative inefficiency.

A third major problem is that too many airlines are operating outmoded, high-cost airplanes. This adversely affects the standard of service, the cost of providing that service and the price the public must be charged. The companies that are re-equipped with postwar aircraft show it in their standard of service and their costs. The others must find ways to modernize their fleets.

The year 1949 will show substantial improvement over 1948 in earnings for the airline industry. The better result stems principally from increased business and partially from greater efficiency of operation. There is good reason to believe the shareholder will find the industry profitable if competition is reduced to the level required by public convenience and necessity.

Much of the improvement last year came from a broadening of the market, largely accomplished through the family fares, which increased loads on light days of the week, and through season reductions and excursions.

This market-broadening process must continue and American hopes that the institution of high density, lower cost flights last month (December, 1949) will help. The fare reduction was geared to the increased seating capacity of the airplane so that it could be made without significant loss of revenue.

Costs continue to rise. The trend is for sales price to go down and basic costs to rise. The new year should be a profitable one for the airline industry, but it will require due diligence, hard work and good management to make it so.

HON. H. ALEXANDER SMITH
U. S. Senator from New Jersey

In my judgment the two most vital questions before Congress in the present session will be:

(1) On the domestic scene, shall the President's deficit program, particularly those parts of it which extend Federal controls and Federal programs in fields of social welfare and public works, be adopted as submitted or be scaled down in line with what a sound tax policy will support?

H. Alexander Smith

(2) On the world scene, shall American leadership for the recovery and support of the free countries of the world be continued on a bipartisan basis in Europe, and shall a positive policy be developed for the Far East on a similar bipartisan basis?

Broadly stated, those are the great issues as I see them. Those in Congress who disagree with the idea of deficit financing of government in times of prosperity, and with the trend towards over-centralization of Federal authority over the lives of the people, naturally hope that at least part of the deficit set forth in the President's budget will be done away with. This would affect a number of social welfare and public works programs. Some of these are entirely desirable; I myself have supported several of them in the fields of housing, health and education in the hope of contributing to a greater equality of opportunity among the people. But their full enactment will encounter strong opposition if, when added to the enormous fixed obligations of the Federal Government, they require deficit financing. Other proposed programs, particularly that providing for compulsory national health insurance, are opposed not only for reasons of cost but also because they would require an extreme degree of Federal control approximating socialism. Many members of Congress are seeking decentralized arrangements, emphasizing State and local responsibility, as a pattern for dealing with welfare problems.

I am generally confident that both parties in Congress will resist both of these trends which I have mentioned—that towards deficit financing and that towards increasing Federal controls. I expect the wartime excise taxes will be largely eliminated and no new taxes will be imposed.

On the world scene I remain optimistic, but this optimism is tempered by a keen sense of frustration over the failure of the Administration to present a positive program to oppose the Communist challenge in the Far East. As a member of the Senate Foreign Relations Committee, I am particularly disturbed over the apparent unwillingness of the Administration to take both parties in Congress into its confidence with a view to framing a positive, bipartisan, all-American policy. But I am hopeful that the public outcry over the present Chinese crisis will bear fruit.

I have no doubt that Congress will extend the ECA program for Europe on a reduced scale. In addition, I feel sure that the vast majority of Congress stands ready to support the Administration on a nonpartisan basis in an effort to frame an equally effective policy which would offer the Asiatic nations a dramatic alternative to Communism. Whether such a program will emerge is now up to the Administration. I earnestly hope the Executive Branch will act positively on this matter before it is too late.

PHILIP SPORN
President, American Gas and Electric Company

The year 1950 promises well for the electric light and power industry, even better than 1949 which was a record year in terms of total customers served, electricity produced and sold, gross revenue and net income.

Philip Sporn

The American Gas and Electric Co. System, which covers 90,000 square miles of territory in Michigan, Indiana, Ohio, West Virginia, Virginia, Kentucky and Tennessee, serves one of the fastest-growing territories in the country. With new industry moving in, industrial, residential, and rural use moving up, it is expected that 1950 sales will exceed any previous year: 1949 sales were approximately 10,000,000,000 kilowatt-hours for a gross revenue of \$150,000,000. 1950 gross revenue will probably reach \$160,000,000. Earnings for the last 11 months of 1949 totaled \$19,422,053, while for the same period in 1948 earnings were \$17,464,372—an increase of \$1,957,681, in 11%.

Our \$325,000,000 new construction program, begun in 1947, will continue at a substantial rate during 1950, will probably reach \$75,000,000. During 1949, \$80,000,000 was spent, including partial building construction and erection of the first unit in the new \$66,000,000 Philip Sporn Plant at Graham Station, West Virginia—eventually to become one of the world's great steam-electric generating plants. The new expansion program, the need for which is directly attributed to territorial growth and future expectations, will increase our plant capacity by over 50%—raising generating capacity to almost 2,800,000 kilowatts.

To give some idea of the manner in which the territory has grown and the system has expanded in recent years—in 1936, our thirtieth year, we served approximately 550,000 customers for gross revenue of \$55,000,000; in 1949 we served 1,090,000 customers for an estimated gross revenue of \$150,000,000—an increase of almost half the number of customers served, and an increase of \$94,000,000 in gross revenue.

Ever on the search for the most efficient and economic means of generating, transmitting, and distributing electricity, we have been able, through this policy, to reduce the price of electricity over the years. The price to our domestic customers has gone down from an average of 3.78c per kwh. in 1939 to 2.93c in 1949. At the same time the cost of living index for all commodities rose from 100 (1935-1939) to 168.5 (October) in 1949. It is only by constantly improving our operations that savings can be made. Otherwise electric rates, like bread, clothing, housing, and almost all other domestic commodities, would have had to rise far above their present levels.

With a growing market, attractive rates, and an aggressive load-building program, we expect to increase sales and earnings during 1950—and to continue to give the more than 2,000 communities we serve the best in electric service at the lowest possible price.

BREHON SOMERVELL
President, Koppers Company, Inc.

Koppers Company, Inc., made further gains in extending and diversifying its activities during 1949.

Approximately \$5,000,000 was expended during the year for capital additions and replacements, bringing the total expended for these purposes since World War II to more than \$37,000,000. In this time, the Company has entered into many new activities, has acquired new plants, and modernized older plants to attain more efficient operation.

Lt. Gen. Somervell

The year 1949 brought many of the postwar economic changes which had been expected during 1948, but which did not materialize because of continued shortages. Their arrival made American industry increasingly conscious of production costs and spurred sales efforts to peak activity such as had not been necessary since before the war.

While these economic changes necessitated severe production cutbacks in certain lines of manufactured goods and lowered profit margins in many industries, there is some reason to believe that our economy has stabilized itself, at least temporarily, at a level which will allow alert and aggressive industry to continue operations at a fairly satisfactory profit margin in the early part of 1950.

Industry, however, must continue to oppose with vigor the present trends toward socialism which, if continued, undoubtedly will result in still higher and more stifling business and personal taxation. In opposing political government's encroachment on our personal freedom, American enterprise now can point to case histories in New Zealand and Australia, where socialism was discarded because, in spite of the reasonable degree of personal security guaranteed by government benevo-

Continued on page 80

More N. Y. Bankers Comment on Outlook

Charles J. Stewart

George Whitney

E. Chester Gersten

Harvey D. Gibson

Charles J. Stewart, new President of New York Trust Company, foresees further decline in interest rates, along with drop in construction. George Whitney, President of J. P. Morgan & Co. Incorporated, says forces, such as soft economic policies, mounting deficits, and borrowing against future are causes of grave concern. E. Chester Gersten of Public National Bank says, despite high business level, inflationary tendencies require control.

During the last week, a number of executives of New York City banks, in their annual reports issued to shareholders or in remarks at their annual meetings commented on current economic conditions and the general outlook for business in the current year. Among those commenting were Charles J. Stewart, new President of the New York Trust Company. Reporting to stockholders of the bank on Jan. 12, Mr. Stewart stated that banking is likely to find it difficult to maintain interest rates at current levels this year, especially in view of the government's "cheap money" policy. He remarked that a further decline in the volume of commercial loans may also develop as a result of smaller construction programs, especially among the utility companies.

George Whitney, President of J. P. Morgan & Co. Incorporated, stated to shareholders that "while the year 1949 might be looked upon with satisfaction in our country, some of the forces at work throughout the year, if continued at their presently accelerating rate, give rise to grave concern as to their ultimate effects. Soft economic policies, mounting deficits, borrowing against the future are not only paradoxical in a year of prosperity, but can bring tragic results to our economic and financial strength."

He added further: "Deficit financing undoubtedly may be necessary in times of war and also in times of great depression when taxes become less productive and yet are too heavy a weight upon recovery, but there can be no excuse for deficit financing in prosperous times for the purpose of stimulating business and trade and paying for wasteful extravagance."

"A state of general welfare for all the people is a goal desired by everyone and toward which we have made good progress in our country through the productivity of our farms, our mines, our factories, and our shops," Mr. Whitney pointed out.

"Further progress can be made," he continued, "but the government that undertakes to reach this goal by spending too much and taxing too much and by yielding to extravagant demands of one group and another, and otherwise burdening the productive forces of the nation too heavily and too rapidly, will inevitably kill the vitality of our economy."

E. Chester Gersten, President of the Public National Bank & Trust Co., in his report to shareholders for the year 1949 predicted that the current generally high level of business activity would continue at least through the first six months of 1950, but he added that "inflationary tendencies are prominent and the necessity for their control requires the thoughtful cooperation of government, labor and industry."

"The major events and developments in 1949," he added, "have been reported and discussed at great length in the press and elsewhere and no reason exists to dwell upon them in this report. Outstandingly, they reveal that despite the deep yearning in the hearts of people everywhere for peace, ideological conflicts continue to create a seemingly unending series of problems which cannot help but have an unsettling influence on domestic and world economy."

Harvey D. Gibson, President of the Manufacturers Trust Company, in commenting to stockholders on the bank's situation, noted a change in the character of business loans.

"While sensitive to general business conditions, the character of our loans appears to be undergoing a fundamental change," he stated. "The seasonal line of credit seems to be no longer the dominant factor, as more and more industries have provided for their requirements through long-time financing, term loans from banks and others, and by an accumulation of undistributed earnings retained for their business needs."

He noted, however, that "activity in special types of instalment loans to business and consumer credit to individuals has shown a marked increase during the year. Furthermore, the short-term financing by the United States Government has greatly augmented our loan volume to dealers in those securities."

Continued from page 78

Business and Finance Speaks After the Turn of the Year

lence, the voters found the cost in taxation too high, the socialistic bureaucracy inefficient, and the controlled existence unsatisfying.

To enlarge its scope of service, Koppers completed a new wood preserving plant at Richmond, Va., purchased a plant which makes road materials at Rochester, N. Y., and started construction of a plant to manufacture pipe coatings at Port Arthur, Ont., during 1949. It also purchased Freyn Engineering Company, Chicago, and its wholly-owned subsidiary, Open Hearth Combustion Company, well-known firms engaged in engineering and construction of steel plants and their auxiliaries.

Among products developed during the year by Koppers were an entire new line of chemical intermediates useful in industry; a compound of coating railroad ties, which extends their service life; and a new compound for use in pressure-treating wood, which gives added protection against rot and termites.

Koppers also was active during the year in a number of foreign countries. An extensive survey, looking toward the expansion of India's steel industry, was completed. In Nova Scotia, Koppers built and put into operation a large battery of coke ovens for Dominion Steel Company. In Chile, work on a $70,000,000 integrated steel plant, being erected under Koppers' supervision, progressed rapidly and the entire plant will be in operation by mid-1950.

In the plastics field, Koppers continued to grow, and several new types of plastics with improved qualities will be placed on the market in 1950. The Company's Metal Products Division built and erected two 17,000,000 cubic foot gas holders, the largest in the country. A new gas department was formed in the Engineering and Construction Division, this department being equipped to offer a completely "packaged" service to the American gas industry, including manufacture of needed equipment, erection of facilities, and consultation and advice on operating problems.

J. WILSON STEINMETZ

President, Ninth Bank and Trust Co., Philadelphia

As we enter 1950, the prevailing feeling seems to be one of optimism for the year as a whole. This is quite understandable. The predicted depression. recession, call it what we will, for 1949 did not materialize. There was some readjustment, then a reversal of the trend and a move upward. In the face of the steel strike, coal strike and other distubing influences which might normally have been all that would be necessary to throw us into a severe tailspin, this behavior seems to be all the more remarkable.

J. Wilson Steimetz

There are those who believe, and they are not all in government, that we have solved the depression problem and that a managed economy is the answer. The opposing view is that even though we were smart enough to know when and how much money and credit should be available, when and how much the government should spend to balance the economy, it would be Utopian to believe that politicians would forget political considerations and that the psychological reaction would always be favorable to the climate that those responsible were trying to create. Personally, I believe the most we can hope for is to level to some degree the peaks and the valleys.

The well-informed people with whom I have talked are somewhat obscure about whether the readjustment has gone far enough. There is a feeling that, while 1950 as a whole may be on a relatively high level, we may be in for some further readjustment after the first half of the year.

LAWRENCE F. STERN

President, American National Bank and Trust Company of Chicago

With stocks of capital and consumer goods low at the end of the war, the good business we have enjoyed in the postwar years has been a normal development. The size of the recovery, however, has been greater than earlier studies indicated it might be.

Lawrence F. Stern

Despite sharply rising prices, buying power has been maintained with employment and wages high in most of our largest industries. The automobile and the building industries have been especially large contributors to our prosperity. The expansion of plant capacity has helped create a demand for new machinery and the building of homes has sharply increased the sales of household goods. In addition, new lines of household goods have been developed.

Another large segment of our population — the farm group — has prospered as a result of domestic and foreign demand plus aid from the government price support program. Buying power of this group has been reflected in better earnings for the agricultural implement manufacturers, mail order houses, etc.

As 1950 begins, there are several special factors present that may assure good business for the next few months. The strikes in the steel and coal industries late in 1949 piled up demands for these products which can be satisfied only by a full rate of production in the first part of the year. Employment remains high so that the buying power of large segments of the public still supports considerable business activity.

There are, however, certain adverse developments which may play a sobering role in our economic picture in the year. It is apparent now that the program for capital expenditures by industrial corporations and railroads has been pretty well completed. It is reasonable to expect that in 1950 the amount of money spent for new plant and equipment will be below the average of the past three years.

While the automobile industry expects to have a good year in 1950, the year will be a competitive one, with most companies placing their emphasis on the production of smaller and lower priced automobiles. This competition eventually will result in some price-cutting and profit margins may be lower.

Farm income, too, may well be lower in 1950. While the net purchasing power in the agricultural areas will be substantial it is not reasonable to expect that purchases will be as large as in this year. It is likely, too, that certain industries will face increasing competition from imports of foreign goods while losing much of their own export business as a result of the devaluation of foreign currencies.

In general, as 1950 begins one is led to the conclusion that it should be a satisfactory year for business.

RAYMOND K. STRITZINGER

President, Continental Baking Company

Like many a businessman, in these days of changes and uncertainty, I have often wished for a fairy godmother to whisper in my ear (either ear) the lowdown on the future for a year or even for 30 days.

But being simply a normal mortal, I must be satisfied with the poetic phrase, "I know not what the future hath of marvel or surprise."

So a statement on the future outlook becomes more hazardous than a $10 bet on a claiming plater at a crooked track.

At the moment we find comfort and a modest glow of pride in celebrating our 25th anniversary and looking back to a rather good record of achievement.

We have survived some very rough going and enjoyed our share of boom prosperity.

Having done it before, we feel that we should be able to do it again.

Without resorting to slide-rules or star gazing, we feel that 1950 should be a good year for us—at least the first half.

Our industry is launching an extensive promotional program that should bear fruit for those who make it work for them.

If strikes and business slumps do not affect lunch pails too extensively, bread business should be good—cake and variety business should increase.

Improved organization, better training methods and employer relation programs should generally increase efficiency to reflect somewhat in profits.

Since I am naturally an optimist, I feel that our industry and our company should work through 1950 with a satisfactory showing.

FRANK W. SUTTON, JR.

President, First National Bank of Toms River, N. J.

It is my opinion the year 1950 will be a good year for business and for banking. It is difficult, however, to predict how the economic changes during the next few months will affect business activities during the remainder of the year, but at the moment the prospects are good.

Frank W. Sutton, Jr.

About this time last year many people were pessimistic about the prospects for the year 1949 and were fearful that we were headed for a recession or depression period that might become very serious. Fortunately the fears were without foundation and we passed through the readjustment period without too many being hurt.

There is at present no indication of any material increase in interest rates. Deposits appear to be on the increase. Labor costs in most banking institutions will probably be higher in 1950 than in prior years. This is particularly true of the smaller banking institutions that will be affected somewhat seriously by the minimum wage and hour law. Earnings on expected increase in deposits should offset the increase in operating costs.

New construction during the year 1949 exceeded all our expectations. It is believed construction will continue high during the year 1950, but on a slightly lower basis than last year.

For years many businessmen have been planning to make improvements and build additions to their business enterprises, but have been waiting for prices of materials and labor costs to decline. Both seem to have leveled off and many who were hesitant to begin construction are either doing so at this time, or planning to do so in the immediate future.

The year 1950 should bring about a tremendous increase in construction operations by our State Governments and municipalities. It is necessary to extend their sewer systems, water systems, build new streets, improve many others, and erect new municipal buildings. In nearly every municipality schools are operating beyond their normal capacities. It is necessary that many new buildings be erected. Many of these will be constructed during the coming year. State highway systems are being enlarged rapidly and costly high-speed toll roads are being constructed in several states.

During the past year the excessive inventories carried by most merchants have been reduced considerably and the number of problem cases has been lessened.

We are now in a buyer's market. Prices are gradually being adjusted to a competitive basis. This makes it possible for institutions financing instalment purchases to do so with less risk and buyers are purchasing many of their needs on a much sounder price basis.

Industry, agriculture and resort business constitute the major sources of revenue in our section of the country. Nearly all of the resort people with whom I have talked and bankers in the resort sections with whom I have discussed the 1950 prospects are very optimistic and think it will be an exceptionally good year.

The rising prices in the stock market that have prevailed for several months past have created a feeling of optimism. Many people look at the stock market as a barometer of future business conditions. An optimistic attitude on the part of the people of our country will be much more conducive to business activity than one of pessimism.

The banks of our country were never in better financial condition than they are today. They have adopted a conservative policy, but a sound one. Plenty of money is available whether the demand is for large or small loans.

If the people of our country could convince our legislators that to have a continuance of our business prosperity we do not need additional taxation, but less taxation and lower expenditures in operating our government, then there would be no doubt about the future prosperity of the nation.

ROBERT A. TAFT

United States Senator from Ohio

It looks as if the second session of the 81st Congress would be pretty well dominated by political combat of different kinds. I am afraid that almost every question will be viewed in the political light by both sides.

This Democratic Congress has already rejected the major items of President Truman's program which would establish in this country a labor-socialist state of the type in force in Great Britain. That program is the great issue before the country and everyone realizes that it must go to a decision in the Congressional election of 1950, and not in this Congress.

Robert A. Taft

If the government undertakes to guarantee everybody in the United States that which he ought to receive, there is no way for it to perform its guarantee without taking charge of the whole situation and operating a planned and controlled economy.

The politics of the Truman Program is based on the theory that the people can be fooled into believing that the government owes them a living and can guarantee Utopia to all. My recent trip through Ohio convinces me that neither the farmer nor the workman believes in any such promises or guarantees.

If the Administration brings up the Taft-Hartley Act, the Brannan Plan or the socialized medicine proposals, it will be rather for the purpose of making issues in the election than with any real hope of securing their passage.

Certain issues, however, should be and probably will be dealt with:

First: There must be a revision of the social security laws dealing with old-age pensions, a revision which has passed the House and is now before the Senate Committee.

Second: There should be a complete revision of the tax system, but Congress may content itself with a reduction of excise taxes and an increase in the corporation profits taxes, which are now 38%.

Of course, the appropriation bills will have to be passed. There will surely be a strong movement for economy and perhaps a complete block on new spending plans. No doubt many features of the Hoover Plan will be adopted, but I would be surprised if any plan recommended by the President produces any substantial economy in present spending. Perhaps the most publicized battle on economy will be on ECA, where the

Continued on page 82

Chic. R. I. & Pac. Bonds Offered by Halsey, Stuart Group at 99½

Halsey, Stuart & Co. Inc. heads an underwriters' group that is offering today (Jan. 19), subject to Interstate Commerce Commission authorization, $55,000,000 Chicago Rock Island & Pacific RR. Co. first mortgage 2⅞% bonds, series A, due Jan. 1, 1980 at 99½% and accrued interest. The group was awarded the bonds at competitive sale on Jan. 18 on its bid of 98.81%.

Proceeds from the sale of the bonds are to be applied to the redemption of all of the company's general mortgage 4½% convertible income bonds, series A (approximately $33,644,500), and to the payment of promissory notes incurred to obtain funds used in the redemption of all of the company's first mortgage 4% bonds, series A ($25,760,000). Upon these retirements the present $55,000,000 issue will constitute the company's total mortgage debt which will be at the rate of only $7,685 per mile of road owned. On property owned by the company at Jan. 1, 1950, issuance of additional first mortgage bonds is limited to $12,000,000.

