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EDITORIAL

As We See It

Chambers, Hiss, Coplon et al—Food for Serious Thought

Whitaker Chambers, by his own admission, was for a long while engaged in nefarious operations clearly in the interest of a foreign country as against his own. If those activities were not known to importantly placed government officials, they could and should have been. Alger Hiss has been found guilty by his peers, technically of perjury, but in practical effect of treason. Judith Coplon has been found guilty of a similar offense. In the course of these trials and other public proceedings during the past year or two, many others have been named in such a way as to create suspicion that the public has as yet become acquainted with but a small part of what took place before and during World War II, and, what is more to the point, even during the years since.

Now, of course, we have no way of knowing all the facts about all this. It would be as impossible for us as for the next one to say in what degree important military secrets have been illegitimately and illegally supplied the Kremlin by spies and traitors. Neither are we in a position to form a judgment concerning the degree in which our foreign policy here and there has been hamstrung in advance by Russia's possession of information which she was not supposed to have. There is also the question of the extent to which Russia, by means not wholly legitimate, may have obtained a good deal of American "know-how" which could stand that country in good stead should it unfortunately at some future date come to pass that the "cold war" developed into a "shooting war."

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"Why Go the Way of Great Britain?"

By SIR ERNEST BENN*

British economist and statesman, calling Socialism a disease, attacks British Socialistic trends and contends it is destroying the honesty and individual responsibilities of population and is putting the price mechanism out of action. Points out fallacies of planned economy and warns United States under New Deal policies is following along same trend. Denies individualism is incompatible with provision of social services.

Even if my personal circumstances had permitted me to accept your generous invitation to come in person, to talk directly to you, and enjoy a few hours in the society of a body of free men, I should have felt impelled to decline, for I am not prepared to accept the only terms on which my government will allow me to travel. I have, in the past, enjoyed my full share of what I regard as one of the happiest things on earth, the American genius for hospitality. But I have always been able to meet you on more or less level terms. I could, for instance, offer a handful of roses, or box of candies, at my own expense, to a charming hostess. Now I can only come to you as a pauper, possessed it is true of a sufficiency of devalued English paper pounds, but absolutely barred from securing, of my own right, the dollars or dimes to spend as I myself would like to do. Being, perhaps, a pig-headed Victorian, having spent three-quarters of a century in another atmosphere, I am not prepared to put myself into this curious and uncomfortable position. Furthermore, I was able on occasion, when some of you visited England, to offer hospitality in a typical English home, now far too big for an Englishman to maintain in present conditions.

There is an alternative. Were I willing to join some official delegation for the purpose of setting up an International Authority to control, let us say, the vagaries of the magnetic pole, I could fly to and fro across the

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*An address prepared for delivery, in absentia, before the Winter General Meeting of the American Institute of Electrical Engineers, New York Ctiy, Jan. 30, 1950.

Contrasting Forces in Business Outlook

By MARCUS NADLER*
Professor of Finance, New York University

Analyzing outlook for 1950, Dr. Nadler finds both favorable and unfavorable forces operating on business. Among favorable forces, cites: (1) building activity; (2) large farm income; (3) heavy government spending; (4) large savings of people, and (5) high wages. Unfavorable factors listed are: (1) increased production costs; (2) decreased capital expenditures; (3) probable higher corporate taxes; and (4) deflationary effects of currency devaluations. Foresees both inflationary and deflationary pressures on economy, with inflationary forces dominant.

Last year I stated that 1949 will go down in history as the year of readjustment. In my humble opinion 1950 will go down in history as the year of decision because upon the decisions taken by the Government, business, and labor in 1950 will depend the pattern of business that will unfold itself in later years. Upon the decisions that will be made by Government, business, and labor in 1950 will depend whether or not another spiral of inflation will set in which can be only of short duration, and will be followed by greater decline than we witnessed in 1949. Upon these decisions will depend whether the second half of the year will repeat the pattern of 1949 or whether we will enjoy a prolonged period of economic stability.

Dr. Marcus Nadler

What I propose to do is to analyze as briefly as possible the outlook for 1950, consider the broad forces that are working in the economy of the country, and then try to reach certain conclusions.

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*Address by Dr. Nadler at the 12th Annual Arthur M. Reis Forum, New York City, Jan. 10, 1950.

WHAT'S AHEAD FOR BUSINESS THIS YEAR? Turn to page 22 for additional opinions by leaders in Trade, Industry and Finance as to the probable trend of business during the present year.

The Security I Like Best

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.

ROBERT S. BYFIELD
New York City
Member, N. Y. Stock Exchange

First public offering of a block of Public Service Company of New Hampshire common stock was made in 1946 at 39, yielding 4.6%. Thereafter it declined to a low of about 22 in the summer of 1949 from which price it has recovered only moderately to its present quotation of about 26 to 26½. The dividend is $1.80. This market performance may at first glance be quite startling in view of the long, steady rise in practically all public utility shares during the past year. Of course, the decline in earnings from $2.53 per share in 1946, to $2.12 in 1947 and $1.69 in 1948 was the primary factor in the market drop, but a series of unusual and unfortunate events and circumstances created the background for this shrinkage. That the situation has begun to improve is evidenced by the earnings for the 12 months ended Nov. 30, 1949, which were $1.92 per share. Furthermore, certain new and constructive developments may begin to make themselves felt in the near future.


Robert S. Byfield

The following paragraphs outline briefly the salient features of the situation and afford the basis for my belief that Public Service of New Hampshire should be included in your forum:

(1) A 10,000 kw. addition to the Manchester steam plant, started in 1941, was abandoned in 1942 because priorities were cancelled by the War Production Board. In March 1945 the Federal Government seized the 20,000 kw. floating power plant Jacona. Accordingly, after V-J Day the company found itself with a serious generating deficiency.

(2) Intermittent lack of precipitation in 1947 and 1948, particularly during periods of heavy energy demands, adversely affected the company's hydroelectric plants which are located on streams having relatively little water storage facilities.

The heavy postwar construction program, involving approximately $39,000,000, is now virtually completed. It will not only enable the company to meet the increasing requirements of its customers but will free it from the handicap of having to rely as it has in recent years upon relatively costly purchased power and high-cost steam plants for other than peak load operations. It will also make the company less dependent than previously upon the vagaries of stream flow conditions.

Of particular interest in this connection has been the opening earlier this month of the new 40,000 kw. Schiller steam and mercury vapor generating unit at Portsmouth, N. H. This project represents one of the most modern power plants of its size in the world with a probable thermal efficiency of 9,200 B. T. U. per net kwh. on oil, a very important feature in the high fuel cost area of New England, and a tribute to management alertness.

Last month the company petitioned the New Hampshire Public Service Commission for a complete rate investigation. Even though earnings are already recovering from the previous low figures, it is estimated that the return afforded by the present rate structure will be approximately 4% in 1950, well below the 6% generally considered as a fair return on rate base throughout the industry.

And last of all, the shares, like many other equities of New England companies, have been suffering from a widespread feeling that this area was in danger of losing its former favorable position in the national economy. Ample facts and statistics might be cited in refutation thereof. In addition, I am reluctantly forced to the opinion that in this connection there has been a certain admixture of propaganda emanating from interested sources tending to make New England a regional "whipping boy."

Capitalization is well balanced with approximately $39,000,000 funded debt, $2,000,000 short-term loans, $10,200,000 3.35% preferred stock and 943,238 shares of common outstanding of which the majority is owned by the parent, New England Public Service Co.

Currently the common seems a very sound value indeed when one carefully weighs the evidence presented above and considers the strong possibilities for improvement now at hand. As an outstanding laggard in a group which has advanced to one of the highest levels in recent history it represents my favorite stock at this time.

LEONARD S. HERZIG
Partner, Sartorius & Co., New York City, Members New York Stock Exchange

In selecting the security I like best, I have set up certain standards which a stock must meet, and then I have searched the field to find a stock which will best fit these requirements. First, the stock must be in a consumers or semi-durable goods industry, for I feel that Fair Deal programs favor this part of the economy. Second, the asset position must be high, for under capable management, assets eventually earn large returns; third, the company must show growth characteristics; and, lastly, the general situation of the company must be misunderstood so that it sells at bargain levels.


Leonard S. Herzig

My search for such a security has led me to select Montgomery Ward & Co. as filling all the above requirements. It is the second largest mail order company in the country and in addition has large retail outlets. It sells both consumer and semi-durable goods to a consuming public which has had its purchasing power advance much more than the dollar has depreciated. Its quick asset position is greater than the price of the stock. It has increased its earnings to 2½ times what it earned in 1929. Last, but hardly least, its management policy of making it financially impregnable is misunderstood, and, therefore, the stock sells at what seems a substantial discount from its worth.

Briefly, I see the situation as follows—Sewell Avery, the dominant factor of the Ward management, has striven for all the years of his stewardship to make Ward financially impregnable. He did this in two ways—by retaining earnings in excess of dividends, and, in 1946, by the sale of $64 million in additional common stock. By these methods Ward now finds itself with a net quick asset position of over $61 per share. Of this amount $106 million is in cash, but since it has $167 million of undiscounted instalment receivables, the cash item can be augmented at will. Although its larger rival, Sears Roebuck, has expanded rapidly since the war—Ward has expanded only in line with its normal growth. Surprisingly, however, over a 20-year period the earnings of both Sears and Ward have increased in equal proportion—they both earned recently 2½ times what they earned in 1929. Apparently in an endurance contest Ward holds its own.

The $64 question with respect to Ward is what will eventually be done with the immense amount of quick assets which it has husbanded. The answer would appear to be in either one of two developments, both of which are highly beneficial to the stockholders—(1) the profitable employment of the cash in an expansion program, or (2) an extremely liberal dividend policy.

While awaiting one of these developments, the holder of Montgomery Ward stock is in the enviable position of owning an equity which has more quick assets than its market price—that sells as about ten times its 10-year average earnings and 8.3 times its latest 12 months' earnings—and that yields a satisfactory 5.3%.

It appears to me that in buying the stock the probability of profit is much greater than of loss. Is that not the key to successful investment?

ARTHUR J. NEUMARK
Partner, H. Hentz & Co., N. Y. C., Members N. Y. Stock Exchange

I like "Big Steel" because the company is the dominant steel manufacturer and one of the world's leading corporation organizations. The elements which make its stock an exceptionally good value, at present prices around 29, are:


Arthur J. Neumark

(a) There have been vast capital outlays for plant modernization and expansion during the past 15 years. These outlays aggregated $1.6 billion, the equivalent of $60 per share.

(b) The stock is selling for less than one-half its reported book

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This Week's Forum Participants and Their Selections

Public Service Company of New Hampshire—Robert S. Byfield, New York City.

Montgomery Ward & Co.—Leonard S. Herzig, Sartorius & Co., New York City.

United States Steel Corporation—Arthur J. Neumark, H. Hentz & Co., New York City.

M. Lowenstein & Sons—Frederick H. Rosenstiel, Arnhold and S. Bleichroeder, Inc., N. Y. City.

The Cleveland Trust Company—Leslie B. Schwinn, L. B. Schwinn & Co., Cleveland, Ohio.

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Does Seasoning Affect Utility Stock Prices?

By O. K. BURRELL

Professor of Business Administration, University of Oregon

Prof. Burrell describes study made to test prevailing opinion prices of public utility stocks are improved by process of "seasoning." Holds results do not justify view or assumption that market seasoning is a factor in stock price movements.

The theory that a stock newly on the market will sell at a relatively higher price after a period of "seasoning" has a great many adherents. This idea of seasoning apparently implies that after an investor becomes familiar with the new security and has an opportunity to see it quoted or discussed in print his buying urge will be increased. In short the idea of seasoning seems to assert that the advertising incident to published price quotations, and discussion and analysis, inevitably tends to improve the relative price of the stock. It is an intriguing idea. If "it pays to advertise" shoes or soap, why not securities? If advertising improves the net returns for the growers of "sunkist" oranges it is at least possible that the free advertising incident to a public market would over a reasonable time improve the relative price of a stock.

O. K. Burrell

It should be emphasized that the idea of seasoning is a market concept and not a business concept. It is not related to public acceptance of the product of a company, or to demonstration of consistent profitable operation. If a new company is organized and its shares publicly offered these shares would doubtless sell on a more favorable basis after a period in which it was demonstrated that the original expectations and hopes were justified. But this would not be an example of seasoning as meant here. This analysis has to do with market seasoning, not demonstrated earning power. When a particular company demonstrates the ability to earn consistently at a higher rate than previously believed possible, it is entirely probable that the price of the stock will increase, but it would not be an example of seasoning as meant here. Seasoning so far as this analysis is concerned has to do with the price effect of an initial period of public trading in a stock.

There has been a great deal of discussion of the effect of seasoning in analyses and discussion of the stocks of operating utilities that have come to market as a result of the forced dissolution of public utility holding companies. Almost universally those who analyze these operating company stocks assume that after a period of seasoning a stock will sell on a more favorable basis than when initially traded. The following quotations are illustrative. The first two refer to the stock of Niagara Mohawk Power Corp. which is the operating company emerging from the Niagara Hudson dissolution.

"When fully seasoned and based on continuance of present market conditions the stock might logically be expected to sell between a 6% and a 5½% basis . . ."—Owen Ely in the Public Utility Department, "Commercial and Financial Chronicle," Nov. 24, 1949.