Redemption of the new first mortgage bonds may be made at the option of the company at prices ranging from 103.50% to 100%; the bonds may also be redeemed for sinking fund purposes at prices ranging from 101.50% to 100%.

The company operates 7,619 miles of road of which 7,157 are owned. It serves most of the principal cities and important agricultural areas in the vast Middle West plains territory from Lake Michigan and the Mississippi River to the Rocky Mountains and from Minneapolis and St. Paul to the Texas Gulf Coast.

With E. M. Adams & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — Frederick W. Zerenner has become associated with E. M. Adams & Co., American Bank Bldg. He was formerly with John Galbraith & Co.

C. J. Devine & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Wellington P. Garrard has become associated with C. J. Devine & Co., First National Bank Bldg. Mr. Garrard was formerly with W. E. Hutton & Co.

With W. C. Thornburgh

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O. — Robert J. Brink is now associated with the W. C. Thornburgh Co., 18 East 4th Street. He was formerly with Edw. G. Taylor & Co. Inc. in the buying department.

Webster-Chicago Stock Offered by F. Eberstadt And Shillinglaw, Bolger

F. Eberstadt & Co. Inc. and Shillinglaw, Bolger & Co. on Jan. 18 offered 125,000 shares of common stock of Webster-Chicago Corp. at $11.25 per share. The shares, being sold for the account of certain stockholders, do not involve any new financing by the company.

The company is a leading manufacturer of automatic record changers and magnetic wire recorders. It manufactures both single-speed and three-speed-three-size automatic record changers which are sold under its own name directly to the public and to radio-television-phonograph manufacturers. Its principal customers include Belmont Radio Corp., Du Mont (Allen B.) Laboratories, Inc., Emerson Radio & Phonograph Corp., General Electric Co., Hallicrafters Co., Magnavox Co., Motorola, Inc., Scott Radio Laboratories, Inc., Wells-Gardner & Co. and Westinghouse Electric Co.

Initial Investments Co.

Initial Investments Co. has been formed with offices at 123 Waverly Place, New York City. C. Webster Abbott is sole proprietor. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and the Irving Trust Co.

Three With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Robert B. Cay, Richard W. Moulton, and John D. Young are now affiliated with Lee Higginson Corp., 50 Federal Street.

Continued from page 80

Business and Finance Speaks After the Turn of the Year

difference between the sums proposed will probably exceed a billion dollars.

The third subject which probably will be dealt with is that of civil rights. Over Southern filibuster, it will be difficult to get cloture on the FEPC Bill, but cloture probably can be obtained on the Anti-Poll Tax and Anti-Lynching bills.

When Congress has completed its task, I am inclined to think the Truman Administration will have to go to the people in November, 1950, on its program of a controlled economy and handout state with increased taxes to pay for it.

REESE H. TAYLOR

President, Union Oil Company of California

The year 1949 was one of significant change in the postwar supply and demand situation in the Pacific Coast petroleum industry.

During the years 1946 through 1948 the Pacific Coast industry was pressed to the limit to increase supplies to keep pace with a demand which grew to the highest peace time level in history and to simultaneously rebuild war depleted inventories. With the high rate of crude oil production and adequate inventories, in 1949 the industry reached a point where it was faced with a condition of oversupply. For the most part the oversupply was in residual fuel oil and in heavy crude oil, from which residual fuel oil is a major product. This was brought about by a decline in fuel oil demand caused by the increased importation of natural gas from West Texas, the dieselization of railroads, the reduced requirements of the military, and some general decline in industrial activity. By contrast, the demand for gasoline and distillate oils held steady.

Reese H. Taylor

As heavy oil inventories reached burdensome levels, fuel oil and heavy crude oil prices declined. Various changes in refinery operations were made to shift refinery yields from fuel oil to gasoline. At the same time, some curtailment of crude oil production was effected, largely in the heavy crude oil producing areas. Substantial shipments of fuel oil to the East Coast this winter have, and will further, materially relieve the inventory situation.

In 1950 the Pacific Coast demand for gasoline and distillate oils is expected to be slightly higher than in 1949, while a further decrease in the demand for residual fuel oil is expected. A small net decline in the total demand for petroleum is indicated, which may result in corresponding reduction in crude oil production to avoid further growth in inventories.

Marketing will be more competitive than at any time since the War, and as a consequence, the industry will place greater and greater emphasis on selling. Domestic marketing facilities will be expanded and modernized, and there will be a vigorous effort to establish new outlets for petroleum products domestically as well as outside of the Pacific Coast area.

Existing refinery crude oil capacity on the Pacific Coast should be ample for 1950 needs. Nevertheless, a rather large construction program is in order for normal replacement of obsolete and worn out facilities, and looking to the future, new cracking facilities are needed to provide for higher percentage yields of gasoline and lower yields of fuel oil to compensate for the constant demand shift in this direction.

The curtailment of production has resulted in some slowdown of drilling and development programs in proven areas, but there is no indication that exploration activity will be diminished.

On the whole, the petroleum industry will be in a very sound condition in 1950 and may look forward to continued growth and prosperity thereafter. But the future success of all business will depend in large measure upon the course followed by our Federal government. We cannot place too much emphasis on the importance of this factor. Taxes already are too high. Further increases many seriously damage industry's capacity to produce useful goods by unduly draining away capital needed for financing the replacement and expansion of productive facilities. This, together with the deplorable trend toward more and more interference by government with freedom of enterprise through the establishment of ill-advised, artificial controls, is a constant threat to the success of business and the welfare of the nation as a whole.

C. E. THWAITE, JR.

President, The Fourth National Bank, Columbus, Ga.

By tradition, old Southern negroes are pretty good weather prophets. It has long been the custom when going hunting or fishing to ask the old negro uncle how the weather was going to be. When asked this recently, one old negro replied: "Boss, I just don't know. It used to be when God was running it you could tell, but now that the weathermen have taken over, there is just no telling."

In order to forecast what business is going to be like, we would have to know what to expect out of Washington. Beyond this, it would be a question of whether governmental control or natural business forces would prevail. As far as the banking business is concerned, it looks like prospects continue good, but with more initiative and judgment being required than has been the case for several years past.

J. K. THOMPSON

President, Union Bank of Commerce, Cleveland

The volume of general business in 1950 will probably be not greatly different than in 1949. The demand for automobiles will probably be as great in 1950 as in 1949. There will undoubtedly be a large demand for television sets. There should continue to be a good demand for the various household appliances and there will probably be very little reduction in the building of homes and in building generally. To the extent that private construction decreases, public works will probably increase. Business inventories are smaller than at the end of 1948 and will probably require some upbuilding during 1950. We will continue to have large governmental expenditures in connection with European recovery and maintaining the defense establishment and the farm program. We will also have a continuation of inflationary trends with a national Administration committed to doing such spending as is necessary to cure any substantial unemployment, regardless of whether such expenditures will result in a substantial Federal deficit with resultant deficit financing. The amount of money available to buy things is about as large as it ever has been and the National Service Life Insurance dividend to veterans early in 1950 will provide a large amount of additional purchasing power.

J. K. Thompson

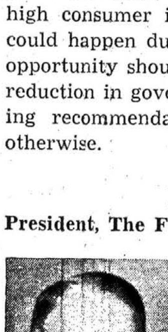
Business and the investors in business will again have the insecure feeling of not knowing what will happen next as far as costs are concerned and as far as Federal taxes are concerned. The general adoption of pension plans with their resultant costs, and the thinking of many workers that each year wage rates should be higher than the preceding year, regardless of cost of living indices, will cause many maladjustments due to increases in costs, pricing many articles and services out of their markets. While, therefore, the general level of business will probably be little less than in 1949, the situations in individual industries with respect to gross business and net profits will fluctuate greatly as they did in 1948. In all discussions of the Federal tax situation suggestions are made for the elimination of excise taxes and Administration comments favor at least offsetting such reductions in tax revenues by increases in corporation taxes and in the rates on larger individual incomes.

As far as the banks are concerned, they are in excellent position to take care of all proper credit requirements. Their costs, like costs of other business, are still increasing, and the yields on their investments due to the low interest yields on government securities and the resultant effect on corporate yields are pretty thin. The banks generally have shown net profits in 1949 pretty close to those for 1948, and it is hard to see any great possibility of the 1950 profits being any greater than in 1949.

We are naturally concerned at Federal deficits during periods of heavy business volume, high employment and high consumer incomes, and the implications of what could happen during a period of poor business. Every opportunity should be taken to stress the importance of reduction in governmental expenditures through following recommendations of the Hoover Commission or otherwise.

L. PAUL TULLOS

President, The First National Bank of Beaumont, Texas



L. Paul Tullos

Business conditions on the whole have been satisfactory during 1949 despite slight decrease in employment and the effects of a storm which severely damaged the rice crops.

Banking transactions compare favorably with those of 1948 in volume.

Prospects of business in this area for year 1950 are bright, and most everyone believes that the continued progress and development of prior years will continue through the coming year.

JUAN T. TRIPPE

President, Pan American World Airways

In 1950 more Americans will travel abroad than in any year since the war. Estimates are that they will spend a billion dollars. That money will bolster the purchasing power of foreign markets for American goods. It will reduce the demand for tax dollars supplied under the Marshall Plan.

The figure of one billion dollars merely scratches the surface of the real market. The real market is composed of families of limited time and average income.

J. T. Trippe

Many foreign governments as well as our own recognize tourist travel as the greatest single factor in overcoming foreign dollar shortages. In fact, with development, American tourist travel abroad could amount to two and one-half billion dollars annually in the near future. But that goal can be achieved only through low-fare, mass air transportation. That means that in 1950, governments concerned and the air transport industry at home and abroad must foster the development of tourist class air service—particularly across the North Alantic to Western Europe. Only then can large numbers of persons with limited time and average means spend their vacations abroad.

WALTER J. TUOHY

President, The Chesapeake and Ohio Railway Company

Any forecast for the Chesapeake and Ohio Railway and the other coal-hauling railroads must depend on how many days the miners will work in 1950. If there is a satisfactory labor situation in the mines during all or most of the new year we should have a relatively good year, with net operating results far better than in 1949. This year more mine days were lost by idleness than in any other year in the last quarter-century. As a result, the output of bituminous coal in the United States was probably a little over 435 million tons, the lowest tonnage since 1939.

Walter J. Tuohy

The present scarcity of good coal, the low ebb of supplies in the northwest dock area, and inventory shortages generally in retail yards, coupled with the heavy potential demand for coal for metallurgical purposes, utilities expansion, and new construction, all indicate that given the labor peace hoped for, coal loadings in our region for the first half of 1950 will be at least as good as in the corresponding period of 1949. In the early months there will be substantial all-rail movement of coal to replenish supplies in the dock territory. An early lake movement of coal this spring is a certainty. In the final half of 1950 coal loadings should be greatly in excess of the last half of 1949, as most of the important 1949 interruptions in coal output were concentrated in the final half-year.

Speaking of business generally, the first half of 1950 will be devoted to making up lost ground and filling the shortages resulting from the coal and steal shutdowns of 1949. There will be replenishments of inventories. Merchandise traffic for at least the first six months may be expected to hold up well, and of course the Michigan lines stand to benefit from prospective heavy operations in the automobile industry in the Detroit area. It is too early to appraise general business conditions for the final half of 1950 but if there is peace along the industrial labor front, the railroads generally should have a good year.

Progress may be expected in the solution of the railroads' passenger traffic problems. It is hoped most of the unprofitable local and branch-line trains will have been taken off before much of the new year has passed, and service on the profitable trains should be improved. Congress should repeal the 15% wartime excise tax on passenger transportation, a tax intended to curb passenger travel during the war, but which still continues four years after the war is over. The prospects are that the railroads will have to continue for another year to handle head-end traffic, both mail and express, for inadequate pay.

In proceedings before the Interstate Commerce Commission convincing evidence has been presented that both the railroads and motor carriers are in need of much higher rates for handling small shipments relatively short distances. The Commission should act constructively and promptly in the new year so as to give the carriers adequate revenues for these services.

It is encouraging to note that Secretary of Commerce Sawyer, in his report to President Truman of Dec. 1, 1949, states that Federal Transportation Policy must give major attention to the need for sound and healthy railroads. The report declares that the Federal Government should study and resolve as speedily as pos-

Continued on page 84

Continued from page 6

The Budget, Taxes and the Debt

purpose is stated as "the avoidance of inflation"; and without the use of Federal taxation all other means of stabilization, such as monetary policy, controls and subsidies, are unavailing. It is of course also true that Federal taxation alone cannot prevent inflationary price rises caused by crop failures, labor disputes and increased costs exceeding the level of profits and productivity. All other means, in any case, must be supported by a stabilizing Federal tax policy if we are to have tomorrow a dollar which has a value near that of today.

The war taught the government, and the government has taught the people, that Federal taxation has much to do with inflation and deflation, with the prices which have to be paid for the things that are bought and sold. If Federal taxes are insufficient or of the wrong kind, the purchasing power in the hands of the public is likely to be greater than the output of goods and services with which this purchasing demand can be satisfied. If the demand becomes too great, the result will be a rise in prices, and there will be no proportionate increase in the quantity of things for sale. This will mean that the dollar is worth less than it was before—that is inflation. On the other hand, if Federal taxes are too heavy or are of the wrong kind, effective purchasing power in the hands of the public will be insufficient to take from the producers of goods and services all the things these producers would like to make. This will mean wide-spread unemployment.

Briefly the idea behind our tax policy should be this: That our taxes should be high enough to do their part in protecting the stability of our currency—and no higher. Putting it another way, our taxes should be as low as they possibly can be without putting the value of our money in danger of inflation. The lower our taxes are, the more purchasing power will be left at home in the hands of the people — money that can be spent by them for the things they want to buy, or that can be saved and invested in whatever manner they choose.

Now it follows from this principle that our tax rates can and should be set at the point where the Federal budget will be balanced at what we would consider a satisfactory level of high employment. Except for not asking for a surplus under these circumstances, this statement is the policy recommended by the Committee for Economic Development. If we set our tax rates any higher than this, we are reducing unnecessarily the money that private individuals will have to spend and to invest; and therefore, we make it more difficult for ourselves to get to high employment and to stay there. Today we have at least a million more people unemployed than we should have at high employment. A year ago we had a million fewer unemployed than we have today, and of course in the recent past we have had even less.

Let me explain more fully this basic principle of Federal tax policy, because it marks a sharp break with past practices and affords a powerful new instrument in helping maintain a high level of productive employment.

The new tax principle is this: Tax rates should be set to balance the budget at high levels of employment. Having been set, these rates should be let alone, except as there may be important changes in public policy or significant shifts in the level of potential productivity.

If tax rates are set to balance the budget at high levels of employment, the two critical factors are (1) the size of the budget and (2) the national income at high levels of employment.

Obviously under such a policy the lower the budget the lower our tax rates could be. This puts a premium on economy and efficiency. Clearly we do not justify spending for its own sake, nor do we want any wasteful expenditure.

Obviously under such a policy the higher our potential national income at high levels of employment, the lower our tax rates could be. In consequence we want employment with high productivity, we want harmonious management-labor relations, we want a world at peace.

It should be noticed that the setting of stable tax rates to balance the budget at high employment means that surpluses will automatically arise in times of boom and deficits will likewise occur under conditions of depression. But the surpluses and deficits will only be in proportion to the swing in the production cycle that causes them and their creation will in itself be an important factor in bringing the economy back to accepted levels of high employment.

The suggestion has been made that tax rates should be changed up and down to compensate for ups and downs in business. Although there is something to be said for such a practice on theoretical grounds, I do not favor it, since I have not been able to convince myself that a policy of varying tax rates to compensate for anticipated swings in the business cycle is either politically or administratively workable.

Let me repeat the basic principle for Federal taxes once again: Tax rates should be set to balance the budget at high levels of employment. Under this principle we can move forward as rapidly as budgetary requirements and increasing efficiency permit to a reorganization of our whole Federal tax structure. Never again need we repeat the errors of 1930 and 1931 of increasing tax rates against a declining national income in a futile and disastrous attempt to balance the budget. Under this new principle the budget will be balanced when it should be balanced, when a high level of employment is supported by a balancing demand.

The Budget

We have today a budget of enormous size, amounting to between 15 and 20% of the national income. The mere change in size from pre-war and pre-depression days raises questions that were once academic, but which have now become matters of vital concern. One of these questions is, when we talk about balancing the Federal budget, which budget should we mean?

There are two Federal budgets, both in good standing. One budget, the more familiar, is the administrative control budget; the other is the consolidated cash budget. When Federal budgets were smaller, it made little difference which budget was being referred to, but today it is necessary to distinguish between them and to use them correctly for the purpose to which each is adapted.

The administrative control budget is adapted to purposes of administrative and financial control. It shows transactions between government agencies, it excludes certain transactions between the government and the people where other financial controls are more appropriate, it carries some items on an accrual basis where this is convenient. The administrative budget was created and has been improved as an instrument of ad-

Continued on page 85

Continued from page 82

Business and Finance Speaks After the Turn of the Year

sible what charges should be assessed for the use of transportation facilities provided at government expense.

There are other indications that the railroads may expect a better break in the near year or two. State and Federal authorities must soon recognize that governmental subsidies to competing forms of transportation are imperiling the railroads, and that reasonable relief must be forthcoming.

For Chesapeake and Ohio the fortunes of the coal industry are of first importance, and 1949 was a trying year for the coal industry. Repeated interruptions in coal output yielded competitive advantages to other fuels, mostly oil and gas, and the dumping of oil from foreign countries at our ports at distress prices further aggravated the distortion in the relative costs of competing fuels.

Despite these adversities much progress has been made to improve the competitive position of coal. More and more mines are being mechanized and already more than 70% of the coal mined is mechanically loaded. Through Bituminous Coal Research, Inc., the mining industry and coal-carrying railroads are sponsoring the development of a continuous mining machine that will combine the work now done in cutting, drilling, shooting, and loading of coal at the face. They are also sponsoring the study and design of a coal-fired gas turbine locomotive, as well as improvements in the existing steam locomotive by improving the supply and distribution of air for better combustion, by better preparation of locomotive fuel to obtain lower fuel and maintenance costs, and by developing combustion methods and equipment to reduce unburned stack losses and cinder omission.

The problem of using pulverized coal as fuel for a gas turbine locomotive, one of the major difficulties encountered by engineers in the development of the coal-fired turbine, appears to be nearing solution. Efficient use of pulverized solid fuel in a locomotive-size stationary turbine has already been demonstrated. This was a major step ahead, although other technical problems remain before the coal-fired gas turbine locomotive takes its place on the rails in real competition with other forms of motive power.

These efforts to make and keep coal competitive are being matched by the coal-carrying railroads, such as the Chesapeake and Ohio, in expanding and improving railroad facilities to handle coal faster, cheaper, and in greater quantities. The work has been expensive, but as it nears completion the ability of this kind of modernization to offset spiralling costs is becoming apparent.

1950 can be a true transition period for both the coal and railroad industries. Coal needs, as a cardinal requirement to its progress, a permanent labor peace. Men, management, and markets need it—now more than ever. Both industry and labor talk about security. The consumer, too, needs that security, and freedom from the recurrent frantic compulsion to store coal against famine. The coming year can mark such peace and let the coal industry start its march toward a production which sound analysts estimate could attain, within 15 years' time, a rate of 700 million tons annually.

There are clouds on the horizon, and other difficult problems just beyond, but our faith in the long-term future is as strong as ever. All of the elements of success and prosperity are there, and we are confident that those goals can and will be reached.

CARL W. ULLMAN

President, The Dollar Savings and Trust Company, Youngstown, Ohio

Most of us are familiar with the nation's complex problems. But too many of us are indifferent to deficit spending and too many of us feel that state responsibility is inevitable. Powerful groups keep pressing for more state activity and for higher wage rates. They should know that everyone will suffer if business is shackled and that prices can never be stabilized so long as wage rates advance.

Carl W. Ullman

It is true that there are many world problems which cause unusual expenditures on the part of our government, but it is likewise true that if too large a share of earnings must keep on going into taxes for too long a time, we shall have a shortage of venture capital. Sooner or later we must bring the spending and the other inflationary pressures under control. That will not be easy to do, but if we are to have constant high production and if the markets are to absorb the production, we need sound economic and sound fiscal policies.

With a cold war on our hands, high production is possible, but if the Russian question should be solved, the problem of production and distribution can be quite difficult. Certainly with a debt of more than $250 billion we need to act intelligently. If we can focus public opinion on the seriousness of the state of the nation and impress upon our people that the government itself cannot create wealth, we shall be making progress. No one knows how soon that can be done. We do know that the coming year will see much confusion in the economy.

L. A. VAN BOMEL

President, National Dairy Products Corporation

I see a bright outlook for increased use of dairy products in 1950. This will come from population increase, people living longer, better appreciation of the nutritional value of dairy products and more economical methods of processing, packing and distribution.

L. A. Van Bomel

I see a less bright outlook if the consumers' demand for these products is weakened because of high prices. Prices must include, as they inevitably do, government controlled costs of farm products, wages and welfare benefits, and added burdens of taxes.

Consumers are not adequately aware that the three major cost factors above are part of the price consumers pay. Business is just a vast auxiliary tax collecting agency for the government. And consumers must become increasingly aware of this.