"*Seasoning*—Niagara Mohawk is presently selling on a 'when distributed' basis, but we expect that the certificates will be distributed by early 1950. Insurance companies and other fiduciary institutions do not normally buy stocks on a 'when issued' basis. Therefore, we foresee an increased investment demand when the shares are actually issued. Furthermore, we see no reason why the stock of this well-integrated utility should not sell in line with the stocks of other leading utility companies when it becomes more seasoned. Investors willing to hold Niagara Mohawk during this seasoning period should be well rewarded for their patience."—From a recent market letter.

"Certain steps appear available to investors who are desirous of taking advantage of some of these recent developments in the utility industry. Holders of common stocks of large operating companies which have had an established market for many years may find it well worth-while to consider some of the new stocks of operating companies which have recently been distributed through holding company dissolution. At current prices, these latter stocks often appear to afford somewhat better values, on consideration of the various factors involved, than the common stocks which have enjoyed seasoned markets for many years. As typical of the seasoned equities, we might mention the common stocks of several companies serving large metropolitan areas such as Boston Edison, Commonwealth Edison and Detroit Edison; and as typical of the new stocks which do not yet appear fully seasoned marketwise, we would include the stocks of companies serving rural and smaller cities such as Central Illinois Light, Kansas Power & Light and New York

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Pointers for Securities Salesmen In Life Insurance Selling

By KARL H. KREDER*

Assistant Vice-President and Manager, Field Training Division, Metropolitan Life Insurance Company

Successful and experienced life insurance salesman describes his field and gives details of methods used in training life insurance salesmen. Outlines procedures on how life insurance is sold and techniques employed in approaching and impressing prospects. Stresses use of "customer's needs" as sales argument, and explains value of giving customers information and advice regarding program of life insurance and its services.

We in the Metropolitan realize what a tremendously important field you in the investment business represent, and we know that, probably, of the many businesses, investments and investment salesmen are as close to us as any other industry. However, I would like to warn you that you are probably in for some very definite disappointments because, while the Metropolitan Life is the largest financial institution in the world, we have some 34,000,000 policyholders—and with 34,000,000 of them you know that most of them, perforce, must be small policyholders.

Karl H. Kreder

There are a great number of big ones, too, but, by and large, Metropolitan Life like most life insurance companies, could be compared, I believe, to a department store, rather than to a men's haberdashery shop that specializes only on a particular small segment, or a small area in which to do business.

I have some things that I thought might be interesting to you, just as a quicky, about the institution of life insurance. I was warned, by the way, that I could take about five, six, or seven minutes for this and then I had better get down to selling, so, I'll try to do just that.

Just to orient you, the institution of life insurance, I suspect, exercizes probably as potent a force in American economic society as you could find, both by the nature of the business and by the number of people who are involved.

For instance, there are some 80,000,000 people who own life insurance—and then, I have some other figures here which I'll read, in spite of you, because I know that you fellows deal in figures all the time, too:

Last year, for example life insurance salesmen sold $23,000,000,000 worth of life insurance. I think that is important, because when you stop to think, that amount represents $10,000,000 a day, and is a tremendous amount of life insurance to be sold. The average insured family in America owns about $6,000 worth of insurance, and there about 80% of the families who have some insurance.

I have a couple of other things here about its growth, which I think are important.

For example, the business is 30 times as large as it was in 1900. It is twice as big as it was 13 years ago, which gives you some idea of the way the American public thinks about life insurance.

Another fact that I picked up was this: that two-thirds of all of the life insurance in force is ordinary insurance. Ordinary insurance, as you know, is the insurance bought in blocks of $1,000 and up, whereas weekly and monthly insurance is bought in units of less than a thousand.

By and large, the income is about $15,000,000 a day and they pay out about $10,000,000 a day; of that amount, about 60% is paid to living policy holders. We talk to people about life insurance, and they persist in talking to us about death insurance, so, we think it is important for you to know that about 60% of the amount paid out is paid in matured endowments, to widows and to children, through the various settlement operations.

There are about 325,000 people employed in life insurance, and about half of those are field men and the other half are home office people.

Now, with that as a sort of a background, if you were to take all of those figures and divide them by five, you would have, in round figures, our company. In other words, about one-fifth of the insurance in force, the insurance that is sold, and the income, etc., etc., is Metropolitan Life. The reason for this is that we write weekly and monthly premium insurance, accident and health insurance, group insurance, in addition to life insurance. The only thing that is a little out of whack is the number of people we have insured. The Metropolitan has approximately 40,000,000 of the approximately 80,000,000 people that are insured. Taking a quick look into Metropolitan's operation, you will find that we have, in approximate figures, 37,000 employees. Of that number, there are 17,000 of agents, 2,000 assistant managers, 800 managers, 3,000 district office employees and at One Madison Avenue, our main office, approximately 14,000.

As an interesting sidelight, let me talk briefly about food. Here at One Madison, we have the largest one meal restaurant in the world. You can well imagine, if you go to various restaurants for lunch, how difficult it must be to serve some 14,000 people every day, and yet be hardly conscious of the fact that it is being done. That, gentlemen, is being done each working day.

I was down in the kitchen the other day, because some folks came in from the field and among those present was a very prominent policy holder, who had just bought about $6,000,000 worth of group insurance. He was a meat man, and naturally interested in the kitchens. While we were there, I found a surprising thing: for one day's supply the dietician orders ten tons of meat.

We operate in the United States and Canada, as you probably know. Of particular interest, I believe, to you as sales people, is our turnover. I don't know if you have ever analyzed it or not, but the turnover in the selling industry is phenomenally large. In life insurance, generally, it is about 35%. Our turnover, omitting deaths and disabilities, is 7%, about which we are very proud, because we realize that, with the nature of the work, this is an exceptionally low turnover, and is an index of the manner and method of operation. It likewise demonstrates the way we can pick people and the way we train these people—I have to put in that little plug—so that men are capable, efficient, happy and earnest, earn enough money and get enough promotions, and have enough security that they are not interested in going into some other business or industry.

Now, perhaps because I didn't spend enough time with Mr. Noyes—I couldn't accuse him of not spending that time with me—and in order to give you a picture of our operation, I quizzed him a little bit and I finally came up with this picture:

How to Sell Life Insurance

About five or six weeks ago, I went to hear Mr "X," who is the most eminent man in business life insurance in America. He sells all sorts of business insurance. He is a whiz-bang, and had drawn a very large crowd. Many of us left our businesses, just as you have left your business today, to hear one thing, and that was how this fellow operated, how he sold life insurance.

He was a most engaging speaker, so he thought! He told us all about his early courtship with one girl whom he didn't marry, about the one that he did marry, about a couple of dates they had; one particular evening when he got plastered and he wasn't even a funny drunk; and then he got on to the settling of his home, the birth of his first two children. Finally, he got around to some of the conven-

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*Stenographic report of lecture by Mr. Kreder, 16th in a series on Investment Salesmanship sponsored by Investment Association of New York, New York City, Jan. 19, 1950.