When food is too costly for mass consumption, it prevents the natural buying impulses of the consumer. And when this economic law commences to operate it reduces volume. Reduction of volume increases unit costs. Then the vicious cycle of unemployment and welfare benefits commence. And when these commence they are also paid out of taxes.

Economic stability will come from increasing demands by consumers, and reasonable prices, which come from realistic costs.

W. G. VOLLMER

President, The Texas and Pacific Railway

One of the economic factors of business which everyone recognizes is that sellers prosper only so long as buyers have the wherewithal to purchase. This economic law applies to the railroads as well as to industries and individuals. The earning power of the railroads in 1950, and in the years beyond, therefore depends upon the volume of traffic they are able to attract under existing competitive conditions.

W. G. Vollmer

It seems to me that the immediate earning outlook of the railroads is reasonably bright, but the long-range prospects are none too good. Government ownership looms up in the distant future unless there is a change in the economic and political trend.

I venture this particular observation because, in the past decade or more, there has been a gradual worsening of the competitive situation, of the labor situation, and the general financial situation of the railroads. These are three fundamental conditions which can make or break any industry, including the railroads, and they must be reckoned with in any attempt to forecast the future outlook of the industry.

This unfavorable situation cannot be overcome so long as the several modes of transport are regulated and promoted, financially and otherwise, without any regard to a sound over-all national transportation system. There is, therefore, a desperate need for a national transportation policy which will place all commercial forms of transport in a position where they will be able to compete for the nation's traffic on a fair and equitable basis. Only in this way can the services each carrier performs reflect its real contribution to the economic welfare of the nation.

As a matter of sound policy, the services each mode of transport performs should be the measure by which it justifies its existence. If this principle could be adopted on a national basis the outlook for the railroads would indeed be bright both for 1950, as well as for the years beyond.

The labor situation within the railroad industry has become increasingly burdensome. The basic wage level, as well as benefits in the form of pensions, is considerably above that prevailing in the other forms of commercial transport. This, together with subsidies in the form of tax-provided highways and air terminals, which are at the disposal of competitive forms of transportation, places the railroads at a distinct disadvantage in competing for the nation's traffic.

Although the long-range situation confronting the railroad industry is definitely not encouraging, I am willing to venture the prediction that 1950 will be a reasonably good year for the railroads, and that most of them will wind up the year with a net income which, in the main, will be fair, and in some instances it will be good.

G. W. VAN DERZEE

President, Wisconsin Electric Power Company

In the home, on the farm, in commercial establishments, and in industry, the aggregate use of electric service in 1950 should equal or perhaps moderately exceed 1949. Bolstered by a substantial home building program, the chances are that from a dollar standpoint the best percentage gains will be in the residential, rural, and commercial sales of electricity.

Gould W. Van Derzee

Revenues from these three classes of business are relatively slow to react to a decline in industrial production and thus make for a greater stability in earnings than in most industries. Thus, if industrial production should sag moderately in the second half of 1950, the momentum of use of electricity for residential, rural, and commercial purposed should still provide net income for the average utility about the same as in 1949 if the fuel and tax bills can be kept at about the levels of last year.

As new facilities are completed, most electric utilities should make some further gains in overall generating efficiency in 1950 as a result of retirement or less use of old equipment. Gains from this source will become less apparent as systems are more completely modernized.

There are, however, more opportunities ahead for this great and growing industry. Some of these lie in the field of more selective selling of profitable services and pricing of these services so far as practicable to meet the needs of our customers, adequate wages, and the reasonable expectation of those who put their investment savings in our securities for good steady income.

Aside from all this, the future of the electric utility industry rests on its unique ability to give its customers more for their electric dollar than they can purchase from any other source—"in convenience, cleanliness, comfort, economy and safety."

It remains for our promotional departments to tell the story of our basic advantages continuously—in the home, on the farm, and in commerce and industry.

CLOUD WAMPLER

President, Carrier Corporation

The business outlook in the field of air-conditioning is more favorable than at this time a year ago, and there are strong indications that the industry is now approaching another period of major growth.

Obviously, various things could happen which would upset this promising condition. Any major change in the general economic climate would certainly have its effect, as was demonstrated during the months of business uncertainty that marked the winter of 1948-1949. Of more immediate concern is the fact that the industry may be adversely affected by shortages resulting from the steel and coal strikes.

Cloud Wampler

It is true that the exact timing of the industry-wide upswing that appears to lie ahead is still a matter of question. However, there are a number of factors which indicate that at least the foundation for such a movement can be laid in 1950, and these include the following:

(1) Overall business prospects now appear to be good.

(2) Construction activity promises to continue at a fairly high level during 1950, thereby widening the field for air conditioning.

(3) Last summer's successive heat waves will have a carry-over effect on sales of air-conditioning equipment during the next few months.

There is still another factor of major importance from both the short and long-range point of view. And this is an accelerating public acceptance of air conditioning, not as a luxury, but as an every-day part of modern living. Merchants, hotel and restaurant proprietors and the owners of indoor amusement and recreation centers have found in it a means of attracting increased patronage. More and more business and professional people have learned that they and their employees can work more efficiently in a controlled climate. And the use of air conditioning as a production tool is constantly increasing.

Along with this, there has been a marked improvement in air-conditioning equipment. This is true with respect to both heavy and light items and reflects continuing research and development programs.

Throughout the industry as a whole, a highly competitive pattern has again been established. But this should be a stimulating rather than a depressing factor.

In the light of existing conditions, Carrier Corporation has budgeted an increased volume of completed sales

Continued on page 86

Continued from page 83

The Budget, Taxes and the Debt

ministrative control. This is an important purpose and the administrative control budget is an important budget.

The consolidated cash budget is also an important budget and it serves a different but also an important purpose. That purpose, as President Truman points out in his first Economic Report, is to measure the impact of government transactions on the economy. The consolidated cash budget does this because, first it is **consolidated**, that is, it includes all transactions between the government and the people, and it excludes all transfers between the internal agencies of the Federal Government itself; and second, because it is a **cash budget**, that is, it shows the intake and outgo on a cash basis in the year in which the transaction takes place.

The difference between the administrative control budget and the consolidated cash budget can be appreciated when it is realized that in the fiscal year 1947, the surplus in the consolidated cash budget was about six billion dollars **greater** than was shown in the administrative budget. For the fiscal year 1951, it is now estimated that the deficit in the consolidated cash budget will be between two and one-half and three billion dollars **less** than in the administrative budget. It is estimated that over the next ten years, on the average, the cash taken from the public by the government will be about three billion dollars a year more than the administrative control budget implies.

So when we are interested in the impact of government transactions on the economy we shall look to the consolidated cash budget. If our objective is a budget that is balanced in the economic sense, then it is the consolidated cash budget that we want to balance. As a matter of fact, balancing the administrative control budget is meaningless, since being an administrative budget it can be balanced at any time by definition, by inclusions or exclusions.

The consolidated cash budget becomes of special importance since it is the budget which should be used in setting rates of taxation. So far this has never been done, but now, with budgets and taxes at their present levels, the Tax Bill of 1951 should break new ground, and should organize its rate structure to the requirements of the consolidated cash budget.

The Debt

Just as the high new level of the budget and taxes has raised new and unfamiliar problems, so also the size of the national debt creates a new situation for which we have had little preparation. Much thought and much experience will be needed before we can have a debt policy in which we can have full confidence.

The big new questions associated with a national debt of the size that ours has become are those that relate to policies of debt management. A debt of $250,000,000,000 has to be managed in one way or another, and decisions have to be made several times a year that are based on more or less clear principles and on more or less explicit objectives.

I am not going to discuss those phases of debt management that involve the horrid questions of what the interest rate should be, and who should get it, and, above all, who should decide. But we do not get rid of these questions by snubbing them, and already this phase of the matter is being actively discussed.

My interest in debt management today is in a more general aspect of the subject, namely in the possibilities of debt management as a tool of fiscal policy, affording perhaps a new instrument to maintain a high level of productive employment.

The possibilities of debt management as a tool of fiscal policy arise first from the sheer size of the debt and second from its complex composition. If the debt were small, the possibilities and necessities of debt management would be negligible. The implications in the size of the debt are obvious, but those in the composition of the debt are generally ignored.

The national debt consists of at least four distinguishable kinds of debt, that is to say, the national debt is in no sense a homogeneous global aggregate. Through the application of surpluses and through the terms of refunding issues, the retirement of sums from each classification or the transference of debt from one classification to another has consequences on the amount and kind of purchasing power remaining in the hands of the public. Debt management is therefore a corollary of tax policy in the maintenance of high employment at stable price levels.

I have said there are at elast four distinguishable kinds of public debt. Let me name them.

First, there is the debt in the hands of private individuals. We could perhaps divide this classification in terms of amount and maturity, and get some significant differences.

Second, there is the debt in the hands of savings banks, insurance companies and other institutional investors.

Third, there is the debt in the hands of the commercial banks.

Fourth, there is the debt held by the Federal Reserve Banks, Federal trust funds and other Federal agencies.

It is apparent that it makes a great deal of difference what kind of debt is retired, what kind increased, what kind redistributed at times of refunding operations. Accordingly, the simple demand that debt be retired for the mere sake of retirement is meaningless and is no guide whatsoever for policy.

During the war we knew that the sale of war bonds to private individuals, particularly those with small and moderate incomes, was an alternative to taxation as a means of withdrawing purchasing power from the hands of the people. We knew that sales of bonds to the commercial banks had different effects. But in spite of the fact that we made these distinctions in wartime, we do not seem to have carried a parallel conception over to the long term problem of managing a $250 billion debt.

I hasten to say that I did not invent the four classifications of debt distinguished above, nor did I create the problems and possibilities, for good and evil, in debt management. The classifications of debt exist, the problems of management exist; these are not creations of the imagination, they are the stubborn facts of our present fiscal situation.

Fiscal Policy

The tools of fiscal policy are powerful instruments that can be used to maintain a high level of productive employment in the United States. They can be used to contribute to monetary stability. The can also be used to assist in the establishment of conditions throughout the world that will be conducive to a just and durable peace. True, fiscal policy cannot be looked to as a panacea. But the tools of fiscal policy—taxes, the budget and the debt, are no longer merely the chronic annoyances associated with community responsibility for common activities. On the contrary they have now so developed that they are prime factors in our economic life.

The instruments of fiscal policy give us our best hope that we can preserve our economic freedoms, to buy and to sell, to borrow and to invest, to move from place to place, to employ and to be employed, and to receive for our own private use, wages, rents and profits as a reward for skill in the application of our efforts in supplying what others need.

If these tools of fiscal policy are well-managed, they will contribute much to the prevention of government interference in the specific decisions of businesses and private individuals. For the consequences of action at the level of fiscal policy are general, impersonal and appropriate to the development of the economy as a whole. The individual's specific decisions may then be taken within a general frame of reference, a frame of reference established in the public interest and not distorted by private greed nor destroyed by the blind whirlwinds of economic collapse.

Eisele, Axtell & Redelfs Open in Omaha

(Special to The Financial Chronicle)

OMAHA, NEB.—Eisele, Axtell & Redelfs, Inc., has been formed with offices in the First National Bank Bldg. to engage in the securities business. Officers are Lane M. Axtell, Eli C. Eisele and John W. Redelfs. All were formerly managers of Lawrence Brinker & Co.

Continued from page 84

Business and Finance Speaks After the Turn of the Year

for fiscal 1950. Virtually the entire line of carrier unitary equipment, which is marketed through distributors and dealers, has been completely redesigned with emphasis on greatest reliability and better styling. And a number of new products have been introduced. Advertising and sales promotion appropriations have been substantially increased. In addition, liberalized wholesale and retail financing plans are now being announced throughout the country.

All told, Carrier Corporation is seeking to take every practical advantage of the growth possibilities of the industry which it pioneered.

CHARLES A. WARD
President, Brown & Bigelow

Charles A. Ward

Rising calendar sales indicate another good business year in 1950.

Early returns on advance sales of our new 1951 line show confidence in the coming year's business activity. Our calendars are sold a year in advance, and when businessmen buy more of them it means that they are betting on the future.

While 1950 calendars are being distributed, our 1,250 salesmen are giving thousands of businessmen throughout the country a preview of 1951 calendars. The orders they sell, our experience indicates, are an accurate barometer of what lies ahead in business.

THOMAS J. WATSON
Chairman of the Board, International Business Machines Corporation

I anticipated that good results will be experienced by American business in 1950. One of the greatest assets to business in the coming year is the realization that we are now in a buyers' market. This is an inspiration and an incentive for use to get back to the fundamentals of business—making the best use of our time in production, selling and service and giving close attention to the importance of encouraging younger men to develop themselves for leadership.

Thomas J. Watson

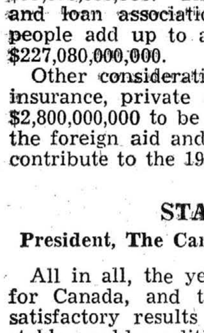
On the general economic front, several factors should contribute to satisfactory business conditions:

Foremost is the great buying power of our people. This is running at an annual rate of $200 billion after income taxes and should continue to increase. In addition, individuals in our country own $69,100,000,000 of United States Savings Bonds. They have on deposit $55,330,000,000 in savings accounts in banks. Demand bank deposits, both individual and commercial, amount to $99,850,000,000. They have $10,800,000,000 in building and loan associations. These liquid savings of our people add up to a total backlog of buying power of $227,080,000,000.

Other considerations, including State unemployment insurance, private and government pension plans, the $2,800,000,000 to be distributed in GI insurance refunds, the foreign aid and Atlantic Pact defense plans should contribute to the 1950 volume of business.

STANLEY M. WEDD
President, The Canadian Bank of Commerce, Toronto

All in all, the year just closed has been a good one for Canada, and the immediate future should bring satisfactory results in the aggregate, given reasonably stable world conditions.



Stanley M. Wedd

The postwar years have been marked by a continuous effort on the part of Canada to develop an orderly and prosperous economy, and 1949 was outstanding in this respect. Industrial production reached a new peacetime high valued at over $10 billion, the output of about 33,000 manufacturing establishments. It is estimated that manufacturing capacity has increased 60% in the past decade and per capita production of manufactured goods has risen from $250 to $750 within two decades.

Today Canada is one of the world's leading producers of minerals. About 60 mineral products contribute to a value of production currently running at the rate of close to $900 million a year. Exports of minerals and their products approximated half a billion dollars in 1948. A very important aspect of present mining activity is the development program now being carried on in the fields of oil, iron and titanium. The Quebec-Labrador iron ore deposits are estimated at over 300 million tons and, while actual production must necessarily be some years away, initial operations on a minimum scale of 10 million tons a year are already projected. The titanium deposits in lower Quebec are expected to be in production this year, with an objective by 1952 of 220,000 tons of titanium slag and 175,000 tons of pig iron annually. The oil development program, centering in Alberta but extending over the Prairie Provinces and into British Columbia, is the largest ever undertaken in this country, and of great potential importance. Producing wells have doubled within a year and output has tripled within two years, present production being sufficient to meet the requirements of the Prairie Provinces, while prospective output (100,000 barrels) is approximately a third of total Canadian requirements. At the present rate of progress, oil may rival agriculture in importance to prairie economy, and, together with substantially increased shipments of metals, it should go far toward reducing our trade deficit with the United States.

The dependence upon international trade of the Canadian economy and standard of living makes Canada particularly vulnerable to changes originating outside the country. The problem of adjusting our balance of trade as between the sterling area and the so-called hard currency countries still faces us, despite our loans to Great Britain and the benefits derived from the allocation of Marshall Plan funds. The currency devaluations of September last were, therefore, the most momentous of recent events, although their full results cannot be appraised for some time. In the meantime, trade and tariff discussions have been making slow but steady progress since their initiation in 1947 and, while the results have not been spectacular to date, they do suggest that the principles of multilateral trade have become more widely recognized.

Today we face many uncertainties. Efforts to establish an orderly trading world are complicated by attempts to direct men's thinking along totalitarian lines, but the advantages of a peaceful and universal exchange of goods are so obvious that one can but be optimistic that common sense will prevail. Canadians will continue, therefore, to follow world events with the closest interest, and may be counted upon to give their best endeavors, both at home and abroad, to the promotion of the common welfare.

LOWELL P. WEICKER
President, E. R. Squibb & Sons

I think that regardless of the pattern of industry as a whole, the drug industry should have a good year in 1950. I think it will be largely due to the tremendous activity in the field of research and development—new remedies that the medical profession has been waiting for—and improvement in older types of therapy.

The industry might suffer some curtailment in export activities on account of currency restrictions, but companies that have established foreign plant operations might do fairly well.

It is to be noted that the drug industry does not react as sensitively to economic dips as is the case with many other commercial operations. The history of the drug industry seems to indicate a rather steady and constant growth over the years and the probability is that it will substantially continue this pattern in 1950.

L. S. WESCOAT
President, The Pure Oil Company

The year 1949 marked the substantial completion of the postwar expansion in the petroleum industry. During the last three years, the industry has expended $6 billion to make available the facilities necessary to serve the rapidly growing requirements of the consuming public and to provide a reasonable margin for emergencies. During this period, the country's liquid petroleum reserves have been substantially increased, and are presently larger than any previous period.

L. S. Wescoat

Earnings for the past year were much lower than in 1948, but represent an all-time high with that one exception. The basic reasons for this reduction since 1948 are continuing increases in cost, low prices during the year for both light and heavy fuel oils, and the substantial reduction in allowed production in those states having production controls, particularly in Texas where approximately 57% of the total reserves of the country are located.

Earnings of the industry reflect in part the liquidation of low-cost inventories of crude oil in the ground acquired in previous years. These inventories are now being replaced at considerably higher costs, due to deeper drilling and the generally higher level of costs applicable to producing operations.

New equipment installed in the postwar period not only provides greater flexibility of operation, but is making products of higher quality, which are necessary today to meet the requirements of improved automotive design. In addition, the research laboratories and refineries are producing new products which will widen the industry's markets. Gasoline sales during the year showed a substantial increase. Sales of industrial fuel oil were at a lower volume, due to the reduction in industrial activity. Sales of household burning oil were even more drastically reduced, due to the extremely mild weather during the early months of 1949.

Large capital expenditures made it necessary to retain a large part of earnings, resulting in modest dividend payments to the stockholders. The continued spending by government agencies, the attendant high taxes, and the possibility of further tax increases will have a detrimental effect on required capital outlays necessary to maintain properties at a level adequate to meet the demand of consumers and their continued higher level quality requirements.

The present imports of crude oil are resulting in continued reductions in domestic production, which in turn means higher unit costs to the producers and less revenue for necessary exploration and development work. At the same time American exports have fallen off.

The national security has been considerably improved by the discovery of important crude oil reserves in Western Canada which would be available to this country in the event of an emergency. As these supplies are made available through the construction of additional transportation facilities, they will, over a period of time, present a further problem for the domestic producer.

In line with all business, the petroleum industry has the important task to fully explain the economic facts relative to its business and the benefits of our free enterprise system to its employees and the public. With an adequate supply assured, 1950 should show increased demand for all products.

HON. KENNETH S. WHERRY
United States Senator from Nebraska

Perhaps it is too soon to make firm forecasts on what the course of the second session of the 81st Congress will be, but it is gratifying to observe that among the membership there appears to be a widespread belief that the cost of government must be reduced, and that proposals for spendthrift socialism should be rejected if our national economy is to be kept humming and the United States remain strong.

Sen. K. S. Wherry

Since the first session of the 81st Congress, I have traveled extensively from the Atlantic to the Pacific and from the north to the south, and have addressed thousands of persons. Everywhere there were demands for greater efficiency and economy in the Federal government.

If these signs of growing sentiment in the Congress for economy bear fruit in tangible results, when the appropriation bills and the spendthrift programs recommended by President Truman are considered, the resulting response among the people will be great beyond measure, and they will go forward with confidence to constantly increasing productivity.

Confidence in the stability and competency of the government at Washington is the foundation and inspiration for private enterprise. This confidence can be generated by forthright action of the Congress in hewing to the line of efficiency and rigid economy.

If this Congress were to adopt the tremendous spending programs submitted by the President in his State of the Union Message, in the Economic Report of the President, and in the Budget Message, our national economy would be struck a deadly blow.

Despite spend and spend and tax and tax demands of the President and his followers in the first sesion of the 81st Congress, a majority of the legislators did succeed in preventing the more disastrous recommendations of the President from becoming law. And it is the belief of many persons with whom I have talked that it was this attitude of the majority in Congress that saved our nation from very hard times, with many millions of persons thrown out of work.

The Truman Democrats have been quick to claim credit for taking actions that reversed the downward trend in productivity that came in the wake of the 1948 elections. But anyone who has kept tab on developments knows that it was a majority in the Congress, despite clamoring of the Administration Democrats, that really saved the national economy from a debacle.

If the President's recommendations of a year ago had been enacted into law, there would be today tight government controls upon virtually every phase of our national economy; and all industries and agriculture would be weighted down by unbearable taxes in various forms.