Investment Policy in 1950

By BENJAMIN GRAHAM*

President, Graham-Newman Corp.

Author, "The Intelligent Investor"

Expert states investment will weather second half of century as it has the first half, and in any event, capital has no place to hide. In contrast to 50 years ago, common stocks constitute essential part of any investment portfolio. Bars individuals' investment in corporate senior securities. Sees stock purchases warranted at today's levels, with inclusion of numerous undervalued "secondary" issues.

I am intrigued by my topic, particularly because of the emphasis on 1950. That naturally invites comparison with beginning of the century, and since I have a vague and childish recollection of that early year I began to do some comparing of these exciting times of 1950 with the more languid days of 1900. We have made a great deal of progress since 1900. Our wealth and our production has grown enormously, so has our standard of living, so has our wage-scale, so have the prices of stocks. In addition to that, our national debt has succeeded in growing from $1 billion to over $250 billion, our annual budget from $500 million to $40 billion, and other things in proportion.

Benjamin Graham

If I may digress for a moment, I might recall to you that famous vaudeville skit about the suitor who was going to an important meeting with the girl's father. He brought along his best friend and told him: "I've got to be modest at this meeting, but you don't have to be modest; you make everything I say sound big." When the old man asked him "How about your business?" he answered, "Oh, I got a nice little business," but his friend exclaimed, "A nice little business? Why he's the biggest maker of buttonhole linings in the country." "How about your home?" "Nice little home," said the suitor. "Nonsense," said the friend, "he's got the best duplex apartment in Columbus Avenue." As this went on, the suitor began to cough a little and the old man said suspiciously, "How about your health?" "Oh, I've got a little cold," said the suitor. "A little cold—nothing," cried the friend; "he's got galloping consumption!"

Similarly, despite all the wonderful things in this country, many people believe that we are galloping down the road to statism, national bankruptcy, and many affiliated ills.

The International Picture

When we turn to the international picture, the picture ranges from the alarming to the appalling. It looks as if we are in the midst of a century of revolution. But, instead of revolution toward liberty, equality and fraternity, it seems to be a revolution toward the "iron curtain," toward the slave state and general misery. We have fought and won two world wars only to find ourselves in the middle of World War 2½. The hydrogen bomb is knocking at today's headlines and at the doors of the world.

Now, in the light of that unnerving situation, if you were to face the investment problems of 1950 in the traditional way, you would think in terms of storm cellars, in terms of hiding and hoarding. Yet this is far from the actual investment climate in 1950, and I believe there is a very good reason for it. The reason may be found in the history of investment itself over the last half century. The picture of the investment markets in no way reflects the world-shaking events that have transpired over the last 50 years. You will not see World War I and World War II prominently reflected in the stock market charts. You will see an extraordinary phenomenon there between 1927 and 1933. But that apparently had nothing to do with world events; it was rather an internally generated South Sea Bubble.

One might well say that if investment had been able to weather the storms of the first half of the century, there is reason to believe that it can weather the storms of the second half. One thing is sure—that investors will have to act from here out as if that is so, as if the rules of investment that proved sound in the first half of the century must be adhered to, because there is available no other alternative. There is no place to hide either for capitalists or for capital.

The Impact of Inflation

We do find, however, one important development in the first half of the century that should have a real effect upon investment attitudes and that is the impact of inflation upon investment results. There is no question but that the conception of bond investment as the full answer to the conservative requirements of the investor is no longer sound. Bond investments may have worked out reasonably well in terms of cash repayment, but they have not worked well in terms of value of the capital that has been put into the bonds. By contrast, common stocks, which have been subject to wide fluctuations in value from year to year, have over the last 50 years (and over the preceding 50 years) shown not only the ability to conserve their money value on the whole, but also to give a reasonable amount of protection against the over-riding factor of inflation. For that reason, authorities on investments are now almost unanimously agreed that common stocks are an essential part of any substantial investment portfolio today. Certainly, that was not the opinion 50 years ago.

The Investment Approach

Now, what about common stocks in terms of the investment approach? You gentlemen are perhaps more accustomed to think of them in terms of trading and speculation. Marshall Lyautey once said about the climate of North Africa, "People think North Africa is a hot country. It is not; it's a cold country with a hot sun." Most people think of common stocks as speculative media. They are not, in my opinion. Good common stocks are investment media which are subject to speculative influences. The speculative influences are not in the common stocks; they are in

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*Exclusive transcript of a talk made by Mr. Graham before the Association of Customers' Brokers, New York City, Jan. 27, 1950.

DEALER BRIEFS

Chicago, Ill.

Our problem in this better market remains essentially the same. That is: to believe in some securities and to make personal and telephone calls. This approach never failed to produce business, and never will. The only difference is that those who work get higher results for their efforts, and those who didn't, now find it easier to do so. —*Lester B. Nay, President, First Securities Company of Chicago.*

Just as diversification is necessary in a well-rounded portfolio, we believe that diversification is necessary in the type of securities we handle in order to keep a broad list of customers. Our business is steady growing through sales of listed and unlisted stocks and bonds, and many investment shares of mutual funds. The lack of new investment sales representatives in this field will make the investment business the least competitive of any profession in the years to come. The other side of the fence does not look greener to us.—*John A. Dawson, John A. Dawson & Co.*

Since October we have experienced an appreciable increase in the number of orders for the better grade income-producting over-the-counter common stocks from other investment dealers.

Requests for sound stock investment suggestions are also more numerous and the feeling seems to prevail that most of the big worries have never occurred.

Attractive income yields are causing investors to exercise their well known American Horse Sense and we expect a good investment demand in 1950.—*William B. Healy, Comstock & Co.*

Since our American People have shifted their trust from their God, to trust in the Federal Government, and since the Federal Government has seen fit to accept the role of Saviour, not only to our People but to the Peoples of the rest of the world as well, the only way it can carry out its program is through further inflation.

One of the cheapest commodities we have on hand today is money. The majority of our stocks today can be had at bargain prices. There is a great amount of money in the hands of people that is seeking investment, and as this movement gets under way, we look for much higher stock prices. We especially favor good grade rail and television stocks—*Laurence A. Lawler, Vice-President, J. P. Blaney & Co.*

Atlanta, Ga.

Business will be good in 1950, though possibly for unsound reasons. The government continues to pump money into the market. The needs and wants of 150,000,000 Americans are limitless. We have untold skills, natural resources, industrial capacity, manpower, and somewhere along the line American character and stamina will demand that these marvelous resources be coordinated on a sound basis.—*R. W. Courts, Courts & Co.*

With Paul C. Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, CALIF. — Frank E. Deaver is with Paul C. Rudolph & Company, 40-D South First Street.