Twelve months ago President Truman told Congress and the country the major national problem was inflation. He asked power, power, and more power to control the nation's economy. As he spoke, the price recession was already under way. Wiser heads in Con-

Continued on page 88

Continued from page 11

Effects of European Devaluation

riod of time. There seemed to be no good reasons why a higher figure should be established only to be followed by a drop to a lower level at some future date. It was felt that an over-devaluation would be better than under-devaluation.

(2) The British authorities were fully aware that the devaluation probably would be accompanied by an increase in prices and that wages might well be increased somewhat. They apparently reasoned that with a devaluation of 30%, increases in costs and wages of from 10% to 15% could be effected yet British commodities still would enjoy competitive advantages in world markets.

(3) If the devaluation should prove successful at the lower level, it would be possible to raise the value later on. Such a situation would indicate to all holders of British currency and securities that the pound sterling could improve in value and would not necessarily decline constantly.

(4) There doubtless was some thought that in effecting a lower value than was warranted by the international position, exports would be stimulated, imports would be restricted, tourists would be attracted because of the low rate and the foundation might be laid for good business activity for a number of years.

The Effects of the Devaluation on the United States

In theory, the European devaluations should be deflationary upon the economy of the United States. However, the total volume of our export trade while large in itself, is small by comparison with the country's total national product. Nevertheless, one might reasonable expect exports to decrease and imports to increase. Prices of commodities in the United States doubtless will be higher when expressed in terms of devalued countries' currencies. Perhaps some American effort will be made to cut prices and increase foreign advertising budgets and thus attempt to hold these foreign markets. However, in order to alleviate the dollar shortage and to make the devaluations more effective, further restrictions may be placed upon the importation of commodities from the United States. British plants are fully employed now and it remains to be seen as to the extent manpower and materials can be switched to more productive pursuits from those unproductive. Perhaps some increase in manufactured goods may be possible.

In due course of time prices of some commodities internationally traded may decline. Such items as wool, cocoa, copper, rubber, tin and others which originate primarily in the sterling area quite likely will be quoted lower in dollars.

Doubtless a demand will continue for some of the more scarce commodities such as jute and wool. The demand still is great for tin and copper. It is quite possible that greater demands will be made abroad for sterling area oil with less coming from the dollar areas. It seems reasonable to expect fewer commodities to be shipped in American vessels and in all probability rail and truck transportation will be affected adversely as exports decrease.

Where Americans have direct investments abroad, earnings from these sources will be lower unless the volume of business is stimulated sufficiently to offset the devaluation. In 1919 and in 1931 when foreign investors became convinced that the pound was undervalued, free cheap pounds were purchased for eventual profit. Today, however, the pound remains an inconvertible pegged currency, it is not free, and foreign investors still can not get their frozen balances or sterling securities out. Under existing circumstances, the effect of the devaluation does not appear likely to be as great as that of those earlier periods.

Since business activity in the earlier months of 1950 probably will be high in the United States, the devaluation should not be noticeable. When reaction sets in, however, some industries competing directly with the cheaper foreign goods will be affected adversely. However, what has taken place is relatively insignificant when compared to the effects which can be brought about here by labor stoppages. The United States is so strong industrially and so self-sufficient that European devaluations can not have the far reaching consequences of former periods.

Will European Devaluation Cause the Dollar to Be Devalued?

This does not appear to be likely. When the dollar was devalued in 1933/34 to its present price of $35 per fine ounce, conditions were vastly different than is true today. It was not necessary to devalue then but at least some plausible reasons were advanced for the action. The savings of the people were low, unemployment was large, business was at a low ebb, many banks had been closed and severe economic depression prevailed throughout the economy. Since that time however, the United States has been the chief market for the world's gold production.

Devaluation is an act of national bankruptcy and it is unthinkable that the United States would do it under existing circumstances. It would restore the overvaluations of foreign currencies which their recent devaluations were intended to correct. It would entirely destroy our leadership as a strongly entrenched creditor nation. It would undermine confidence in the U. S. Government and its obligations. It would be a breach of faith with the holders of government securities, embarrass the Treasury in its vast refunding operations and cause a flight from the dollar. It would create manifold problems for the Federal Reserve in its open market operations and all for what purpose? It would be definitely inflationary!

The Federal Reserve now has more than a 55% gold cover for its currency and deposits whereas the legal requirement is only 25%. Surely, the only ones to benefit from so unwise an act would be the gold producers, mostly South Africa, Canada and the Soviet Union; and the speculators in gold shares.

Under existing conditions, the United States currency must remain fixed, strong and tied to gold at $35 per ounce. The "dollar standard" is the world's monetary standard today and in this period of unstable currencies, this period of adjusting to economic realities following the most costly war in the world's history, the dollar must remain the unsullied star of hope. The President of the United States has stated that the present price will not be changed during his Administration, thus repeating what the Secretary of the Treasury has said innumerable times. The Chairman of the Federal Reserve Board and the President of the Federal Reserve Bank of New York both have stated emphatically that the dollar must remain fixed. Perhaps we would do well to leave gold and devaluation alone and make some repairs on various other economic fences which need many new posts as well as fresh pickets.

What Conclusion Can One Draw?

Due in part to the damages inflicted by war and in part to social experiments, many European countries have been living beyond their means. They have not been able to produce and export enough goods and services with which to pay for their necessary imports of food and other commodities from the dollar areas and they have been sending manufactured articles into other sterling areas with which to pay sterling debts. Devaluation thus became inevitable when the postwar period of the sellers market gradually came to an end and especially when the United States productive capacity caught up with its own requirements. Doubtless the crisis would have come sooner had it not been for lend-lease, UNRRA, direct loans and Marshall Plan aid.

To the extent that the devaluation removes some of the maladjustments in the price structures of various countries, the action is constructive. If prices and wages in European countries are prevented from increasing materially, the effects will be beneficial and will help the competitive price positions of those countries. If managed properly, free countries everywhere well may be benefited. In due course, one might see the gradual elimination of exchange controls, import quotas, rationing, allotments and such other restrictive measures. There might well be an increase in international trade and, eventually, free convertibility of currencies might be restored. The secret of success, however, lies in how the devaluation is handled.

Since the United States is self-sufficient to a large degree, the devaluations elsewhere should not have serious broad repercussions here. Certain industries, to be sure, will be affected adversely and the overall effect must be regarded as deflationary. However, it will be some time before the results will be felt in this country.

Unlike the situation which prevailed after the sterling devaluation of 1931, no devaluation of the dollar is indicated. On the contrary, so long as the United States economy is maintained on a sound basis, the dollar will prove to be the anchor to which all others will seek to lash their drifting currencies. Let us say to those who would tamper with the dollar, "Hands Off"!

Finally, let us so operate our own economy toward the end that we may remain strong and thus in a better position to combat the vicious forces that are seeking to undermine the world's economic, social and political welfare.

John Cannell & Co. Is Formed in Boston

John Cannell

BOSTON, MASS.—John Cannell has formed John Cannell & Co. with offices at 49 Federal Street, to engage in the securities business. Mr. Cannell was formerly a partner in Cannell, French & Copp and prior thereto was with W. H. Bell & Co. and F. L. Putnam & Co., Inc.

With Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Charles A. Du Charme is now affiliated with Watling, Lerchen & Co., Ford Bldg., members of the New York and Detroit Stock Exchanges.

Continued from page 86

Business and Finance Speaks After the Turn of the Year

gress prevailed and his misguided recommendations were pigeonholed.

Now he says inflation has been beaten but asks for billions in appropriations to spend in whipping up inflation.

While deploring deficit spending, he recommends programs for the expenditure of money that would be impossible for the economy to stand through taxes. And if his programs were adopted, runaway deficit spending inflation automatically would ensue.

The President in his messages to the second session of the 81st Congress, which has just convened, has submitted virtually the entire program of quack proposals that he made a year ago. And I predict that his recommendations for repeal of the Taft-Hartley Labor-Management Act, for passage of the Brannan Farm Plan, and Compulsory Health Insurance, and for a net increase in the tax burden upon the people will be rejected.

What this Congress does may shape the future of our country for many years. This is a year of crucial decisions. Fortunately, there will be Congressional elections at which the people next November will give their verdict. Given all the facts, the people will make the right decisions.

There are several basic problems that should be wrestled with by Congress at this time. They have been completely by-passed by the President in all of the thousands upon thousands of written words that he has sent to this Congress. I am hopeful that these fundamental problems will be tackled in the present session of Congress, but I am doubtful that they will be resolved.

The economy of the United States, during and since the war, has been kept at a high rate of productivity, necessary to win the war and to provide grants in aid to foreign countries devastated by the war. Our economy has been going along very largely with artificial props, extraordinary demands arising out of the war and subsequent requirements due to failure to nail down the peace.

As the Western European nations regain their productive ability—and they have made great progress in that direction—the impact upon the United States economy will be substantial.

All of the ECA receiving countries are now above their prewar levels of production. The economic problems that now confront them can be solved only by them. Of course, the American people want to do all they can to help these countries to get firmly on the highway of prosperity; and our people certainly have been very generous in their contributions to that end.

But the problems of those countries today are largely problems involving integration of their economies and removal of trade barriers, as well as establishment of free convertibility of their respective currencies.

At this session of Congress the ECA appropriation, no doubt, will be reduced by not less than $1 billion dollars, and it is my opinion that it can be reduced up to $1½ billion.

Among the fundamental problems that ought to be given consideration is how to establish procedures for a transition period from United States Government gifts to ECA countries, to a resumption of private investments, and re-establishment of the prewar channels of private enterprise.

When the ECA program or the European Recovery Program as it was originally called, was presented to the Congress, about two years ago, I did my utmost to have established a system that would function through the early stages of relief for the destitute, through the period of reconstruction aid to the long-term period in which free enterprise would take over.

This approach was not accepted and we have now reached the point where, in my opinion, the mechanism for transition to private enterprise should be established.

Since the ECA program for Western Europe got under way the Communists, under direction of Moscow, have made tremendous advances in the Orient.

We are reaping the whirlwind of failure in the Administration's foreign policy, and the roots to this failure go back to secret agreements made at Yalta and Potsdam.

Undoubtedly, during the present session of Congress, the entire foreign policy of the United States will be thoroughly combed.

What our Administration has been doing in foreign affairs has had a very great effect upon our living conditions in this country. It behooves the American people to take more interest in foreign policies, because they are having to pay the bills for mistakes.

If there can be obtained from the present session of Congress a thorough ventilation of all the secret agreements that have been made without consulting the people or the Congress, then I believe we will be on our way toward a truly nonpartisan American foreign policy.

It was never contemplated by the framers of the Constitution that the President should have absolute power in foreign relations. We live in a Republic. The President has full power to negotiate. But before agreements are made that bind this country to a course of action, far-reaching in its ramifications, they should be presented to Congress and the people, debated, discussed, and subjected to final approval by the Congress or the Senate as the case may be.

The truth is that most of the ills that beset the world today stem from agreements that were made at Teheran, Yalta and Potsdam. It was at these conferences that China was betrayed and nations along the border of Russia in Europe were handed over to Russia without the approval of the American people who helped so tremendously in winning the war.

And not until the sins of these conferences are washed away, though it may take many years to do so, will there be a lasting, durable peace.

And so, to prevue the present session of Congress with the evidence now at hand, it appears that economy and foreign policy will largely dominate the session.

President Truman, having presented again his recommendations for spendthrift socialism, it is now up to Congress, the policy-making branch of our government, again to reject it, restore sound fiscal policies and right the Ship of State.

WILLIAM WHITE

President, The Delaware, Lackawanna and Western Railroad Company

1949, with the railroads earning only 2.75% on investment less depreciation, was another year of comparatively good volume with low earnings, thus following the pattern of preceding postwar years. Yet we are optimistic because we think there is a growing awareness among thoughtful people of the fact that what has been called "the railroad problem" is actually the people's problem. Railroad management will continue to fight for private ownership and operation and will try to keep the people informed about the dangers of nationalization and the trends and factors leading to it. But it is for the American people to decide which they shall have.

William White

Management must operate the railroads in the public interest. To do this successfully as a private entity requires a policy of providing ever better service, and earnings sufficient to permit restoration of credit so that capital is available along with adequate earnings to finance the expenditures necessary to constantly improve plant and equipment. This is fundamental if proper service is to be provided at reasonable rates and fares.

Management favors equality of regulation and taxation of all forms of transportation, with subsidies to none or to all alike.

Management favors a chance to compete in every respect on a basis of equality with other forms of transportation.

Given these opportunities, railroads will prove to be the cheapest form of transportation available and will prosper under private ownership. If these things are denied, nationalization of railroads will ensue and nationalization of all other forms of transportation will follow. Then the burden of transportation deficits and the taxes now paid will be a burden on all taxpayers and not only on the users of transportation.

But it is for the people and their representatives in the Congress and State Legislatures to decide, and that is why it is the people's problem. The time is getting late.

JUSTIN R. WHITING

President, Consumers Power Company

From all present indications, business in the large Michigan territory served by Consumers Power Company will continue at a high level in 1950. This territory includes 56 of the 68 counties in Michigan's Lower Peninsula and takes in most of the larger industrial cities outside the Detroit metropolitan area. It also embraces extensive farming and resort districts.

Justin R. Whiting

According to a recent report of the Census Bureau, Michigan's population has grown 20.8% between 1940 and July 1, 1949. Among states east of the Mississippi, only Florida had a larger percentage of growth during this period. In number of additional residents, Michigan's increase was exceeded by only one state in the whole country, namely, California. These facts suggest the steady and healthful growth that has contributed to Michigan's current prosperity. The home plants of several of America's best known automobile makers are located in the Consumers Power Company service area, along with many factories making automobile parts and accessories. Our automotive customers expect to continue producing passenger cars at a high rate in 1950, and some increase in the production of trucks is anticipated.

The area also includes a great diversity of other industries, producing, among many other things, paper, food products, chemicals, seating, food processing machinery, printing presses, farm machinery and furniture. Naturally, since our plans in the electric and gas business must be closely geared with those of our customers, we keep in close touch with customers' business prospects. Practically all our industries have done very well in 1949 and their outlook for 1950 is, in general, optimistic.

The expansion of our own electric facilities offers striking testimony as to Michigan's progress. Despite the fact that Consumers Power Company has increased its electric generating capacity 95% in the last ten years, projects under construction in 1950 will boost capacity about 25% above the present level. Our total construction budget for 1950 will be in excess of $40,000,000 and will be one of the very largest in our history.

In 1949 our company made a net gain of 21,646 electric customers and 11,024 gas customers. New applications for electric service were coming in so fast that 7,100 remained unfilled as the year ended. During 1949 a greater supply of natural gas enabled us to provide gas heating service to some 12,000 additional customers, practically all of whom were already using gas for cooking or water heating. It was also possible to remove most of the restrictions on use of gas heat in industry. We look forward to a further improvement of the gas supply situation in 1950, which we hope will enable us to supply heating service to thousands who are waiting for it.

While the possibility of a slow-up in business activity before the year-end cannot be entirely ignored, no such development is apparent to us at present. We feel that we would not be justified in relaxing our preparations for the continued growth we see ahead.

BERKELEY WILLIAMS

Both immediate and long-term outlook for more government in business is conspicuously good. Before me right now is a headline reading, "Washington Continues Highly Optimistic Businesswise"—government business of course. On the other hand, immediate and long-term outlook for some private business is good, some is bad and some indifferent. We are no longer a Republic but a Democracy and until and unless a majority of voters fully realize that as government and taxes increase, and we continue to tax and tax, spend and spend, elect and elect, Private Business will decrease, until eventually and inevitably we face the facts of life that spell no business, no taxes, no government, then we will have to start all over again or fold up.

Berkeley Williams

Which reminds we that Malachi Hinnissy once asked Mr. Dooley if he thought the world was getting any better. "Nope," replied Mr. Dooley. "Well, do you think it's getting any worse?" "Nope," said Mr. Dooley, "I think if it's doing anything, it's going round and round like it always has done."

In the face of which, best one can do is to remember how eternal vigilance is the price of liberty, read the "Chronicle" carefully and thoroughly to keep informed and watch one's step.

If enough people will remember and be guided by the preaching of Jefferson that debt and revolution are inseparable as cause and effect; also "the government which governs least also governs best"; and of Washington that "nothing but harmony, honesty, industry and frugality are necessary to make us a great and happy people," all will be well, but enough people never have and never will.

Nothing being so useless as vain regrets all we can do under the circumstances is spit on our hands and do the best we can.

If what Mr. Truman said were only true and we were actually "160 years behind the times," then, glory be, we would be looking forward to the Golden Age of this country; but as is, perhaps we will have to look back to see it.

MARION J. WISE

President, Central of Georgia Railway Company

The outstanding feature for review, and the hope on the horizon for the future as respects the Southeast and its railroads, is the increased productivity of the territory. This applies both to industry and agriculture, both to volume and variety, both to the larger centers of population and to the smaller communities.

M. J. Wise

These statements are based on the experience of the Central of Georgia Railway, whose 1,815 miles of line serve directly the States of Georgia and Alabama. During 1949, a total of 84 industries were located and expanded on the Central of Georgia's line, bringing to 798 the number for the past five years. Just as encouraging as the new industries is the fact that inquiries for locations continue at even an accelerated pace. It is significant that whereas the number of business firms in operation, for the country as a whole, rose 30% between 1944 and 1949, the increase in the South was 43%. Similarly, while the nation's bank resources were doubling, those in the South

Continued on page 90

Continued from page 5

Observations

50 most-favored equities of which $210,000,000 is in the 10 most popular issues.

To estimate the concentration of **common stock holdings**—in lieu of the entire portfolio—in the favorite equity issues, we assume that a sample which we have gathered from 29 open-end and 30 closed-end funds represents the average of all the funds. In this sample 70% of invested assets is placed in common stocks. **Applying this 70% proportion to the $2½ billion of invested assets of all 156 funds, we deduce that $1,750,000,000 is invested in common stocks, of which the $639,300,000 placed in the favorite-fifty represents 36½%, and the $210,400,000 concentrated in the top ten stocks is the equivalent of 12%.**

The trend toward concentration is recognized in the article on the trusts, *"The Little Capitalists Get Together,"* by Mr. Beardsley Ruml, in the current (Jan. 21) issue of *Collier's*, as follows: *"The investments of the investment companies serve only in the most indirect way to ease the tightness of capital for investment in new business. Most investment companies have most of their investments in the easily marketable securities of standard companies. It is not likely that this situation will change in the near future. The risks and costs of straying very much afield are too great to justify for most investment companies the chance of an occasional bonanza turning up out of the unknown."*

Because of Mr. Ruml's objectivity toward the funds, because of his directorship on one of them, because of his experience and wisdom in finance generally, and because of the trust industry's current advertising glorification of him and his article (*"Mr. Ruml ought to know"*; *"Invest 10 minutes in Beardsley Ruml,"* etc.), we sought and held a discussion with him this week on this and related Fund phases.

"Soundness consists of making the same mistakes that everybody is making at the time they are making them. Even if you're right in bucking the crowd, you'll be considered 'unsound'," is Mr. Ruml's apposite reaction to the Blue Chip foible.

On the other hand, the deficiencies of the Funds vis-a-vis the new capital market in their "rush to security" should not be exaggerated, Mr. Ruml believes. "Even under the over-concentration process the funds are useful in giving *tone* to the equity market, which is very wholesome. And you must remember that this gets the small man's capital into the market, which otherwise would go into even bluer blue-chip media like the savings banks," Mr. Ruml rebutted.

Representing Their Shareholders

The suggestion of the duty of the mutual funds to represent stockholders' interests vis-a-vis management and the onslaughts of other community groups, supplanting the small shareholder's reliance for his protection on a few individuals' chronic needling and fisticuff threats—which was discussed in this column of last week—is heartily approved of in principle by Mr. Ruml. "The trusts should assume the degree of interest on behalf of their stockholders gauged to the amount of their holdings in the respective trusts. A fund holding 100,000 shares of stock should be 100 times as active in a matter as if it holds only 100 shares," Mr. Ruml believes.

The Load the Price of Education

Regarding the all-important DISCOUNT, and particularly the disparity between the discounted closed-end listed companies and the premium-priced open-end which are "Fuller-Brush" sold, in lieu of the open-ends being thereby overpriced Mr. Ruml conceives of the "load" on them being merely the lay public's justified "price of education."

In other words, the buying of the closed-ends on the exchanges at a discount by the informed sophisticate should rather be regarded as a reward for his knowledge and initiative. . . . An unexceptionable conclusion!

Canadian Securities

By WILLIAM J. McKAY

No other situation is more affected by seasonal influences than the Canadian. During the frigid months foreign trade is retarded by the Wintertime closing of many outlets to the sea. In addition mining, prospecting and forestry activities while not brought to a complete halt are seriously handicapped by the rigors of Winter. During the Summer months, on the other hand, there is accentuated activity in all sections of the economy.

It is significant, therefore, to note that, despite the customary seasonal drawbacks and the many recent threats to the welfare of the Canadian economy, the Dominion's exchange reserves register at this time a distinct gain rather than the anticipated setback. Consequently it would appear that the Dominion has successfully negotiated a distinctly critical stage. Having weathered the immediate storms it is now possible to look forward to smoother sailing in the resurgent period which normally commences with the Spring thaws.