With Robt. D. Bowers

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Rudy N. Sanders is now connected with Robert D. Bowers & Co., Cooper Building.

The State of Trade and Industry

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

The course of total industrial production for the nation held steady the past week but was slightly under the high level for the corresponding period of 1949.

The upward trend of steel operations was arrested last week as a result of scattered work stoppages and fuel shortages stemming from the walkout, of bituminous coal miners.

On Saturday last, it was reported that John L. Lewis and northern and western soft coal operators had agreed to resume bargaining talks at 2 p.m. on Wednesday of the current week. At this conference the negotiators were to endeavor to end the deadlock over a new contract which has persisted since last May.

President Truman on Tuesday of this week proposed a 70-day truce between the soft coal operators and the United Mine Workers while a special fact-finding board investigates the coal dispute. But the President said his suggestion may be "disregarded" if an agreement is reached to restore "normal production" of coal by next Monday.

The fact-finding board proposed by the President would operate outside the Taft-Hartley law and would be similar to the one set up last year in the steel pension-insurance controversy. Such a board would report the "facts" of the coal dispute to the White House and make recommendations for a settlement.

Latest reports from the coal fields indicated that the 90,000 miners who have been on strike for the last three weeks will continue their walkout.

Meanwhile, according to a news release of "Steel" magazine on Monday of this week, threatened curtailments due to the coal shortage are intensifying consumer pressure for finished steel. This is especially true in the light, flat-rolled products, but a noticeable rise in demand for wire and related items, bars, structurals and even plates is noted. Some of this enlivened interest stems from fear of short supplies if mills are forced to curtail. One Pittsburgh steelmaker already has effected a 25% cut. Like action by other producers is feared. Blast furnace curtailments are increasing.

* * *

In the field of electrical energy, electric kilowatt production pushed into higher ground the past week by eclipsing the previous new all-time high record of the week previous.

Carloadings also showed improvement as did automotive output in United States plants, which was the best in four months for cars and the highest in six months for trucks.

For the month of December industrial production rose to 178% of the 1935-39 average compared with 173% for November the Federal Reserve Board reported. Output continued to expand in the first half of January, the board said, but it did not hazard any guess on the index figure for the month. Since mid-January, auto production has been slowed by the Chrysler strike, and many coal miners who had been working three days a week have quit altogether.

* * *

With reference to the Chrysler strike, "Steel" magazine in a current editorial states that there is a quirk in this strike which throws significant light upon the thinking and strategy of certain union leaders. Chrysler offered a $100 per month pension plan, including social security, for employees with 25 years of service. This package, the magazine notes, corresponds rather closely with the pensions granted by steel companies, Ford Motor, rubber companies and others. The offer was rejected. Oddly enough, after the strike was on, pickets carried signs reading "Ford got it, steel got it, we demand it."

In reality Chrysler offered what the Ford and steel workers accepted. The offer was rejected because the union contends that the pension would cost Chrysler only three cents an hour per employee. This figure probably is not correct the trade paper adds, but it is true that a pension plan identical with Ford's would cost Chrysler somewhat less than it would cost Ford. The reason is that the average age of Chrysler employees is less than that of Ford employees and perhaps of that of employees in many other large corporations.

So the Chrysler offer was not rejected on its merits, according to "Steel," it was rejected on the basis of its cost to the company.

STEEL OPERATION SCHEDULED AT SLIGHTLY LOWER RATES DUE TO COAL STRIKE

The coal shortage is not likely to force the steel industry to its knees in the near future though several companies are cutting back operations this week because of it, states "The Iron Age," national metalworking weekly, in its current steel trade summary.

A continued mine stoppage will produce a national emergency that anyone can recognize before it slashes steel operations like they were cut in previous major coal strikes. This does not mean that some steel companies will not be hard hit if the strike continues, the trade paper notes, since the list will include some big ones.

But most top producers—the ones whose capitve mines once set the industry pattern—are not strapped for coal now. A few have been quietly lending coal to utilities and maintaining high operating rates to boot. In some cases, however, rates are not as high as they could be with present steel demand.

How much of the increasing pressure for steel delivery can be laid to buyer fears of shortages is not known in the industry, "The Iron Age" declares. Buyers know that several steel companies had to cut back operations this week and that others have already

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Observations . . . .

By A. WILFRED MAY

What Price Point IV?

(Now Being Merchandised Out of "The Bargain Basement")

As with so many *welfare* programs—of both national and international scope—now being promulgated, the eventual scope and cost of President Truman's Point IV program are elements that are being carelessly (or deliberately?) relegated to vague "future consideration." "Before the body is even cold," President Truman's proposal for the expenditure of a mere $35 million for "technical assistance" to underdeveloped areas is already being scoffed at as cheap "bargain basement stuff," and the widespread demands—from official, quasi-official and unofficial quarters—for quantitative and qualitative coverage are spawning in geometric progression. Our leading editorial pages, letters-to-the-editor, magazines and "public service" organizations, are eagerly vying with each other to concoct new aims to be attained by this new international lending technique.

A. Wilfred May

Thus one of the country's leading metropolitan dailies under the beneficent caption *"Point Four's Human Goals"* editorially calls for the broadening of its ams to "embrace cultural and educational planning to promote world-wide democracy." In line with this "emboldening" agitation is a booklet *"Point Four—Our Chance to Achieve Freedom from Fear,"* widely circulated by Mr. James P. Warburg and endorsed in the foreword by Mr. Dewey Anderson, Director of the Public Affairs Institute of Washington. It lays down the gospel thus: *"A continuing program of long-term investment abroad . . . must go beyond the present limited concept of the Point IV Program. It is true enough that the world nee's the technical advice and know-how we are proposing to export. What it needs even more is the planned development of its natural resources. It needs such things as TVA developments on the Rhone River in France, on the Jordan River in the Middle East, and on the great rivers of India—and perhaps even of China."*

But such global visions of the aims are in no sense confined to non-government do-gooders. A brochure from the Department of State entitled "Building the Peace" says: *"The fundamental concept of the Point Four Program is the acceptance of a moral responsibility for the use to which modern technology is put and the intent to foster a continuing effort on the part of all free nations to relieve the poverty and misery afflicting more than half of the earth's peoples. . . . The vitalizing force which the*

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What's Ahead for Business—"Milk" or "Alcohol"?

By DEXTER M. KEEZER*
Director, Department of Economics,
McGraw-Hill Publishing Co., Inc.

Economist expects 1950 as a whole will be a generally prosperous year; but that unless we mend our ways in getting more nearly on equivalent of a milk diet, we are actually off on an economic spree and headed for a terrible hangover. Specifies continuing deficits and more-and-better pensions as elements in an intoxicating inflationary jamboree.