There is little doubt that in the difficult phase just passed the enormous latent strength of Canada's natural wealth has once again proved a timely saviour. With the normal development of the unrivalled mineral riches of the fabulous Laurentian Shield and the vast oil reserves of the Canadian prairies it is demonstrated once more that temporary crises in the fields of trade and finance can be successfully circumvented. In addition to the more publicized items of economic interest such as Alberta oil, Labrador iron, and Quebec titanium, there have been many other important developments that have recently exerted a beneficial influence on the Canadian situation. Among these can be mentioned the discovery of a new deposit of iron-ore in the Steep Rock district of Ontario. The Inland Steel Co. of Chicago has an option on the area in which the new deposit has been found and expects to commence development work immediately with the objective of attaining production of 3 million tons per annum within three or four years. In order to finance the preliminary operations U. S. dollars will flow northward, presumably at the free rate, but as it is proposed to market the bulk of the ore in this country this will eventually lead to an important addition to the official holdings of U. S. dollars.

Another interesting new development in the mineral field which is of immediate benefit to Canada is the "very substantial contract" with the U. S. Government which has just been announced by the Cobalt Chemical and Refinery Co., Ltd., of Cobalt, Ontario. It is reported that initial orders from this country amount to approximately $3½ millions with the probability of further orders. In the meantime the oil-boom continues in Albert and with the return of more favorable weather conditions activity on the part of the many U. S. oil firms interested in this area will be greatly accentuated. The greater the resultant production the greater will be the necessity for the financing of additional pipe-lines and refineries. This, in turn, will undoubtedly provoke a further flow of U. S. investment capital.

It will not be long also before the numerous U. S. steel companies that comprise the new Iron Ore Co. of Canada will commence operations in the Quebec-Labrador iron-fields. The construction of the railroad by which it is proposed to link the fields to tide-water on the St. Lawrence will, in itself, involve a considerable investment of U. S. dollars. As soon as the production stage is reached ore exports to this country are likely to prove an important factor in the Canadian balance of payments. Although the question of uranium is shrouded in considerable secrecy there is also little doubt that the existing and new discoveries of Canadian resources of this vital metal will play an increasingly valuable role in the Dominion's economy; some adjustment of its present grossly undervalued price-level is ultimately inevitable.

Thus during the past difficult period, as a result of opportune mineral and oil discoveries, pressure on the Canadian dollar, both free and official, has been successfully resisted. Also the realization that further devaluation of sterling is now out of the question has further contributed to the growing strength of the Dominion's currency.

During the week activity in the external section of the bond market was again conspicuous by its absence. The internals, on the other hand, displayed greater animation than usual with the development of renewed investor interest induced by the sustained rally of free funds. Persistent demand in the narrow free market has brought about an improvement of more than 2% in the past few weeks. In this connection it should be noted that the official exchange reserves would benefit exceedingly in the event that the free and official dollar were at the same level. There was also considerable activity in the corporate-arbitrage field but the rate remained virtually unchanged at 14¼%-13½% discount. Stocks following a heavy initial decline in sympathy with the similar movement in New York subsequently staged a strong recovery. Western oils, base-metals, and the golds figured strongly in the rally but the industrial group failed to make any appreciable headway. Atlantic Oil, Federated Petroleum, and Golden Manitou were prominent in the advance and reached new 1949-50 peak levels.

Value Line Fund Distributors Formed

Value Line Fund Distributors, Inc., has been formed with offices at 5 East 44th Street, New York City, to act as distributors of the new Value Line Fund. Officers are Arnold Bernhard, President; George C. Berg, Secretary and Treasurer; and Walter C. Boschen and Gavin H. Watson, Directors.

Morgan-Cochran Corp.

DEAL, N. J.—The Morgan-Cochran Corp. has been formed with offices at 270 Norwood Avenue to engage in a securities business. Officers are Frank W. Cochran, President; Peter J. Morgan, Vice-President; and Alfred Cerceo, Secretary. Mr. Morgan was previously with McDonnell & Co. of New York City.

Middle South Utilities Stock Offered by Union Sec. and Equitable Sec.

Union Securities Corp. and Equitable Securities Corp. jointly head an underwriting group which offered on Jan. 18 a total of 640,000 shares of common stock of Middle South Utilities, Inc., at $19.125 per share. The group was awarded the shares at competitive sale on Jan. 17.

The proceeds, together with other funds, will be used by Middle South Utilities, Inc., to purchase additional shares of common stock of its four operating subsidiaries to assist them in financing the current construction programs. Subject to necessary authorizations from regulatory bodies, the company will promptly invest $4,000,000 in additional common stock of Arkansas Power & Light Co.; $4,500,000 in additional common stock of Louisiana Power & Light Co. and $3,500,000 in additional common stock of Mississippi Power & Light Co. It is expected an investment in additional common stock of New Orleans Public Service Inc. may be necessary before the end of 1950, but the amount of such investment cannot now be determined.

After giving effect to the sale of the new shares, Middle South Utilities, Inc., will have outstanding 5,600,000 shares of common stock, without par value. The company has no other securities authorized or outstanding.

Amos Bancroft Dead

Amos Roberts Bancroft, Assistant Vice-President of The First Boston Corp., investment banking firm, died suddenly Jan. 18 at his office in New York at the age of 54. Mr. Bancroft's residence is Greenley Road, New Canaan, Conn. Mr. Bancroft, son of the late Frederick B. and Elizabeth Roberts Bancroft, was born May 25, 1895, at Newton, Mass. He was graduated from Newton, Mass., High School and from Harvard University with an A.B. degree in 1917. He served in World War I as Lieutenant in the U. S. Air Force and has been associated with The First Boston Corp. since 1925.

Uhlmann & Latshaw Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Wesley L. Clark has been added to the staff of Uhlmann & Latshaw, Board of Trade Bldg., members of the New York Stock Exchange.

Continued from page 88

Business and Finance Speaks After the Turn of the Year

increased nearly threefold. Income and consequent purchasing power in the South are likewise increasing at a faster rate than in the country as a whole.

In the Southeast, both industry and agriculture are developing and it is most gratifying to note that they are keeping in good rhythm and proper harmony with each other. Manufacturing enterprises are attracted by good markets and availability of materials. Agriculture benefits by supplying this increased demand. For example, there is the recent rapid growth of the pulp and paper industry in this territory. The source of supply—the forest—covers two-fifths of the land area in the South. A new type of enterprise is the Coosa River Newsprint Company, just now getting into production near Childersburg, Alabama, financed by a group of southern newspapers, which will obsorb the output.

Agriculture shows a continued trend toward livestock and grasses, also to mechanization, which in turn creates a market for electrical appliances, tractors, and machinery of various kinds.

These evidences of increased productivity justify a degree of optimism. But optimism, unless tempered by realism, lacks the stability essential for the foundation of sound thinking about the future of the nation and its railroads. The Southeast, which after all is in the melting pot with the rest of the country, is handicapped by reluctance of venture capital to invest, while there is such a marked lack of incentive. Industry, with the great asset of a heretofore unmatched physical plant, is menaced by the overhanging threat of oppressive taxation, particularly the iniquitous payroll taxes now in such high favor. It seems that freedom of action once enjoyed under an independent business system, is now a thing of the past. Whether it will be replaced by statism, or by a sort of hybrid economy remains to be seen. But in any event, the Southeast, and its railroads with it, may be relied upon for stability, indeed for progress, during at least the first half of 1950.

CLAUDE A. WILLIAMS

President, Transcontinental Gas Pipe Line Corporation

Natural gas in 1950 will have its biggest year in history.

Marketed production of natural gas for 1950 should be around 5½ trillion cubic feet.

Claude A. Williams

How relatively new a major industry ours is may be shown by pointing out that in 1931 U. S. marketed production of natural gas was 1.7 trillion cubic feet, 2.8 trillion cubic feet in 1941, and 4.6 trillion cubic feet in 1947.

Natural gas provided less than 4% of the energy supply in 1920; but by 1947 it furnished 13.3%.

Among customers of gas utility companies back in 1932 there were eight using manufactured gas to five using natural gas. In 1948 the situation was reversed when there were 11 natural gas customers to eight manufactured gas users.

Leadership in the natural gas industry has passed to the Southwest from the Appalachian region. Texas in 1911 ranked ninth in the production of natural gas, accounting for 1% of the U. S. total. It has been first since 1931. Since 1945 Texas has accounted for about 43% of U. S. total production.

With the upsurge in the use of natural gas there has been some questioning with reference to the adequacy of the natural gas supply.

One of the phenomena of this expanding industry is the fact that up to now estimated known recoverable natural gas reserves have increased faster than consumption. These reserves at the end of 1945 were 147.8 trillion cubic feet; 173.9 trillion cubic feet at the close of 1948. We believe this same experience has been repeated in 1949.

Among the factors contributing to the increase in the use of natural gas is the new system of long distance transmission lines. What might be termed the first modern big interstate gas carrier was a line from the Texas Panhandle to Chicago, completed in 1931.

Since that time the network of natural gas lines has extended swiftly to include most of the United States. Today the natural gas line system exceeds 250,000 miles—more extensive than the nation's railroad system.

This natural gas system is not yet complete. Our own company, Transcontinental Gas Pipe Line Corporation, has under construction a 30-inch line 1,840 miles long which extends from the Rio Grande Valley on the Mexican border to New York City. Due to be completed late this year, our line's ultimate daily capacity of 505,000,000 cubic feet will be the principal supplier for the New York City metropolitan area. It will also serve New Jersey and the Philadelphia metropolitan area. There are other important extensions and new lines under construction or planned for early building.

So cheap is natural gas, so efficient now is long distance gas transmission, that natural gas can be sold competitively on the mid-Atlantic seaboard with coal and fuel oil.

Because natural gas is clean, dependable, and requires no storage customers have long since voted it their favorite fuel.

The natural gas industry is not without its problems. There are threats of taxes and controls aimed to limit the movement of natural gas in interstate commerce.

A potential hazard exists in how the Natural Gas Act, which regulates interstate natural gas lines, is finally amended and interpreted. It is the view of the industry that the final policy on this matter should exclude the producing and gathering of natural gas. Otherwise, those who primarily are producers of oil and gas will be reluctant to sell interstate gas carriers their natural gas. They will want to avoid being declared natural gas companies and having their earnings limited to 6 or 6½ percent on their depreciated investment in what is a very risky business.

What with its problems, can any industry in America today match the natural gas industry in its spirit of adventure and optimism?

NORMAN R. WHITTALL

Director, Ross Whittall Limited, Vancouver, B. C.

With the continuation of ERP at least through 1950 and presuming no serious war scare with Russia, it would appear as if the outlook for business through 1950 can only be favorable. The readjustment that businessmen have been anticipating since the termination of hostilities has already taken place and while employers have at times been afraid to carry large inventories in the hope that wages and, therefore, costs would be readjusted downward, thus enabling them to stock up at a low level, it has become quite apparent that the strength of the labor unions, along with the blessing of the Government will stave off any substantial reduction in wages, and therefore costs. The policy of government is now to create full employment, if necessary, through deficit financing and while the output of this continent has materially increased during the past decade, due to higher wages and more complete employment, the consumptive requirements of this continent are also at a high level.

Norman R. Whittall

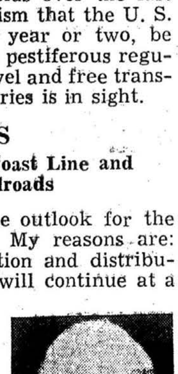
Insofar as Canada is concerned, they have survived the disastrous effects of the last war in a highly creditable fashion, their social troubles have been at a minimum with those experienced in the U.S.A. and the attitude of their legislators has very definitely indicated a swing to the right of the Leftism which has been somewhat apparent in the U.S.A. Primary produce will continue to be sold to U.K. even if it becomes necessary for Canada to provide further steling credits. The development of additional natural resources of great magnitude evidenced by oil in Alberta and iron-ore in Labrador, together with a realization by the people of Canada that they must take steps to consume Canadian coal and utilize Canadian manufactures, as against importing at a loss to Canada of U. S. dollars, bodes well for the future. Two items alone, namely oil and coal, if all produced in Canada, would rectify the adverse Canadian-U. S. A. trade balance which has been customary for many years. The financial outlook in Canada with consistent large government surplus over the last three years appepars to warrant optimism that the U. S. dollar question will, within the next year or two, be eliminated and that a relaxation of the pestiferous regulations regarding foreign exchange, travel and free transfer of securities between the two countries is in sight.

A. L. M. WIGGINS

Chairman of the Board, Atlantic Coast Line and Louisville & Nashville Railroads

As we move into 1950, I regard the outlook for the railroads with increasing confidence. My reasons are:

(1) It is fairly evident that production and distribution of goods for some months ahead will continue at a relatively high level. There was an increase in the backlog of accumulated assets by individuals in 1949. The government is continuing to pay out more money than it takes in and these excess payments will, in part, flow into the purchase of goods. The Federal deficit will also have a contra-deflationary effect, with a result of increasing the supply of funds seeking investment and the continuation of low interest rates.



A. L. M. Wiggins

(2) There is evidence of a growing public demand that the coal situation be cleared up and results may be expected shortly. There is also a reasonable prospect for fairly stable labor conditions and a minimum of serious strikes in the year ahead.

(3) There is increasing awareness on the part of the public of the essentiality of the rail transportation system and of the threats to its progress. The public is beginning to understand the inequities of tax treatment and of subsidies to competing forms of transportation and shows evidence of support of action to remedy some of these inequities.

(4) There is some evidence that governmental authorities dealing with rail transportation are beginning to recognize and to approve the actions of railroad management to eliminate uneconomic operations.

(5) A substantial increase in rail mail pay in 1950 is indicated.

(6) There is some evidence that railroad labor leadership is beginning to recognize some responsibility on the part of labor to give an economic return for compensation paid and that this is necessary for the sound financial operation of the railroads.

(7) The heavy investments made by the railroads during the past few years in improved roadway, equipment and other facilities are beginning to pay off. This will be reflected in further reduction in certain costs in 1950.

(8) Railroad management has been alert during 1949 in finding ways to bring expenses under better control and more in line with reduced revenues. These efforts will continue with good results in the year ahead.

(9) There is some evidence that the attraction of traffic by competing forms of transportation is beginning to level off in certain classifications. Railroad management is more vigorous in its efforts to improve service and attract business than it was a year ago.

(10) There is greater public confidence in the future of the railroads today than during 1949, as is evidenced by the increased demand for railroad securities at declining rates of return.

(11) There is some indication that the trend toward socialization in this country is beginning to slow down. Two years of heavy Federal deficits in years of high national income have shocked the American people into realizing the high costs of governmental service and to the necessity of re-examining our national spending policies.

ROBERT R. YOUNG

Chairman, Chesapeake & Ohio Railway

The President's soothing and all appealing welcome to Congress helps to explain the uninterrupted rally in the financial markets since midyear and forecasts, if nothing else, a tough time for his political opponents in 1950. Sailing so smoothly into such a beautiful harbor even the most conservative critic will hesitate to rock the boat.

Robert R. Young

That harbor, however, is becoming ever more clearly delineated as a Republican approved New Deal of international scope. In our coming period of vulnerability to surprise will it take only moderate disequilibrium at some point on our pulsating perimeter to suggest to our, for the first time personally, exposed policymakers, sitting in Washington like ducks on a pond, that our happy state, for safety's sake, should be made universal?

Here at home, the Brannan Plan promises to push the balloon back in where it is bulging the most, thus preserving a few years longer the delusion that the $60 weekly income of 1949 is a gain over the $30 income of 1939. Actually, if you exclude housing, transportation, and other elements of living cost held down by confiscation of private capital, the purchasing power of the average voter since 1939 has declined. Despite vastly increased productivity, so prodigal have we become overseas that it could not be otherwise.

Thus, the railroads, where volume is so important, promise to skate along a while longer on the thin and melting ice of an economy that is producing more than it can consume, after taxes. Despite their long one way haul to seaboard, the railroads earned a return of only 2.75% on their investment in 1949 and, therefore, accumulated some hundreds of millions of dollars more of deferred maintenance, which the ICC now nonchalantly estimates at $875 million. Even our imperturbable President, diverted by the railroads of Zenda and Graustark, will have difficulty keeping the transportation balls here at home in the air much longer unless he acts quickly on such politically unprofitable things as railway mail pay, commutation fares, consolidation, etc., and requires users of airways, waterways and highways to fork up their fair share of the freight.

Even with full employment, record unemployment relief absorbs politicians of both parties, hence numerous make-work projects are being taken out and dusted off; so, it looks as though we may be headed for another decade of boondoggling, such as the thirties, when craftsmen who might have modernized our railroads were put to shooing starlings. Here is 1950 opportunity for the President's longed for "business investment" of the first order, but it will probably again be ignored.

So critical has the situation become for such key carriers as Pennsylvania and New York Central, under the government's imposition of confiscatory rates and taxes while coddling competition, that it looks as though the only solution that can come in time is wholesale consolidation. In no other way, it seems, can we get expedited through service and eliminate duplications we can no longer afford.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 22	98.2	97.2	94.5	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 22	1,810,300	1,791,900	1,742,100	1,845,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Jan. 7	4,926,700	4,905,500	4,979,200	5,507,650
Crude runs to stills—daily average (bbls.)	Jan. 7	¶5,524,000	5,626,000	5,2_4,000	5,820,000
Gasoline output (bbls.)	Jan. 7	18,710,000	19,051,000	18,219,000	18,278,000
Kerosene output (bbls.)	Jan. 7	2,687,000	2,476,000	2,038,000	2,493,000
Gas, oil, and distillate fuel oil output (bbls.)	Jan. 7	7,348,000	7,591,000	7,037,000	7,824,000
Residual fuel oil output (bbls.)	Jan. 7	8,536,000	8,444,000	7,853,000	9,916,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 7	116,774,000	113,497,000	106,145,000	107,111,000
Kerosene (bbls.) at	Jan. 7	20,215,000	20,838,000	23,397,000	23,249,000
Gas, oil, and distillate fuel oil (bbls.) at	Jan. 7	75,338,000	77,801,000	85,926,000	69,377,000
Residual fuel oil (bbls.) at	Jan. 7	61,601,000	61,675,000	64,476,000	63,346,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 7	§506,947	§495,634	§668,825	721,507
Revenue freight received from connections (number of cars)	Jan. 7	§471,344	§480,233	§592,621	534,516
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 12	$193,494,000	$323,398,000	$119,434,000	$132,583,000
Private construction	Jan. 12	106,668,000	54,479,000	75,379,000	59,243,000
Public construction	Jan. 12	86,826,000	268,919,000	44,055,000	73,340,000
State and municipal	Jan. 12	69,678,000	52,837,000	38,860,000	58,736,000
Federal	Jan. 12	17,148,000	216,082,000	5,195,000	14,604,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 7	5,630,000	*6,385,000	9,250,000	11,585,000
Pennsylvania anthracite (tons)	Jan. 7	401,000	408,000	636,000	1,032,000
Beehive coke (tons)	Jan. 7	22,600	*25,300	13,500	149,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Jan. 7	205	*197	542	272
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 14	6,028,589	5,695,372	5,996,606	5,741,663
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Jan. 12	207	161	161	127
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 10	‡3.837c	3.837c	3.705c	3.720c
Pig iron (per gross ton)	Jan. 10	$45.88	$45.88	$45.88	$46.91
Scrap steel (per gross ton)	Jan. 10	$26.42	$26.25	$27.25	$40.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 11	18.200c	18.200c	18.200c	23.200c
Export refinery at	Jan. 11	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	Jan. 11	77.000c	77.500c	79.000c	103.000c
Lead (New York) at	Jan. 11	12.000c	12.000c	12.000c	21.500c
Lead (St. Louis) at	Jan. 11	11.800c	11.800c	11.800c	21.300c
Zinc (East St. Louis) at	Jan. 11	9.800c	9.775c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 17	104.25	104.54	104.42	101.16
Average corporate	Jan. 17	116.61	116.41	115.82	112.93
Aaa	Jan. 17	121.88	121.88	121.46	119.00
Aa	Jan. 17	120.02	120.02	119.61	117.00
A	Jan. 17	116.02	116.02	115.43	111.81
Baa	Jan. 17	108.88	108.70	107.80	104.83
Railroad Group	Jan. 17	111.61	112.00	110.70	108.34
Public Utilities Group	Jan. 17	117.40	117.20	117.20	113.31
Industrials Group	Jan. 17	120.63	120.43	120.02	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 17	2.19	2.17	2.17	2.42
Average corporate	Jan. 17	2.82	2.83	2.86	3.01
Aaa	Jan. 17	2.56	2.56	2.58	2.70
Aa	Jan. 17	2.65	2.65	2.67	2.80
A	Jan. 17	2.85	2.85	2.88	3.07
Baa	Jan. 17	3.23	3.24	3.29	3.46
Railroad Group	Jan. 17	3.07	3.06	3.13	3.26
Public Utilities Group	Jan. 17	2.78	2.79	2.79	2.99
Industrials Group	Jan. 17	2.62	2.63	2.65	2.78
MOODY'S COMMODITY INDEX	Jan. 17	352.3	350.0	345.8	390.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 7	210,930	147,044	203,493	204,405
Production (tons)	Jan. 7	170,281	111,463	210,286	158,780
Percentage of activity	Jan. 7	74	53	96	79
Unfilled orders (tons) at	Jan. 7	399,645	359,271	421,332	361,252
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Jan. 13	123.2	*124.8	124.9	142.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 31	22,998	20,764	24,869	28,192
Number of shares	Dec. 31	686,555	629,727	744,891	822,815
Dollar value	Dec. 31	$26,374,439	$25,535,429	$29,448,934	$28,943,651
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 31	28,789	26,269	28,973	28,458
Customers' short sales	Dec. 31	136	130	247	58
Customers' other sales	Dec. 31	28,653	26,139	28,726	28,400
Number of shares—Customers' total sales	Dec. 31	837,327	757,493	819,060	808,699
Customers' short sales	Dec. 31	4,701	4,703	9,101	2,358
Customers' other sales	Dec. 31	832,626	752,790	809,959	806,341
Dollar value	Dec. 31	$26,522,220	$27,090,706	$27,623,674	$23,874,279
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 31	348,130	301,540	287,700	239,240
Short sales	Dec. 31				------
Other sales	Dec. 31	348,130	301,540	287,700	239,240
Round-lot purchases by dealers—					
Number of shares	Dec. 31	176,370	174,590	268,420	257,690
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Jan. 10	151.2	*150.5	151.1	161.3
Farm products	Jan. 10	154.6	153.2	154.2	175.8
Foods	Jan. 10	155.9	*154.5	156.5	166.7
All commodities other than farm and foods	Jan. 10	145.2	*155.1	145.3	152.9
Textile products	Jan. 10	137.4	137.4	137.4	145.8
Fuel and lighting materials	Jan. 10	130.4	*130.1	130.4	136.8
Metals and metal products	Jan. 10	169.5	169.5	168.7	175.6
Building Materials	Jan. 10	190.3	190.3	189.8	202.5
All other	Jan. 10	116.2	115.5	115.8	127.0
Special indexes—					
Grains	Jan. 10	160.1	160.4	161.9	170.1
Livestock	Jan. 10	190.2	184.9	185.3	217.4
Meats	Jan. 10	210.7	204.7	207.9	226.0
Hides and skins	Jan. 10	190.1	*191.1	198.6	197.0