In 1948, the last year for which I found figures available, the per capita expenditure for alcoholic beverages in the United States was nearly twice as great as it was for milk. The figures I arrived at were $32.24 for milk, $55.59 for alcoholic beverages. If I had taken into account what I take to be the fact that infants cannot be regarded as potential consumers of alcoholic beverages, the weight of expenditure would have been even more heavily on the side of alcohol.

Dexter M. Keezer

A Symbolic Framework

This contrast, it seems to me, provides a useful symbolic framework in which to discuss what's ahead for business in 1950. This is because perhaps the most important question posed is whether we are going to expand further the temporarily invigorating consumption of joy water, and hence move closer to a grizzly hangover, or whether we are going to drink more of the stuff (I refer to milk) which builds strength and vitality for the long pull.

Perhaps I should hasten to explain that I do not approach this question as one who opposes all consumption of alcoholic beverages. I personally did not drag down the figure for per capita consumption of alcoholic beverages I have mentioned. I think such beverages can have a constructive role in civilized society. But there is a very important question of balance between milk consumption and whiskey consumption, as there is between temporarily exhilerating economic expedients and arrangements which produce abiding strength and stamina.

In dealing with the business outlook for a short period, such as the year 1950, it is extremely difficult to keep this matter of balance sufficiently in the foreground. There are many arrangements which over a period of months have an exhilerating effect on business, only to be followed later by an uncomfortable and positively painful reaction. A case in point is provided by the GI Insurance Dividend about $2.8 billion which is now being distributed. Most of that will be promptly spent and thus give business a considerable lift. But it is only a one-time lift.

Likewise, apart from the special insurance dividend, the Federal Government is now spending at a rate of about $5.5 billion more per year than it is collecting. That is also stimulating to business. But if it were continued for any great length of time the result could be national bankruptcy and disaster.

Any such disaster, however, would not be a development of this or even next year. In the meantime, there might be the appearance, and indeed much of the reality of great prosperity. But, nonetheless, the country might be on the way to a terrible economic hangover.

How to get this "morning after" or "hangover" possibility sufficiently into the foreground of a report on the business outlook for 1950 is a problem which very few who carefully study and report the outlook have mastered—perhaps because it is insoluble. The result is that the accumulating stresses in the business situation tend, at least in the headlines, to be obscured by the immediate prospect of good times. I shall strive, however, to keep what's ahead for business immediately and what it means for the longer pull in some kind of perspective.

About the only serious source of worry about the immediate business outlook of which I am aware is that there is so much agreement among the experts that it is rosy.

When the experts get unanimous it would be my observation that it is time to watch out.

First-Half Prosperity

However, I am in the same boat with almost all the rest in failing to see how, short of war or some cataclysmic natural upheaval, we can help having a generally high level of business activity for the first half of this year. In referring to a high level of business activity I have in mind more specifically a Federal Reserve Board Index of industrial production ranging between 170 and 180 (1935-39=100) and something less than 4 million unemployed.

Here is an assortment of my principal reasons—very standard reasons—for anticipating a prosperous first half of 1950.

The automobile industry, biggest single user of steel, is carrying on into the new year at close to the record level of production it maintained last year; and has ahead of it the regular spring spurt in its line of business.

The same thing is true of the construction industry. It moves into the new year with no apparent falling off from the record volume it established in 1949.

To add to the record demand being put upon it by the automobile and construction industries, the steel industry is also filling a large hold in production created by the strike.

Combined, these demands promise to keep the steel industry operating close to 90% of capacity for some months.

The volume of Christmas holiday trade at retail has long been a reliable indicator of what lies ahead in retail trade. The volume of holiday trade of 1949 established a record high.

How many GIs swelled the total of holiday trade by spending their insurance dividend in advance during the holidays we shall never know. I saw opportunities to do so alluringly offered. But there were not enough, I am sure, to prevent the distribution of the GI insurance dividend from giving retail trade a substantial upward jolt in the first half of this year.

As I have already noted, the Federal Government is currently spending money at an annual rate considerably faster than it is taking it in. That also gives a lift to business, not altogether unlike that provided by the GI dividend.

I cannot see how the elements I have mentioned can possibly add up to anything but general prosperity during the first part of this year.

For the second half of the year what's ahead for business is naturally more uncertain. And, insofar as one can tell at this juncture, it is somewhat less reassuring. Here are some of the reasons:

Presumably by the next Fourth of July the special boomlet in steel, caused by the strike, will largely have run its course.

Somewhere along about then, experts of good standing in gauging such developments anticipate that the automobile industry will be slowing up on the terrific pace of production it has maintained since the war—a pace which in 1949 resulted in the production of 6.2 million passenger cars and trucks in the United States and Canada. A decline of 10 to 20% in automobile production in 1950 is quite commonly anticipated, with almost all of it packed into the last part of the year. That would put a considerable drag on business.

So, too, would a decline in residential construction. However, the forecasts made by agencies of the Federal Government which now

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*An address by Mr. Keezer before the National Dairy Council, Chicago, Ill., Jan. 26, 1950.

From Washington Ahead of the News

By CARLISLE BARGERON

It is with mixed emotions that I hear of Jimmy Byrnes' intentions to take over the States' Rights movement. I am afraid it may wind up right back in the New Deal.

In the first place, you could have knocked me down with a feather when Jimmy first warned us against statism. It was an able speech and Jimmy is an able man. Conservatives all over the country took heart from the speech as they undoubtedly should have done. But not me. Because I know of no one more prominent than was Jimmy in the architecture of the state we are in. Now I find myself unable to share in the rejoicing over his assumption of the Southern revolt. I went up to the top of the mountain with Jimmy once before only to find he had turned and gone back.

Carlisle Bargeron

His was the first of the Senate's more authoritative voices to sound off against Roosevelt's recklessness in the early New Deal. He denounced the sit-down strikes and counseled with his fellow Senators that something had to be done to get Roosevelt's feet on the ground. One day, after talking with Jack Garner, he introduced a resolution aimed at Roosevelt's spending policy. It would have cut all appropriations by 15%. Spending was, of course, the New Deal's sole sustenance in those days.

Jimmy's indignation against what was happening continued on into the Senatorial campaigns of 1938 when Roosevelt sought to purge several Senators. One of these was Jimmy's colleague, Cotton Ed Smith. Jimmy became his silent manager and coined a slogan, "There are no Senators in Germany."

After the '38 campaigns the conservative Democrats returned to Washington loaded for bear. They were bent upon putting Roosevelt in his place. Jimmy, it was assumed, would be one of the leaders. He had been in the forefront of the growing revolt.