*Revised figure. ¶Includes 534,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. §Reflects effect of five-day week effective Sept. 1, 1949.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of October	45,790	49,742	54,526
Stocks of aluminum—short tons—end of Oct.	46,697	53,597	10,263
AMERICAN GAS ASSOCIATION — For Month of October:			
Total gas (M therms)	2,665,170	2,428,633	2,378,766
Natural gas sales (M therms)	2,419,364	2,212,153	2,128,632
Manufactured gas sales (M therms)	162,691	145,741	165,546
Mixed gas sales (M therms)	83,115	70,739	84,588
AMERICAN PETROLEUM INSTITUTE—Month of October:			
Total domestic production (bbls. of 42-gallons each)	169,873,000	161,476,000	187,414,000
Domestic crude oil output (bbls.)	155,908,000	148,206,000	174,581,000
Natural gasoline output (bbls.)	13,935,000	13,259,000	12,805,000
Benzol output (bbls.)	30,000	11,000	28,000
Crude oil imports (bbls.)	15,365,000	11,228,000	12,572,000
Refined products imports (bbls.)	9,080,000	7,460,000	3,876,000
Indicated consumption—domestic and export (bbls.)	186,350,000	185,104,000	184,226,000
Increase—all stocks (bbls.)	7,968,000	‡‡4,940,000	19,636,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM)—(1935-39 Average=100) Month of November:			
Adjusted for seasonal variation	276	276	290
Without seasonal adjustment	339	293	357
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of October (000's omitted)	20,292,563	20,872,186	20,510,530
Revenue from ultimate customers—month of October	$383,250,200	$387,528,700	$367,712,000
Number of ultimate customers at Oct. 31	42,561,789	42,342,413	40,389,677
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of October:			
All manufacturing (production workers)	11,382,000	11,770,000	------
Durable goods	5,676,000	6,062,000	------
Nondurable goods	5,706,000	5,708,000	------
Employment indexes—			
All manufacturing	138.9	*143.7	157.6
Payroll indexes—			
All manufacturing	321.3	*335.0	366.7
Estimated number of employees in manufacturing industries—			
All manufacturing	13,903,000	*14,312,000	15,514,000
Durable goods	7,006,000	*7,416,000	8,393,000
Nondurable goods	6,897,000	*6,896,000	7,121,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of November:			
Contracts closed (tonnage)—estimated	101,583	*158,216	140,794
Shipments (tonnage)—estimated	112,265	*97,488	169,796
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE—Month of December:			
Deliveries (number of cars)	3,330	4,376	9,067
Backlog of orders at end of month (number of cars)	12,086	14,146	103,896
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of October:			
Shipments (short tons)	715,685	880,647	1,148,422
For sale (short tons)	397,939	459,014	642,485
For producers own use (short tons)	317,746	421,633	505,937
Unfilled orders for sale at end of month (short tons)	955,100	980,070	2,522,831
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of December (1935-39 average = 100)	††114.4	††108.2	129.9
METAL OUTPUT (BUREAU OF MINES)— Month of October:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	60,180	*58,006	69,568
Gold (in fine ounces)	203,422	*183,679	167,655
Lead (in short tons)	29,779	*30,534	32,540
Silver (in fine ounces)	2,165,365	*2,212,449	3,174,669
Zinc (in short tons)	37,988	*41,863	52,498
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of December:			
Copper (per pound)—			
Electrolytic, domestic refinery	18.200c	18,062c	23,200c
Electrolytic, export refinery	18.425c	18.290c	23.454c
Lead (per pound)—			
Common, New York	12.000c	12.522c	21.500c
Common, St. Louis	11.800c	12.326c	21.300c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	73.250c	73.250c	70.000c
Silver, London (pence per ounce)	64.000d	64.000d	42.500d
Sterling Exchange (Check)	$2.79750	$2.79750	$4.02750
Zinc (per pound)—East St. Louis	9.753c	9.750c	17.500c
Tin (per pound)—			
New York Straits	79.038c	91.191c	103.000c
New York, 99% min. (§§)	78.038c	90.191c	102.400c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$71.000	$71.870	$82.154
¶Antimony (per pound), (E. & M. J.)	35.280c	35.280c	41.670c
Antimony (per pound), bulk, Laredo	32.000c	32.000c	38.500c
Antimony (per pound), in cases, Laredo	32.500c	32.500c	39.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$69.000	$69.000	$93.000
†Cadmium (per pound)	$2.00000	$2.00000	$2.00000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.05000
§Cadmium (per pound)	$2.15000	$2.15000	$2.10000
Cobalt, 97%	$1.800	$1.800	Not avail.
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	17.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	40.000c
NON-FERROUS CASTINGS (DEPT. OF COMMERCE)—Shipments, month of Oct.:			
Aluminum (thousands of pounds)	29.071	*27.546	35.542
Copper (thousands of pounds)	58,249	60,771	91,311
Magnesium (thousands of pounds)	796	727	708
Zinc (thousands of pounds)	36,418	35,609	¶¶
Lead die (thousands of pounds)	1,278	1,319	1,366
PORTLAND CEMENT (BUREAU OF MINES)— Month of November:			
Production (bbls.)	18,040	*19,069	18,435
Shipments from mills (bbls.)	17,269	21,277	18,110
Stocks (at end of month) (bbls.)	9,340	*3,569	6,399
Capacity used	86%	88%	92%

*Revised figure. †Based on the producer's quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained. ‡‡Decrease—all stocks. ††Preliminary figures. ¶¶Current figures comparable only from June, 1949, to date.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

ABC Vending Corp., N. Y. City (1/25-26)
Dec. 27 filed 200,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Reynolds & Co., New York. **Proceeds**—For new machinery and equipment to expand activities. Expected week of Jan. 23.

American Telephone & Telegraph Co. (1/31)
Jan. 6 filed $200,000,000 of 21-year debentures due Feb. 1, 1971. Underwriters—Names to be determined by competitive bidding. Probable bidders: Morgan, Stanley & Co.; Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly). **Bids**—Expected to be opened at 11.30 a.m. (EST) on Jan. 31. **Proceeds**—Together with other funds, will be used "for advances to subsidiary and associated companies; for the purchase of stock offered for subscriptions by such companies; for extensions, additions and improvements to its own telephone plant; and for general corporate purposes."

Ashland Oil & Refining Co. (1/24)
Jan. 6 filed $15,000,000 of 3% sinking fund debentures due 1970 and 50,000 shares of $5 cumulative preferred stock (no par), of which 30,000 shares are for account of company and 20,000 shares for account of selling stockholders. **Price**—To be filed by amendent. The preferrred probably between $97 and $102 per share, and the debentures between 100% and 103% of principal amount. **Underwriter**—A. G. Becker & Co. Inc. **Proceeds**—From sale of stock, $1,883,747 will be used to reimburse the company's treasury for the cost of 45.53% of the stock of Aetna Oil Co. purchased by Ashland on Nov. 23, 1949, and the balance added to working capital. From sale of debentures, $10,859,767 will be used to prepay outstanding indebtedness of Ashland and its subsidiaries, of Aetna and of Freedom-Valvoline Oil Co. and the balance added to Ashland's general funds. Offering expected Jan. 24.

• **Ashland Oil & Refining Co., Ashland, Ky.**
Jan. 13 filed 33,097 shares of $5 cumulative preferred stock (no par value) and 40,425 shares of common stock (par $1), to be offered in exchange for outstanding preferred and common stocks of Freedom-Valvoline Oil Co. **Underwriter**—None.

Baltimore Trotting Races, Inc.
Dec. 15 filed $1,000,000 5% debenture bonds, due 1970, and 110,000 shares of common stock ($1 par). To be offered at $1,330 per unit, each unit to consist of $1,000 bonds and 110 shares of stock. No underwriter. Proceeds will be used to build a racetrack. Three officers also filed with respect to voting trust certificates for 290,000 shares of common stock, par $1.

Beverly Gas & Electric Co.
Dec. 20 filed 33,000 shares of capital stock (par $25) to be offered to stockholders at the rate of 1½ shares for each two shares now held, at $30 per share. No underwriter. The proceeds will be used to pay off $575,000 of notes held by the New England Electric System and bank loans.

• **Botany Mills, Inc. (1/23)**
Jan. 16 (letter of notification) 2,200 shares of common stock (par $1) for account of selling stockholders. **Price**—At market (approximately $10 per share). **Underwriter**—Lamont & Co., Inc., Boston, Mass.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Israel and Co., New York, N. Y. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. Offering expected in January.

Citizens Telephone Co., Decatur, Ind.
Oct. 21 (letter of notification) $250,000 of 4½% preferred stock. Price $100 each. To be offered initially to common stockholders. No underwriter. For plant and property additions to convert to automatic dial operation. Office: 240 W. Monroe Street, Decatur, Ind.

• **Color Television, Inc., San Francisco, Calif.**
Jan. 6 (letter of notification) 5,000 shares of capital stock (no par) to be sold for five selling stockholders at prices ranging from $7.25 for the first 1,000 shares; second 1,000 at $8.25; third 1,000 at $9.25; fourth 1,000 at $10.25; and last 1,000 shares at $11.25 per share. **Underwriter**—Hooker & Fay, San Francisco. **Office**—30 Sterling Street, San Francisco, Calif.

Columbia Gas System, Inc. (1/23)
Dec. 28 filed 304,998 shares of common stock (no par), representing unsubscribed portion of 1,345,300 shares offered stockholders May 24, 1949. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); Morgan, Stanley & Co.; Shields & Co. and R. W. Pressprich & Co. (jointly); Blyth & Co. and W. C. Langley & Co. (jointly). **Bids**—Bids will be received at the corporation's office, 120 East 41st St., New York 17, N. Y., up to 3:15 p.m. (EST) on Jan. 23. **Proceeds**—For construction.

• **Commercial Discount Corp., Chicago, Ill.**
Jan. 12 (letter of notification) 1,400 shares of $3.50 prior preferred stock, par $50, to be issued in exchange, par for par, for outstanding preferred stock. No underwriter.

• **Community Credit Co., Phoenix, Ariz.**
Jan. 6 (letter of notification) $200,000 certificates of indebtedness, at $1 each. No underwriter. Proceeds to make security loans in connection with general loan and finance business. **Office**—239 North Central Avenue, Phoenix, Ariz.

• **Consumers Power Co., Jackson, Mich. (2/2)**
Jan. 13 filed 454,457 shares of common stock (no par) to be offered to common stockholders at the rate of one share for each 10 shares held, and also to be offered to employees of the company, and its subsidiary, Michigan Gas Storage Co. Rights will expire Feb. 20. **Price**—To be filed by amendment. **Underwriter**—Morgan Stanley & Co. **Proceeds**—For property additions and to repay bank loans incurred for construction. Expected around Feb. 2.

• **(The) Coral Strand, Ltd., Waikiki, Honolulu, Hawaii**
Jan. 11 (letter of notification) 3,600 shares of common stock (no par), to be offered at $10 per share. No underwriter. Proceeds are for working capital. **Office**—2979 Kalakaua Avenue, Waikiki.

Dow Chemical Co.
Nov. 4 filed 175,000 shares of common stock (par $15). **Offering**—On Jan. 4 approximately 105,000 shares offered to stockholders of record Dec. 20 at $44.50 per share on ratio of one new share for each 50 shares held. Rights expire Feb. 1, 1950. Employees of company, its subsidiary and associated companies are also given an opportunity to subscribe for approximately 70,000 shares. **Proceeds**—To be added to treasury funds and used for corporate purposes. **Underwriter**—None. Statement effective Dec. 9.

Duval Texas Sulphur Co., Houston, Tex.
Dec. 21 filed 375,000 shares of capital stock (no par) to be offered to stockholders at $13.50 per share at the rate of ¾ths of a new share for each share held. [The United Gas Corp., owner of 74.71% of the outstanding Duval capital 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 $2,500,000 bank loan, to provide mining and milling facilities to mine potash in Eddy County, N. M. Name changed Dec. 30 by stockholders to Duval Sulphur & Potash Co.

Eastern Harness Racing Club, Inc. (2/1)
Oct. 27 filed 1,000,000 shares (5c par) common stock. Price, $1 each. **Underwriter**—Tellier & Co., New York. **Proceeds**—To purchase, improve and operate the Fort Steuben Raceway. Expected in about two weeks.

Front Range Oil & Drilling Co., Denver, Colo.
Dec. 29 (letter of notification) 1,702,707 shares of common capital stock. **Price**—Par (5 cents each). **Underwriter**—Inter-Mountain Shares, Inc., Denver. **Proceeds**—For drilling of test wells for oil and gas. **Office**—711 Security Bldg., Denver.

• **General Portland Cement Co., Chicago**
Jan. 12 filed 71,913 shares of common stock (par $1), to be sold by five selling stockholders. **Price**—To be filed by amendment. **Underwriter**—White, Weld & Co., New York.

• **Glen-Gery Shale Brick Corp. (1/23)**
Jan. 16 (letter of notification) 12,900 shares of common stock (par 50c) for account of selling stockholders. **Underwriter**—P. W. Brooks & Co., Inc., New York, who reserves the right to sell a portion of these shares to a dealer, a member of NASD, at not less than $3 per share for resale at not in excess of $3.62½.

• **(Adolf) Gobel, Inc., Brooklyn, N. Y.**
Jan. 12 (letter of notification) 45,000 shares of common stock at the market (about $2 per share), for the account of selling stockholders. No underwriter.

• **Guaranty Income Life Insurance Co., Baton Rouge, La.**
Jan. 12 (letter of notification) 10,000 shares of capital stock to be offered to stockholders at $20 per share. No underwriting. Proceeds to increase business. **Office**—Louisiana National Bank Bldg., Baton Rouge, La.

• **(The) Guide Post, Inc., Winnemucca, Nev.**
Jan. 9 (letter of notification) 9,000 shares of common stock, of which 4,500 are to be offered by the company at $10 per share, and 4,500 shares to be offered by Buck Nimy, President. **Proceeds** — For investment purposes. **Office**—Humboldt Star Building, Winnemucca, Nev.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders of the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Idaho Maryland Mines Corp., San Francisco, Cal.
Dec. 12 (letter of notification) 14,000 shares of common stock at $1.90 per share, to be sold by Gwendolyn MacBoyle, executrix for the Estate of Errol MacBoyle, deceased. **Underwriters**—E. F. Hutton & Co. and Davies & Mejia, San Francisco.

Illinois Bell Telephone Co.
Nov. 30 filed 389,982 shares of capital stock (par $100). **Offering**—To be offered to stockholders pro rata at $100 a share. American Telephone & Telegraph Co. will be given the right to buy 387,295 of these shares and the remainder will be offered public stockholders. **Underwriter**—None. **Proceeds**—To pay advances from A. T. & T.

• **Industrial Plan, Inc., of Delaware**
Jan. 9 (letter of notification) 3,086 shares of common stock (par $1) at $1.75 per share. No underwriter. Proceeds are to pay loans and for working capital. **Office**—907 Shipley St., Wilmington, Del.

• **Industrial Plan, Inc. of New Jersey**
Jan. 9 (letter of notification) 3,086 shares of common stock (par $1) at $1.75 per share. No underwriter. Proceeds to pay bank and individual loans (used for expansion), and to provide additional working capital. **Office**—168 West State Street, Trenton, N. J.

Kansas Gas & Electric Co. (3/1)
Jan. 6 filed 82,011 shares of cumulative preferred stock (par $100), to be issued in exchange for existing 7% and $6 preferred stocks on a share-for-share basis, with 7% preferred stockholders also receiving $5 per share in cash. Any unexchanged shares, which will include 5,650 shares to be issued for the preferred stocks presently held in treasury, would be sold to underwriters. **Underwriters**—To be filed by amendment. Probable bidders: Union Securities Corp.; Harriman Ripley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Stern Brothers & Co.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co. The company has applied to Kansas State Commission for exemption from competitive bidding. **Proceeds**—To be used to redeem at $115 and $110 each, respectively, the old 7% and $6 preferred shares not surrendered under the exchange. It is expected that the exchange offer will be made early in February, and that the new stock, which will have a dividend rate of not less than 4.5% and not more than 5% per year, will be issued on or about March 1. The stockholders on Jan. 24 will vote on approving a new authorized issue of 200,000 shares of preferred stock, par $100.

• **Kaye-Halbert Corp., Los Angeles, Calif.**
Jan. 9 (letter of notification) 50,000 shares of common capital stock (par $1). **Price**—$2.50 per share. **Underwriter**—None. **Proceeds**—To consolidate operations and for additional working capital. **Office**—4921 Exposition Blvd., Los Angeles, Calif.

Kerr-McGee Oil Industries, Inc.
Dec. 22 (letter of notification) 1,500 shares of common stock (par $1), for Dean Terrill, selling stockholder. **Underwriter**—Straus & Blosser, Chicago. **Price**—$12 per share.

• **Loomis-Sayles Second Fund, Inc., Boston, Massachusetts**
Jan. 16 filed 25,000 shares of common stock (par $10). Investment manager: Loomis, Sayles & Co., Inc., Boston. Business: An open-end investment company.

Lowell Electric Light Corp., Lowell, Mass.
Dec. 30 filed 55,819 shares of capital stock (par $25). **Offering**—To be offered at $35 per share to common stockholders at the rate of one new share for each three shares held. **Underwriter**—None. **Proceeds**—To repay bank loans, for construction and to make further improvements.

• **Madison Petroleum Co., Basin, Wyo.**
Jan. 10 (letter of notification) 75,000 shares of common stock offered by the company and 75,000 shares by Diane B. Griffith, Treasurer, at $1 each. No underwriter. Proceeds to drill additional oil wells.

NEW ISSUE CALENDAR

January 19, 1950
Southwestern Public Service Co.--------Common

January 23, 1950
Botany Mills, Inc.--------Common
Columbia Gas System, Inc.
3:15 p.m. (EST)--------Common
Glen-Gery Shale Brick Co.--------Common

January 24, 1950
Ashland Oil & Refining Co.--------Debentures
Pacific Gas & Electric Co.--------Preferred
United Gas Corp., 11:30 a.m. (EST)--------Bonds

January 25, 1950
ABC Vending Corp.--------Common
Indiana Harbor Belt RR.--------Equip. Tr. Ctfs.
International Bank for Reconstruction & Development, 11 a.m. (EST)--------Bonds

January 31, 1950
American Telephone & Telegraph Co.
11:30 a.m. (EST)--------Debentures

February 1, 1950
Eastern Harness Racing Club, Inc.--------Common

February 2, 1950
Consumers Power Co.--------Common

February 14, 1950
Western Maryland Ry.--------Equip. Tr. Ctfs.

February 15, 1950
Sharp & Dohme, Inc.--------Preference

February 21, 1950
Greenpoint Coal Docks, Inc.
3:30 p.m. (EST)--------Common

March 1, 1950
Kansas Gas & Electric Co.--------Preferred
Pennsylvania RR.--------Equip. Tr. Ctfs.

March 7, 1950
Gulf States Utilities Co.--------Common
Mississippi Power Co., 11 a.m. (EST)--------Bonds

April 4, 1950
Georgia Power Co.--------Bonds

April 10, 1950
Utah Fuel Co., 11 a.m. (EST)--------Common

● **Messenger Corp., Chicago**
Jan. 11 (letter of notification) 2,000 shares of common stock (par $1), to be sold for the account of Harry M. Messenger, President. **Price**—$11 per share. **Underwriter**—Cruttenden & Co., Chicago. **Office**—1 N. La Salle Street, Chicago.

● **Monona Broadcasting Co., Madison, Wis.**
Jan. 12 (letter of notification) 2,500 shares of class A common stock to be sold at par ($30 per share), the net proceeds to retire debt and for working capital. No underwriter. **Office**—215 W. Washington Avenue, Madison, Wis.

● **My L. A., Ltd., Los Angeles, Calif.**
Jan. 11 (letter of notification) 7,330 shares of class A stock and 1,460 shares of class B stock in units of five shares of class A and one share of class B at $102 per unit. An additional 1,000 shares of class A stock and 200 shares of class B stock will be issued to William Trenk to pay a $20,400 bill and 200 shares of class A and 40 shares of class B to Loeb and Loeb, attorneys. No underwriter. Proceeds to produce a stage play called "My L. A." **Office**—1338½ Miller Drive, Los Angeles 46, Calif.

● **New Jersey Power & Light Co.**
Jan. 16 filed 20,000 shares ($100 par) cumulative preferred stock. **Underwriters**—Names to be determined through competitive bidding. Probable bidders; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.; W. C. Langley & Co.; Lehman Brothers; Drexel & Co. **Proceeds**—For property additions, to replenish working or pay off bank notes. Expected in mid-March.

● **Northern Wholesale Hardware Co., Portland, Oregon**
Jan. 9 (letter of notification) $125,000 10-year certificates of indebtedness, bearing 4% interest, and 100 shares of common stock to be offered at par ($1,000 per share). No underwriter. Proceeds to provide working capital, and retire obligations to stockholders. **Office**—805 N. W. Glisan, Portland, Ore.

● **Northwest Petroleum, Portland, Ore.**
Jan. 9 filed 350 "participating interests in oil" of $500 each, each interest being entitled to 1/3000th part of the interest of registrants in the total production from registrants' oil tracts. Registration statement was filed by Ralph A. Blanchard and George P. Simons. Proceeds are to be used to develop oil interests.

● **Outboard Marine & Mfg. Co., Waukegan, Ill.**
Jan. 9 (letter of notification) 11,900 shares of common stock to be sold by the Estate of Jacob Stern and 1,200 shares by the Estate of Arthur H. Lindsay. **Price**—$15 per share. **Underwriter**—Bache & Co., New York, N. Y. Placed privately.

Pacific Gas & Electric Co. (1/24)
Jan. 10 filed 1,500,000 shares of 4.80% redeemable preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. **Proceeds**—To retire all or part of bank loans outstanding under the company's credit agreement of March 1, 1948, and to finance in part its construction program. **Offering**—On or about Jan. 24.

● **Pitney-Bowes, Inc., Stamford, Conn.**
Jan. 11 (letter of notification) up to 10,000 shares of common stock to be offered to employees under a purchase plan at $11.63 per share. No underwriter. Proceeds are for general working capital.

● **Reeves Soundcraft Corp.**
Jan. 6 (letter of notification) 200,000 shares of common stock (par 5c) to be offered at 25 cents per share to common stockholders. Rights will expire Jan. 25. No underwriter. Proceeds to provide capital to enter the magnetic tape recording field and for general corporate purposes. **Office**—35-54 36th Street, Long Island City 6, N. Y.

● **(E. J.) Scarry & Co., Denver, Colo.**
Jan. 11 (letter of notification) 1,000 shares of 8% preferred stock to be offered at par ($100 per share). No underwriter. Proceeds for expansion and to provide additional working capital. **Office**—1620 Market Street, Denver, Colo.

● **(G. D.) Searle & Co., Chicago**
Jan. 18 filed 246,573 shares of common stock (par $5), of which 26,573 shares will be offered by the company to employees and 220,000 shares will be purchased by a group of underwriters headed by Smith, Barney & Co. from certain large stockholders. **Price**—To be filed by amendment. **Business**—Manufacturer of ethical pharmaceuticals.

Sharp & Dohme, Inc., Philadelphia, Pa. (2/15)
Dec. 9 filed 171,815 shares of cumulative preference stock (no par). **Offering**—Offered in exchange for 229,085⅔ shares of $3.50 cumulative convertible preference stock, series A, at rate of three new shares for each four old ones. Offer expires Jan. 19. **Underwriters**—Alex. Brown & Sons, Baltimore, and Drexel & Co., Philadelphia, who have agreed to purchase from the company up to a maximum of 86,000 shares of $4.25 preference stock which may be offered by the underwriters on or about Feb. 15. **Proceeds**—To redeem at $75 each plus accrued dividends any $3.50 preference stock not surrendered under the exchange. **Business**—Pharmaceuticals. Statement effective Jan. 3.

South Carolina Electric & Gas Co., Columbia, South Carolina
Nov. 22 filed $22,200,000 first and refunding mortgage bonds. Due 1979. **Underwriter**—Names by amendment. **Proceeds**—To redeem a like amount of outstanding bonds. Due 1979. **Underwriter**—Names by amendment (probably Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Union Securities Corp.). Expected in January.

South Pacific Engineering Corp., Portland, Ore.
Jan. 3 filed 5,000 shares of 4% preferred stock (par $100) and 25,000 shares of common stock (no par) to be "offered as a speculation." **Price**—In units of one preferred share and five common shares at $100 per unit. To be sold by salesmen directed by James L. Evans, President, with a $25 per unit selling commission. **Proceeds**—For industrial and mining projects in Oregon and Ecuador.

Southwest'n Public Service Co., Dallas (1/19)
Dec. 30 filed 168,729 shares of common stock (par $1) to be offered common stockholders of record Jan. 18 at the rate of one new share for each eight shares held. Rights will expire Jan. 18. **Underwriter**—Dillon, Read & Co. Inc. **Proceeds**—For construction of additions and improvements and to repay bank borrowings for these purposes. Expected Jan. 19.

Teco, Inc., Chicago
Nov. 21 filed 100,000 shares ($10 par) common stock. **Offering**—These shares are to be offered to holders of common stock in Zenith Radio Corp. at rate of one share for each five held. Underwriter—None. **Proceeds**—For working capital and the promotion of Zenith's "Phonevision" device, whereby television users could pay a special fee for costly television programs by calling the telephone company and asking to be plugged in.

● **Texas Petroleum Co., Dallas, Texas**
Jan. 13 filed $3,000,000 of 4½% senior cumulative interest debentures due 1965; $1,200,000 of 5% junior income debentures due 1970; 32,000 shares of $5 class A cumulative preferred stock (no par), with no rights to dividends until 1956; 52,000 shares of $5 class B cumulative preferred stock (no par), with no rights to dividends until 1956; and 2,000 shares of common stock (no par), represented by voting trust certificates; to be issued under a plan of debt adjustment. Any interest payable on debentures must first be approved by RFC, which recently loaned the company $15,100,000. **Underwriter**—None. **Business**—Oil production.

Tiffin Art Metal Co., Tiffin, O.
Jan. 6 (letter of notification) $98,500 of 4½% sinking fund debentures, due 1964. **Price**—100½% of principal amount. **Underwriter**—The Ohio Co., Columbus, O. **Proceeds**—To buy a lot and building in Toledo for use as warehouse and distributing point. **Office**—2nd and Broad Avenue, Tiffin, O.

● **Transcontinental Oil Co., Inc., Albuquerque, N. M.**
Jan. 13 (letter of notification) 1,000,000 shares of common capital stock (par 10 cents), to be offered at 30 cents per share, the net proceeds to be used to drill wells. No underwriting. **Office**—4012 N. Second Street, Albuquerque, N. M.

United Gas Corp. (1/24)
Dec. 21 filed $25,000,000 of first mortgage and collateral trust bonds, series due Jan. 1, 1970. **Underwriters**—Names to be determined by competitive bidding. **Bids**—Bids will be received by the corporation at Room 2033, No. 2 Rector St., New York 6, N. Y., up to 11:30 a.m. (EST) on Jan. 24. Probable Bidders—Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; The First Boston Corp.; Harriman, Ripley & Co. and Goldman, Sachs & Co. (jointly); Equitable Securities Corp. **Proceeds**—To purchase $18,000,000 of first mortgage bonds, 4% series due 1962, to be issued by United Gas Pipe Line Co., its subsidiary, and for general corporate purposes.

United States Fidelity & Guaranty Co., Baltimore
Dec. 27 filed 300,000 shares of capital stock (par $10) **Offering**—To stockholders of record Jan. 13 at $40 per share at the rate of one share for each 3⅓ shares now held. Rights expire Feb. 1. **Underwriters**—Alex. Brown & Sons, John C. Legg & Co., Stein Bros. & Boyce, and Baker, Watts & Co., all of Baltimore. **Proceeds**—For additional capital and surplus. Statement effective Jan. 13.

● **Universal Jet Industries, Inc., Fresno, Calif.**
Jan. 12 (letter of notification) 10,000 shares of non-assessable common stock to be offered at par ($10 per share). Proceeds to develop patent applications and for engineering research, and equipment. **Office**—P. O. Box 4, Hammer Field, Fresno, Calif.

Upper Peninsula Power Co.
Sept. 28, 1948 filed 154,000 shares of common stock (par $9. **Underwriters**—SEC has granted exemption from competitive bidding. An investment banking group managed by Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Paine, Webber, Jackson & Curtis, may be underwriters. **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively.

● **Utah, Inc., Huntington, Ind.**
Jan. 11 (letter of notification) 1,200 shares of capital stock at $25 per share. No underwriter. Proceeds for working capital. **Office**—1123 E. Franklin Street, Huntington, Ind.

Younker Brothers, Inc., Des Moines, Ia.
Nov. 4 (letter of notification) 1,000 shares (no par) stock, to be sold at $27.50 each. **Underwriter**—T. C. Henderson & Co., Des Moines. **Proceeds**—To selling stockholder.

Prospective Offerings

American Telephone & Telegraph Co.
Dec. 21 directors voted to make a third offering to employees of the company and its subsidiaries of up to 2,800,000 shares at a price of $20 per share less than the market price when payment is completed, but not more than $150 nor less than $100 per share.

● **Carolina Power & Light Co.**
Jan. 13 directors approved for 1950 a construction program costing $18,000,000 as part of the company's $80,000,000 postwar expansion program.

Central Maine Power Co.
Dec. 27 it was reported that a block of common stock of this company now owned by New England Public Service Co. may reach the marketing stage this spring.

Chattanooga Gas Co.
Jan. 3 stock interest in this company (7,500 shares of common stock), par $100, was authorized by the SEC to be sold by Southern Natural Gas Co. to Equitable Securities Corp. for $1,875,000, subject to the condition, among others, that the latter dispose of said stock in 12 months.

Colorado Interstate Gas Co.
Jan. 7 it was reported that 531,250 shares of common stock (42½% of total outstanding), which was purchased in 1948 by group headed by Union Securities Corp., may be reoffered early this Spring.

Commonwealth Edison Co., Chicago
Jan. 10, announced the company plans $90,000,000 additional financing through the sale of securities. Neither the nature nor the time of the new financing has been determined. Probable bidders for bonds or debentures: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co.

● **Consolidated Edison Co. of New York, Inc.**
Jan. 13 company officials estimated at $96,000,000 new money financing required through 1953. Indications were that short-term bank loans of $12,000,000, plus treasury funds, will be sufficient to carry construction program through until next fall before permanent financing will be necessary. Refunding of $5 preferred stock (1,915,319 shares outstanding) is also reported to be under study.

● **Delaware Power & Light Co.**
Jan. 17 company announced that it plans to spend $25,000,000 this year for construction in continuance of the five-year $60,000,000 expansion program of the company and its subsidiaries, Eastern Shore Public Service Co. of Maryland and of Virginia.

Continued on page 94

Continued from page 93

● **East Tennessee Natural Gas Co.**
Jan. 10 reported company will shortly file with the SEC a new issue of securities, the proceeds of which would be used for the laying of a pipe line into the Oak Ridge, Tenn., plants. Financing may total about $2,750,000, to include preferred and common stocks. Probable bidders: White, Weld & Co.; Equitable Securities Corp.; F. S. Moseley & Co.; Elder & Co.

● **Georgia Power Co. (4/4)**
Jan. 17 reported company expects to file a registration statement with the SEC on March 3 covering $15,000,000 of debt securities. Bids are scheduled to be received on April 4. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Equitable Securities Corp., and Shields & Co. (jointly). Proceeds—To finance construction program.

● **Greenpoint Coal Docks, Inc. (2/21)**
Jan. 17 announced bids will be received by 3:30 p. m. (EST) on Feb. 21 for the purchase from the Attorney General of the United States, as a whole, of 2,500 shares of common capital stock (all of the outstanding stock of the corporation). Bids must be received at the Office of the Alien Property Custodian, 120 Broadway, New York 5, N. Y.

● **Gulf, Mobile & Ohio RR.**
Jan. 12 reported planning offering of about $3,500,000 equipment trust certificates next month. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., and Lehman Brothers (jointly); Lee Higginson Corp.; Harris, Hall & Co. (Inc.).

● **Gulf States Utilities Co. (3/7)**
Jan. 16 filed an application with the FPC seeking authority to issue and sell $6,000,000 of common stock. Offering tentatively expected March 7. To be effected through competitive bidding. Probable bidders: Dillon, Read & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp., and Equitable Securities Corp. (jointly).

Indiana Harbor Belt RR. (1/25)
Dec. 15 company reported to be planning the issuance of $1,800,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.). Expected about Jan. 25.

International Bank for Reconstruction & Development (1/25)
The bank has called for redemption on Feb. 17, 1950, its $100,000,000 10-year 2¼% bonds due July 15, 1957, and intends early this year to replace them with an issue of like amount that will mature 1953 to 1962 at the rate of $10,000,000 annually. **Bids**—Bids for the new issue will be received by the Bank at Room 520, 33 Liberty St., New York, N. Y., up to 11 a.m. (EST) on Jan. 25. Four banking syndicates are expected to bid for the new issue of serials. One group is to be headed by Chase National Bank, The First Boston Corp., Salomon Bros. & Hutzler and C. J. Devine & Co., Inc. A second group will be headed by National City Bank, Kuhn, Loeb & Co. and J. P. Morgan & Co. Incorporated. The third will be headed by Bankers Trust Co. and Morgan Stanley & Co. The fourth group is Halsey, Stuart & Co. Inc.

● **Iowa Public Service Co.**
Jan. 10 reported that corporation plans to issue and sell in March approximately 42,000 shs. of preferred stk., the net proceeds (approximately $5,000,000) to pay for construction costs, etc. Probable bidders: A. C. Allyn & Co.; Harriman Ripley & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and Bly & Co. (jointly); Equitable Securities Corp.; Lehman Brothers; White, Weld & Co.

● **Jamaica Water Supply Co.**
Jan. 31 stockholders will vote on approving issuance of 50,000 additional shares of common stock on a 1-for-2 basis, the unsubscribed shares to be sold to underwriters at subscription price. It is also planned to issue and sell $7,995,000 first mortgage bonds at competitive bidding. Probable bidders—Halsey, Stuart & Co., Inc.; White, Weld & Co.; Blyth & Co., Inc.; W. C. Langley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhodes & Co. Proceeds to retire $5,745,000 first mortgage 3¾% bonds, series A, and $1,250,000 of first mortgage 3¼% bonds, series B, and for other corporate purposes.

● **Kansas City Power & Light Co.**
Jan. 11 announced 1,906,748 shares of common stock would be offered for subscription by United Light & Rys. Co. on a 3-for-1 basis, according to plan for liquidation and dissolution of latter company and Continental Gas & Electric Corp.

Laclede Gas Light Co.
On Jan. 26 stockholders will consider authorizing a new issue of 480,000 shares of preferred stock (par $25), of which 160,000 may be presently issued, and on changing name of company to Laclede Gas Co. Probable bidders; The First Boston Corp. and Blyth & Co., Inc. (jointly); Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—To be used to finance part of $20,000,000 construction program planned over the 1950-1953 period.

Lone Star Steel Co., Dallas, Texas
Dec. 13 announced company plans to issue and sell $5,000,000 10-year first mortgage bonds and to raise an additional $2,000,000 through the issuance to present stockholders of rights to subscribe for 592,185 additional shares of common stock. **Underwriters**—Dallas Rupe & Son, Dallas, and Straus & Blosser, Chicago. **Proceeds**—To retire present indebtedness, finance the construction of a cast iron pressure pipe plant, and for other corporate purposes. Registration with SEC expected this month.

Metropolitan Edison Co.
Nov. 30 reported company plans to issue and sell, probably in February, to help finance its 1950 construction program, $7,000,000 first mortgage bonds due 1980 and 30,000 shares of $100 par preferred stock, at competitive bidding. Probable bidders: Drexel & Co.; Harriman Ripley & Co. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; Halsey, Stuart & Co. Inc. (bonds); Kidder, Peabody & Co. (bonds); White, Weld & Co. (bonds); Smith, Barney & Co. and Goldman, Sachs & Co. (jointly on pfd.); Glore, Forgan & Co. and W. C. Langley & Co. (jointly on pfd).
Stockholders on Feb. 21 will consider increasing the authorized preferred stock from 185,000 shares to 215,000 shares.

● **Mississippi Power Co. (3/7)**
Jan. 16 it was announced that this company expects on Feb. 3 to file a registration with the SEC covering $3,000,000 first mortgage bonds. Bids are scheduled to be opened at 11 a. m. (EST) on March 7. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Corp., and Shields & Co. (jointly). Proceeds—To finance construction programs.

● **Mississippi Valley Public Service Co.**
Jan. 10 reported company has received permission from Wisconsin P. S. Commission to issue $3,700,000 first mortgage bonds. Traditional underwriters: Merrill Lynch, Pierce, Fenner & Beane; Carter H. Harrison & Co. Proceeds to retire outstanding bonds and to pay, in part, for construction.

New Jersey Bell Telephone Co.
Company filed Dec. 8 with the New Jersey State Board of Public Utility Commissioners a plan for financing $65,000,000 of construction. Company proposes to sell $50,000,000 in common stock and $15,000,000 in long-term bonds to meet plant and installation costs. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Shields & Co.; First Boston Corp.; White, Weld & Co.

Pacific Power & Light Co.
Dec. 24 reported that company's tentative plans call for funding of $9,000,000 bank loans, probably in March. On Sept. 15 it was said plans to do some permanent financing of approximately $7,000,000 through the sale of additional first mortgage bonds to retire outstanding notes and to finance its construction program had been postponed to about May 1, 1950. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; White, Weld & Co. and Harris, Hall & Co. (Inc.) (jointly); Carl M. Loeb, Rhoades & Co.

● **Pacific Telephone & Telegraph Co.**
Dec. 15 company announced a plan to offer to its stockholders the right to subscribe for 814,694 additional shares of common stock at the rate of one share for each six shares of common or preferred held. American Telephone & Telegraph Co. owns 3,732,493 shares, or 91% of the 4,068,165 common shares outstanding, and 640,957, or 78.17%, of the 620,000 6% preferred shares. Proceeds will be used to retire bank loans and to provide for additional expansion, additions and improvements. The stockholders March 2 will consider increasing the authorized common stock from 5,000,000 to 6,500,000 shares.

Pennsylvania RR. (3/1)
Jan. 9 it was reported company would probably be in the market about March 1 with $10,200,000 additional equipment trust certificates series Y. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman, Ripley & Co. Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); First Boston Corporation. Jan. 9 also reported company is expected to take care of additional equipment financing through issuance of series Z certificates.

Seaboard Air Line RR.
Dec. 9 reported that company has under consideration the refunding of its long-term first mortgage 4% bonds involving not less than $30,000,000. Probable bidders include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers; First Boston Corp.; Harriman Ripley & Co., jointly.

Southern California Edison Co.
Jan. 9 W. C. Mullendore, President, said company during 1950 plans to spend approximately $51,500,000 for new plant and replacements. A nationwide investment banking group, jointly headed by The First Boston Corp. and Harris, Hall & Co. (Inc.) on May 18, 1949 offered $20,000,000 of common stock, par $25.

Southwestern Public Service Co.
Dec. 10 reported company plans to sell about $2,500,000 of debentures and is said to be considering plans to refund some of its privately-held indebtedness. Traditional underwriter, Dillon, Read & Co. Inc.

Staten Island Edison Corp.
Jan. 5 General Public Utilities Corp. applied to the SEC for an exemption from competitive bidding to sell the entire common stock (325,000 shares) of Staten Island Edison Corp., through a negotiated sale. GPU plans to make a $4,000,000 capital contribution to Metropolitan Edison Co., of Reading, Pa., and a $650,000 capital contribution to New Jersey Power & Light Co., of Dover, N. J. The contributions are intended to aid the two subsidiaries in financing their construction programs. Probable bidders may include W. C. Langley & Co. and Union Securities Corp. (jointly); Lehman Brothers; Stone & Webster Securities Corp. and White, Weld & Co. (jointly); First Boston Corp.; Kidder, Peabody & Co.