But Roosevelt began to work upon Jimmy. White House intimates planted stories in the gossip columns to the effect that Roosevelt was growing increasingly suspicious of the titular Democratic leaders and coming more and more to lean upon Jimmy as one who was trustworthy. The stuff had its effect. Sooner than you would think Jimmy had pulled away from the old crowd and moved towards Roosevelt. In due time, although having no title, he was the acknowledged Roosevelt leader in the Senate. From there he moved to the Supreme Court, to the "assistant Presidency" during the war and finally to be Secretary of State under Truman.

Undoubtedly, Jimmy justified his change of heart, his shift from the role of Roosevelt critic to Roosevelt henchman, on the ground that he could be a moderating influence. And certainly he never lost his popularity among his colleagues. But looking back over the past 17 years, it is difficult to discern any moderating influence on either Roosevelt or Truman for more than a week at a time.

However, it was a break for the decent element, so to speak, that Jimmy did serve as director of the Office of War Mobilization when he did. In this office as "assistant President" as it was called, he had pretty free rein on the domestic front and unquestionably served as a check on the Leftists who wanted to use the emergency to advance their program. It was here that Jimmy rendered a very signal service.

It is as leader of revolts that I am wary of Jimmy, as delightful and able a man as you are likely to meet.

I can't for the life of me see him leading the current Southern revolt out of the Democratic Party which is just exactly what has got to be done for it to accomplish anything. As Governor of South Carolina, which he expects to be, you can bet your last dime that he won't lead his State away from the Democratic banner in 1952 as the present Governor, Thurmond did in '48. Yet the South is sure to be confronted with the same situation in the next Presidential election as it was in '48.

In fact, Jimmy has said that he intends to pursue the States' Rights fight within the party. Presumably by that is meant in the Democratic councils. Presumably he will attempt to use his persuasiveness upon his Northern brethren. The Democratic convention in Philadelphia in '48 proves that persuasiveness will not prevail among the crowd that dominates the party. Neither, of course, did the revolt of the four Southern States prevail. Their loss to Truman would have meant something though, had the Republican campaign not folded up.

And I believe the so-called Dixiecrat movement will grow; that is, if a leader like Jimmy doesn't get in there and counsel moderation, which I am afraid, in the end, is exactly what he would do.

Model, Roland Opens New London Branch

Model, Roland & Stone, 76 Beaver Street, New York City, members of the New York Stock Exchange, announce the opening of a London office at Northgate House, Moorgate, London, E. C., England, under the direction of R. Desmond Robinson. Mr. Robinson was a former partner of Fielding, Son and MacLeod, members of the London Stock Exchange.

Campbell With Hawkins

(Special to THE FINANCIAL CHRONICLE)

MANCHESTER, N. H.—Edwin M. Campbell is now associated with Robert Hawkins & Co., Inc., of Boston. He was formerly with J. H. Goddard & Co. and prior thereto was a partner in E. A. Straw & Co.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—W. Mallan Casey is now with Bache & Co., Johnston Building.

50 Million Bushels Of Surplus Potatoes May Be Destroyed

Secy. Brannan says, unless Congress orders otherwise, it would be cheaper to "dump" than to hold supplies acquired by Government under price-support program.

On Jan. 30, Secretary of Agriculture Charles F. Brannan announced to a Congressional Committee that unless he is instructed otherwise by Congress he would "dump" something like 50 million bushels of surplus potatoes, which the government acquired or will acquire at a cost of $2 per bushel under the price support program.


Charles F. Brannan

Mr. Brannan indicated in his testimony it will be cheaper to "dump" these surplus potatoes than it will be for the government to pay shipping costs under Agriculture Department potato distribution programs.

Mr. Brannan reported that his department purchased 20 million bushels of 1949 surplus potatoes, and added that "we will have to buy a total of around 65 to 70 million bushels to carry out mandatory price support for potatoes, or between 45 to 50 million bushels more than anticipated."

The Secretary estimated that the 1949 potato crop will come to about 402 million bushels—nearly 40 million bushels greater than estimated and 52 million bushels more than the department's goal of 350 million bushels.

Senator Anderson (D., N. M.), former Secretary of Agriculture, joined Mr. Brannan in urging the law provide marketing quotas for potatoes, similar to those available for use on corn, cotton, wheat and other basic crops. Because of lack of controls, it is impossible for the Agriculture Department to hold down potato production.

Godbold Heads Dept. Of Dempsey-Tegeler

ST. LOUIS, MO.—Earl W. Godbold has become associated with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges, in charge of the municipal department. Mr. Godbold was formerly with the Mercantile Commerce Bank & Trust Co. and prior thereto was a partner in Rotan, Mosle and Moreland of Houston. In the past he was with Goldman, Sachs & Co. in St. Louis.

Business and the Consumer

By HON. CHARLES SAWYER*
Secretary of Commerce

Stressing as an economic axiom, "consumption is the sole end of all production," Secy. Sawyer calls upon both labor and management, in their negotiations, to have the welfare of the consumer in mind. Urges labor moderate demands for higher pay when the effect is higher prices, and management is advised to keep prices down even at expense of profits. Points out there should be a balancing of group demands, and denies present prosperity is unstable or is bound to collapse.

A few months after I was appointed Secretary of Commerce, at a press conference in August of 1948 devoted to a discussion of export controls, I made the remark that it might not be a bad time "to give some attention to the interests of the housewife." This remark seemed to arouse interest and comment, as if I had said something unusual or perhaps unorthodox.


Charles Sawyer

My remark, far from being unorthodox, was based on one of the oldest axioms of economics. In the year 1776, Adam Smith stated this axiom in his book, "The Wealth of Nations." He said, "Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it might be necessary for promoting that of the consumer. The maxim is so perfectly self-evident, that it would be absurd to attempt to prove it." Adam Smith saw in the economic system of his day a tendency to emphasize the interest of the producer. In our own time we too have become preoccupied with our miraculous feats of production.

When we talk about our accomplishments as the world's most powerful economy, when we talk about our goals for the future, we must refer not only to production; we must keep in mind the daily satisfactions we are providing for the consumer. Upon that basis—as businessmen, as laborers, as farmers, and as government officials — we must formulate our policies and our rules of practice.

Each one's point of view is colored and occasionally distorted by his particular calling. We think of ourselves as belonging to various groups — producers, distributors, government officials, farmers, working men, or housewives —and so we do. All of us, however, are consumers. That is the common ground upon which we meet.

We have made progress because we have learned how to produce more of the things we need more efficiently. When our economy is functioning at its best, prices tend to decline and consumption expands. This healthy trend has taken place in several rather long periods during the last 100 years. One such period was the 40 years preceding the Civil War; another the 30 years following the Civil War; and another the middle '20s. In the development of many of our strongest industries we have seen the same trend in all periods of our history. Time after time producers have created new and greater markets by lowering their prices. By expanding their markets, they have placed themselves in a position to introduce the cost-reducing efficiencies of mass production and mass distribution. With productivity per worker increasing, wages have risen; and with a greatly expanding market, profits have gone up. This is not the universal pattern; but we might almost call it the normal way of doing business in America.