Utah Fuel Co. (4/10)
The referee will offer at public auction at 11 a.m. on April 10 all of the 100,000 outstanding shares of stock of this corporation at the Guaranty Trust Co. of New York, 140 Broadway, New York. **Business**—Mining of coal in Utah and Colorado and manufacturing of coke in Utah and sale of said products.

Western Maryland Ry. (2/14)
Jan. 9 company was reported to be planning the issuance of about $2,500,000 equipment trust certificates on or about Feb. 14. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Lee Higginson Corp.

Our Reporter's Report

Institutional investors, it is becoming quite evident, must reconcile themselves to the prospect of low yields on high-grade corporate offerings for some time to come.

For a brief period a year or so back it appeared that the investment market might have been passing its peak in prices and the trough in yields. But with the shift of the Federal Reserve and the Treasury back to an all-out "cheap money" basis toward the start of the summer, the hardening tendencies in interest rates was not only arrested, but reversed.

In the months since that time gilt-edge liens have pushed steadily ahead in price with corresponding reductions in yields. And now we are back to a point where some borrowers can obtain 30-year mortgage money on a 2.66% yield basis to the investor.

Bank officials have been telling their stockholders at current annual meetings of the problem of securing satisfactory returns on their investments and underwriting bankers are once more up against the choice of "bidding-through-the-nose" or just foregoing new business as it develops.

Money is in plentiful supply and seeking employment. This is especially true in the case of large institutional investors, such as insurance companies and the growing new element, pension funds, which must keep themselves invested at the best rates possible.

Niagara Mohawk Bids

The big new up-state utility's offering of $40,000,000 of new 1st mortgage 30-year bonds brought out a total of four bids from investment banking groups.

These ranged all the way from the high of 101.26999 down to a low of 100.63, all for a 2.75% coupon. It marked the first public financing by the Niagara Mohawk Power Corp., formed recently as a consolidation of Buffalo, Niagara Electric Corp., Central New York Power Corp., and New York Power & Light Corp.

The successful group fixed a reoffering price of 101.85 for the bonds indicating a net yield to the investor of 2.66%. Reports indicated that the bonds were moving, but a bit slow, with one big western insurance firm mentioned as a substantial buyer.

Big Stock Issue

Meanwhile, Middle South Utilities Corp. opened bids for a block of 640,000 shares of additional common stock and found five banking syndicates in the running for the issue.

In this case the successful group paid the company a price of $18.545 a share for the stock and fixed a public offering price of $19¼ less 35 cents a share to dealers.

Good progress was reported being made in the distribution of this issue, which closed on Tuesday a fraction under the offering price.

Term Loan Bidding

Underwriting bankers are inclined to fret a bit these days for fear that they may be facing a new run of competition in their job of raising funds for corporate borrowers.

Competitive bidding for term loans, bringing in the commercial banks as competitors, is the latest development to add to their woes.

It has been common practice for potential borrowers on a short-term basis to shop around for funds they seek. But Consolidated Natural Gas Corp. went a step further recently.

This enterprising borrower sent invitations to a dozen or more banks, most of them in New York, to bid for a $14,000,000 loan to run for five years, and received bids ranging from 2 to 2.35%.

Term bank loans were increasing in popularity prior to the war, but the call for bids on such business gives it an entirely new twist.

Securities Salesman's Corner

By JOHN DUTTON

I have sometimes thought that selling securities is somewhat like persuading a child to take castor oil. Often your prospect, or your customer, would rather eat candy; although a good, stiff dose of medicine is what he really needed. Many people **think** they know how to invest money successfully. But in the aggregate they know so little about the specialized field of money management that the financial graveyards are full of such failures. Many of them even after grievous losses are still unwilling to admit that they just do not know as much as they think they know.

So the salesman's task is twofold: He must not only sell his customer, but he must educate and he must lead. It is not enough to make the sale. The proper securities must be sold—they must be watched—they must be acquired at the right time—disposed of at the right time—and despite the utmost of care and experience, it must also be understood that no one on earth can be right all of the time, but through sound advice and the exercise of good judgment, the overall average should be such as to preserve capital through thick and thin.

So that is the problem in a generalized way. What is the basis for achieving a relationship between customer and salesman, that eventually evolves into a harmonious working together toward a high degree of investment success on the part of the customer? First comes **tact.** Once we were talking with an investor for the first time in his home. The discussion was held in the evening in his living room, and his wife silently sat by and listened. Immediately, it became apparent, that here was a man who was very anxious to show his wife that he knew a great deal about investments and securities, etc. In fact, he was taking great delight in discussing various stocks and bonds in a most superficial way. It was obvious that he had convinced his wife that he was a very astute investor. I made the mistake of mentioning to him that although a specific common stock was then selling about 45, it was because there had been a reverse split-up on a one-for-ten basis, and that the stock had not recovered from its very low price of several dollars a share on the company's general improvement in earnings, etc., which he had just previously and proudly proclaimed. Although I thought I corrected him tactfully I found out then **that you can never tactfully correct anyone in front of his wife.** So, first of all, comes **tact;** and you must always use it, never letting up for one minute in the realization that those who know the least are often the most stubborn in their egotism.

And next comes **respect.** If another man begins to see that you do know what you are doing —that you will not compromise with sound principles, and that your firmness is based upon a conviction that the only way you can ever do business with him is to do things which will redound to **his benefit,** you are in! No one can tell you how to convey this feeling to another but it will come about automatically if you believe this way yourself.

The other day I saw the following on a friend's desk. If we could do all these things and at the same time know our job well, then I feel sure that this interesting and complicated profession of securities salesmanship would be even more so for most of us:

Five Memory Gems

Be Brief—Politely
Be Aggressive—Tactfully
Be Emphatic—Pleasantly
Be Positive—Diplomatically
Be Right—Graciously.

LIQUIDATION NOTICES

The First National Bank of Winsted, located at Winsted, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

CLARENCE H. BUNNELL, Liquidating Agent.

Dated December 9, 1949.

The Hurlbut National Bank of Winsted, located at Winsted, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

EDWARD F. McARDLE, Liquidating Agent.

Dated December 9, 1949.

Halsey, Stuart Group Offers Niagara Mohawk Power $2\frac{3}{4}$% Bonds

An underwriting group headed by Halsey, Stuart & Co. Inc. today (Jan. 19) is offering $40,000,000 Niagara Mohawk Power Corp. general mortgage bonds, $2\frac{3}{4}$% series due 1980 at 101.85% and accrued interest. The bonds were awarded Jan. 18 at competitive sale on the group's bid of 101.26999%.

Proceeds from the sale of these bonds will be used to repay $38,500,000 of bank loans obtained in 1948 and 1949 in connection with the construction program of constituent companies and to finance in part the company's construction program.

The bonds are redeemable at any time at prices ranging from 104.85% to 100%. They also are redeemable through a debt retirement at prices from 103.55% to 100%.

Niagara Mohawk Power Corp. is engaged in the electric and gas utility business in New York State. On Jan. 5, 1950, the Buffalo Niagara Electric Corp., Central New York Power Corp. and New York Power & Light Corp., constituent companies, were consolidated under the name of Niagara Mohawk Power Corp.

The company renders electric service to residential, farm, commercial and industrial customers in an area of New York State having a total population of approximately 2,800,000. Principal cities served are Buffalo, Syracuse, Albany, Utica, Schenectady, Niagara Falls and Troy. Territory served by the company with gas has a population of about 1,120,000. The company owns and operates an interconnected distribution system serving the public with natural gas in Syracuse, Oswego and Fulton and certain adjacent municipalities. The company also serves the public with manufactured gas in Albany, Schenectady and Troy, as well as Utica, Rome, Oneida and Little Falls and certain adjacent municipalities.

DIVIDEND NOTICES

Burroughs

197th CONSECUTIVE CASH DIVIDEND

A dividend of twenty cents ($.20) a share has been declared upon the stock of BURROUGHS ADDING MACHINE COMPANY, payable Mar. 10, 1950, to shareholders of record at the close of business Feb. 10, 1950.

Detroit, Michigan
January 13, 1950.

Sheldon F. Hall, *Secretary*

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 44

A dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable March 11, 1950 to stockholders of record at the close of business on February 27, 1950.

H. D. McHENRY, Secretary.

Dated: January 19, 1950.

Lester La Fortune

LAS VEGAS, CALIF. — Lester La Fortune has opened offices at 116 South Fifth Street to engage in a securities business.

A. R. Grossman in NYC

A. R. Grossman & Co. is engaging in a securities business from offices at 60 Broad Street, New York City.

DIVIDEND NOTICES

DIVIDEND NO. 41

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar ($1.00) (Canadian) per share has been declared on the Capital Stock of this Company, payable March 13, 1950, to shareholders of record at the close of business on February 10, 1950.

H. E. DODGE, *Treasurer.*

DIVIDEND NOTICES

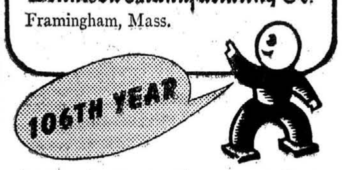
DEBENTURE: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Feb. 1, 1950, to stockholders of record Jan. 23, 1950.

"A" COMMON and VOTING COMMON: A quarterly dividend of 25 cents per share on the "A" Common and Voting Common Stocks will be paid Feb. 15, 1950, to stockholders of record Jan. 23, 1950.

A. B. Newhall, *Treasurer*

Dennison Manufacturing Co.

Framingham, Mass.



GOODYEAR

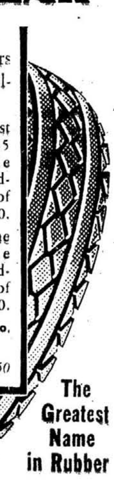
DIVIDEND NOTICE

The Board of Directors has declared today the following dividends:

$1.25 per share for the first quarter of 1950 upon the $5 Preferred Stock, payable March 15, 1950 to stockholders of record at the close of business February 15, 1950.

$1.00 per share upon the Common Stock, payable March 15, 1950 to stockholders of record at the close of business February 15, 1950.

The Goodyear Tire & Rubber Co.
By W. D. Shilts, *Secretary*
Akron, Ohio, January 16, 1950



The Greatest Name in Rubber

COMING EVENTS

In Investment Field

Jan. 30, 1950 (Chicago, Ill.)
Bond Traders Club of Chicago annual winter dinner at the Furniture Club of America.

Feb. 1, 1950 (Kansas City, Mo.)
Bond Traders Club of Kansas City winter dinner at The Muehlebach Hotel.

Feb. 2, 1950 (St. Louis, Mo.)
Security Traders Club of St. Louis winter dinner.

Feb. 3-5, 1950 (Chicago, Ill.)
Investment Bankers Association winter board meeting — Edgewater Beach Hotel.

Feb. 11, 1950 (New York City)
Friday Night Bond Club 14th annual dinner dance at the Hotel St. George, Brooklyn.

Feb. 26-27, 1950 (Washington, D. C.)
National Association of Securities Dealers, Inc. annual meeting at the Shoreham Hotel.

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

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

With Luckhurst & Co.

BOSTON, MASS. — Arthur G. Fitzgerald is connected with Luckhurst & Co. of New York City.

FINANCIAL NOTICE

REPUBLIC OF CHILE

Service of Bonds of the External Debt

The Caja Autónoma de Amortización de la Deuda Pública, in accordance with the readjustment plan for the service of the external debt approved by Law No. 8962 of July 20, 1948, and published in New York on December 7, 1948, announces that holders of bonds in dollars, pounds sterling and Swiss Francs of the direct and indirect external debt of the Republic and the Municipalities covered by Law No. 5580 and which have assented to the new plan under the aforesaid Law No. 8962, have been paid interest for the year 1949 at the rate of $20. per $1,000. bond.

The following principal amounts of bonds were amortized during the year 1949 with the sum of US$2,531,000 assigned under the aforesaid Law No. 8962 for amortization: £296,900, US$6,138,000 and Swiss Francs 8,955,000. These bonds were retired from circulation.

After making these amortizations the balance of principal amounts of bonds of the external debt was as follows: £22,426,482, US$119,547,000 and Swiss Francs 97,722,100.

The Caja Autónoma de Amortización de la Deuda Pública, in accordance with the provisions of Article 3 of Law No. 8962, also announces that holders of bonds of the external debt who assent to the plan of service of old Law No. 5580 and who do not accept the new plan under Law No. 8962, will be entitled to receive for the year 1949 interest at the rate of $11.259 per $1,000 bond, calculated on the basis provided in Law No. 5580 with respect to the following revenues:

Participation in the profits of the Corporación de Ventas de Salitre y Yodo of Chile	US$4,287,412.00
Share in the taxes on income of the 4th category of copper companies	228,573.44
Share in tax on importation of petroleum for the nitrate industry (Article 7th of Law No. 6155 of January 6, 1938)	67,931.98
Share in tax on importation of petroleum for the copper companies (Article 7th of Law No. 6155 of January 6, 1938)	74,906.19
	US$4,658,823.61

Holders of bonds assented to Law No. 5580 will be entitled to receive the aforesaid payment of $11.259 per $1,000 bond on and after February 1, 1950, against presentation and surrender for cancellation of the two coupons corresponding to said payment, together with an appropriate letter of transmittal, at the office of the correspondent of the undersigned in New York City, **Schroder Trust Company, Trust Department, 57 Broadway, New York 15, N. Y.** Letters of transmittal may be obtained at the office of said correspondent.

CAJA AUTÓNOMA DE AMORTIZACIÓN DE LA DEUDA PÚBLICA

AUGUSTO MERINO S., *General Manager*
PEDRO CASTELBLANCO A., *President*

January 17, 1950.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Keep a sharp eye on the final outcome of that quick, slick trick pulled by the conservative Rules Committe right under Harry Truman's nose, so to speak. Keep an eye upon it, because the final outcome and what lies underneath it will furnish the tip-off to much of the legislative pattern for the 1950 session of Congress.

The Rules Committee has for many years been not only the traffic policemen for the House's legislative business, but has been the group ordained to take the rap for throttling all the crackpot schemes everybody proposed and was afraid to vote against—when once they came to a vote. The Rules Committee bailed out all the little children by simply failing to grant a special rule making it possible to take up the legislation out of order, or hence to get it to a vote at all.

Since the 80th Congress was stubborn about understanding the wisdom, as Mr. Truman saw it, of his many schemes and the House Rules Committee was the vehicle by which most of Mr. Truman's schemes were at that time throttled, the Administration determined a year ago to perform a prompt neutralizing operation on that committee.

This was done, on Jan. 3, 1949. At Speaker Rayburn's request, the "21-day" rule was adopted. Under this new rule, if a legislative committee fails to get a rule from the Rules Committee for its bill, then the Chairman of the Legislative Committee concerned can within 21 days force House consideration and a vote. So the Rules Committee was neutralized.

What legislative successes Mr. Truman achieved in 1949 were in no small part attributed to that new rule. Deprived of its power to bottle up legislation, the Rules Committee let some stuff out that might never otherwise have seen the light of day.

On Friday of last week the Rules Committee met to "clear" for House action Mr. Truman's Federal FEPC proposition. Although Chairman Sabath of the Rules Committee was assuring the White House of the prospects of favorable action, the Committee suddenly voted to restore the Rules Committee's excised virility, recreating its veto power to what it was prior to Jan. 3, 1949. This was done by a 9 to 2 vote, with even a Democratic member installed last year by Speaker Rayburn to help give the Truman brand of enlightenment to the Rules Committee, voting to repair the operation of a year ago.

Before this power to veto action is in fact restored, it must be ratified by a majority of the House. So the first thing to note is whether the House goes along with the Rules Committee and undoes the damage of a year ago. If this happens, it means that many a nice billion-dollar proposition which might otherwise make great progress, such as, say, a veteran's bonus, won't get beyond the preliminary stages this year.

The next thing to keep an eye upon is what kind of a fight, if any, the Administration makes to retain the 21-day rule. Members of the House speculated that it was strange that such a savvy guy with so many scouts as Speaker Rayburn has, was "surprised" by this apparently sudden action of the Rules Committee to restore its veto power. They don't pretend to know, but they suspicion that maybe the Speaker might not have felt too bad at being surprised, before he could do anything to stop the move.

If this should be the case, then maybe it either means that the Speaker, a 95% Truman supporter, is getting a little sick of the game, or that the White House perhaps after all would like to have a little help in throttling the crazier legislation.

There will be a better test of this, however, shortly. If the White House doesn't pass the word to Majority Leader John McCormack to delay calling up the new rule change (in which case it might already be approved between writing and publication), OR, if the White House doesn't put up a vigorous fight, then the thing will pass easily.

So this is the second thing to watch. If the Administration forces put up only a sham battle for the 21-day rule, then it means that the Administration is in fact moving toward a peaceful session, toward a year in which it will talk Fair Deal but make only such gestures as will keep the brand of merchandise before the voters.

If the Administration does fight the ending of the 21-day rule, it means the White House is more determined that the mild opening messages would indicate, to get action on its vast program this year.

On the other hand, if the Administration fights against ending the 21-day rule and loses, that would mean clearly that the Administration was losing its grip on Congress. The best preliminary judgment of professional politicians is that if the White House throws all its weight behind retention of the 21-day rule, it can keep it. It originally was adopted in 1949 by a vote of 225 Democrats plus 49 Republicans, with 111 Republicans and 25 Democrats opposed.

Without White House intervention, a nose-count suggests the ending of the 21-day rule and restoration of the Rules Committee veto power by a majority of 50.

An irony of the fight is that the Rules Committee may not get its power restored until after the FEPC bill gets to the House floor under the 21-day rule.

* * *

Under the compromise bill worked out to provide a reduction in the cost of the Federal Deposit Insurance assessment to insured banks, the banks would get under present circumstances a reduction in fact approaching 55% to 60%.

The compromise bill, worked out by Senator Burnet R. Maybank, who withheld action last year at the FDIC's request, provides that of the FDIC's assessment income, 60% shall be credited to member banks after FDIC's operating expenses have been deducted plus current losses, if any, plus a reserve for losses.

Under present conditions FDIC collects about $120 million in assessments. It is believed that about $6 million would provide for all the deductible items. This would leave $114 million at the end of each year which could be credited against each year's succeeding assessment liability. Insured members would get 60% of this.

If FDIC losses should rise for any reason, of course, then the credit under this formula would shrink.

On the other hand, FDIC still has a substantial annual increment added to its capital funds built up to meet future losses. The income from FDIC's investments runs around $25 million a year. This is untouched. It is added to FDIC's resources. So is the 40% of assessment income, or some $45 million a year, suggesting a net addition to resources of not less than $70 million per year.

Senator Maybank and others, however, are inclined to feel that the circumstances justify a greater reduction in deposit insurance assessments. It is understood that they will seek to carry an amendment increasing this percentage.

These Senators will be backed by bankers and presumably also by the Federal Reserve Board, which also opposes a minor facet of the proposed legislation.

The compromise formula preserves to FDIC the assessment rate of 1/12 of 1% unchanged. Hence, if for any reason in any year substantial losses should develop, FDIC avoids the necessity of having to ask for a boost in the assessment rate, as it would have had to have done under bills considered last year. These proposed statutory reductions in the assessment rate.

* * *

Senator Paul H. Douglas's Joint Economic subcommittee Monetary Report is likely to be a single shot dud. The Illinois welfare economist and Senator virtually adopted the Federal Reserve line for increased power for the System over money and credit, including the reserve requirements of all banks, state-chartered nonmembers, which accept deposits.

Congress does not regard monetary powers as a pressing problem in 1950, when time is so scarce, and is most likely to duck legislation on this subject. Even the intervention of the President, in his Economic Report message, on behalf of greater Reserve Board powers, is unlikely under present circumstances to change this outlook for inaction.

Senator Douglas also adopted the idea of compensatory fiscal policy enunciated at a November hearing where some of the best university economists of the country were called to testify. They phrased the idea that the government should tax more and spend less in boom times, tax less and spend more in depressions — phrased in a dozen pages of choice big words.

This idea the Illinois Senator and his subcommittee staff of other PH D's adopted whole hog

The Senator was asked if the position taken by the President in his Budget message, that the Federal Government should not attempt to balance the Budget, but only make an "approach toward" balancing it if in a few years the economy expanded, did not discourage the Senator as to the practical nature of his theory of compensatory fiscal policy.

Mr. Douglas replied that, of course, he believed that the Budget should and could be balanced. He said that he was not ashamed to be an advocate of the Welfare State, which he said could be achieved within a balanced Budget.

Yet, Senator Douglas said, this recommendation was not related to the present situation, but was something for the future.

He also added in his report, his voice to that of the President's, against the principle of trying to get an annually balanced Budget.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"They just run around, throw paper on the floor, yell, and write notes to one another—I didn't see anyone sitting down and doing a good day's work!"

Business Man's Bookshelf

Authoritarianism and the Individual—Harold Metz and C. A. H. Thomson—The Brookings Institution, Washington 6, D. C.—cloth—$3.50.

Effective Selling—George Edward Breen, Ralph Burnham Thompson, and Harry West—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$3.00.

Investments—Second Edition—George W. Dowrie and Douglas R. Fuller—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—Cloth—$5.

New Attempt at Internationalism, A—The International Trade Conferences and the Charter: A Study of Ends and Means—Edward Dana Wilgress—Thesis No. 62, University of Geneva, Geneva, Switzerland—paper.

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