*An address by Secretary Sawyer before the Annual Convention of the National Canners Association, Atlantic City, Jan. 28, 1950.

Our Markets Expanded

Contary to some predictions, our production and employment advanced steadily following World War II. Our own markets and markets all over the world were hungry for the things we could furnish. With great masses of purchasing power available to buy these goods the demand greatly exceeded even the fabulous quantities of goods we put out. The result was serious shortages and steadily rising prices. A part of the effort to combat these difficulties was the use of export control by the Department of Commerce, with which I was dealing when I made the remark about the housewife. As prices mounted, wages mounted. The familiar upward spiral was in operation. In the summer of 1948 many of us were concerned about inflation. We wondered when the upward spiral would stop; we hoped that when it did stop it would not start back downward too rapidly.

In September, 1948, the cost of living index stood at 174.5. This meant trouble for the consumer. It meant serious trouble for those of our people who were living on fixed incomes—for those deriving their income from pensions and insurance, for those professional and white-collar workers who were not organized to demand wage increases to cover the increased prices they had to pay.

Then—in the early months of 1949, something happened. An important group of consumers went on a strike! Demand for goods fell, employment fell, production fell. The particular group of consumers which was holding back was the group of men who maintain business inventories. They had become scared, and cut their buying drastically. Within a period of six months the rate of inventory accumulation declined by the staggering amount of $12 billion. Fundamental conditions, however, were sound; business buyers regained confidence, and the decline levelled off with a satisfactory adjustment to more normal economic conditions.

Consumers' purchasing power had not been materially affected. Actually, in 1949 the disposable personal income—that is, the income of all individual consumers after the deduction of taxes—was higher than the previous record high figure of 1948, which was $191 billion. Moreover, in 1949 consumers were able to buy a greater quantity of goods and services than in 1948 or any other year in our history, and they could buy these goods and services at somewhat reduced prices. Many new and improved products were placed on the market for the first time. There was a far greater assortment of styles and qualities than ever before. The increased availability of housing facilities and automobiles illustrates this trend. If we apply the criterion of consumer satisfaction, we can say that 1949 was probably the best year in the history of the American economy.

We cannot afford, however, to rest in smug satisfaction. Some people say that our present prosperity is false, that it is based on more but cheaper dollars. We hear that the people are no better off now than they were 30 years ago, despite the fact that our national income is three times as high.

Let us look at the facts; let us find out what has happened to us as consumers of the goods and services we produce. In this brief survey of the facts I shall talk not about dollars, but about things and actual services.

From 1919 to 1949, the per capita consumption of goods and services in the United States increased by almost 60%. This increase has not been steady. In 1939, for instance, the consumption per capita was only slightly above that of 1929. Between 1939 and 1949 consumption per capita rose spectacularly — by nearly 40%.

These are general statistics which average out all goods and services. When we break them down into specific things such as automobiles, refrigerators, radios, and so on, we find that the gains are much more spectacular. For instance, in 1919 there were less than 7 million passenger cars registered in the United States. In 1949 there were over 35 million registrations, and the average car owner in 1949 used twice as much gasoline as the car owner of 1919. Nor should we fail to take into account the immeasurable superiority in quality, performance, comfort, and appearance of our modern cars as compared with those of the early '20s.

In 1919 there were less than half a million electric washing machines in American homes. By 1949 the number had increased to over 25 million. Similar increases have taken place with regard to other types of labor-saving equipment in the home, such as vacuum cleaners, electric irons, and electric refrigerators. In the '20s electric refrigerators could be purchased only by the well-to-do. Today there are nearly 30 million in use.

Perhaps the most spectacular increase of all is in the number of radios. From the relatively few crystal sets in use in the early '20s, the number of radios in American homes has increased rapidly, until last year there were 62 million in our 42 million households. On the average each household had one radio, and half of them had two. Today we are seeing a similar expansion in the use of television sets. In 1947

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Anti-Trust Suits and Investment Values

By HOWARD F. VULTEE
Vice-President, The Marine Midland Trust Company of New York

PART I—The Early Anti-Trust Cases

Mr. Vultee defines anti-trust suits instituted against American Telephone and du Pont companies as first moves in new postwar drive by government to break up some of our leading corporations. Cites studies of past prosecutions, with statistical analyses of individual companies, as demonstrating that the fundamentally sound enterprises nevertheless prospered.

So far as I know no up-to-date study of the effect of anti-trust suits on investment values has been published. Recent anti-trust actions against some of our largest corporations point to the need of such a survey and my natural concern for the preservation of investment values prompted me to prepare this paper on anti-trust history with particular reference to the effect on investment values. The anti-trust suit instituted early this year against the American Telephone and Telegraph Co. to force divorcement of its wholly-owned subsidiary Western Electric Co., appears now to have been the first move in a new postwar drive by the Attorney General's office to break up some of our leading corporations. Anti - trust action against the du Pont interests followed. Sooner or later, the "Big Three's" and the "Big Four's" of American industry—that is, the three or four largest companies in an industry—may be subject to attack.

Howard F. Vultee

During the 60 years that anti-trust legislation has been in force nearly a thousand cases have been prosecuted. More than half of the suits were filed in the 10 years from 1940. At present, a Congressional investigation is studying the possible need for tighter laws. While no major overhauling of the laws is indicated, stricter penalties and the elimination of so-called "loop-holes" may result.

In my examination of anti-trust suits and their effect on investment values, my study has been limited to the major cases involving well-known companies with readily marketable securities outstanding. Also, the scope of the report was restricted to those suits basically under the monopoly portion of the Sherman Anti-Trust Act instead of such cases under those parts of our laws regarding price-fixing and patents.

This study is divided into five major parts: (a) a summary and discussion of early suits like the Standard Oil Trust and the American Tobacco Trust, (b) such recent cases as those against Pullman, Inc. and Paramount Pictures, (c) the current Telephone du Pont and A. & P. suits, (d) future anti-trust suits, and (e) my general conclusions.

Many readers may not concur with all of the conclusions, but I have endeavored to approach the problem realistically and objectively, and my views are stated as frankly as possible in an effort to be constructive and to keep a perspective on the investment values involved. The factual material included tends to support the conclusions.

Standard Oil, American Tobacco, U. S. Steel and American Can Cases

In my examination of anti-trust prosecutions, my studies have been confined to important cases in which basic precedents were established and they show how new trends or departures developed in subsequent cases. I went back to the famous Standard Oil and American Tobacco cases, which are the classic examples of the anti-trust laws in action. In both cases it was finally ruled by the Supreme Court that the companies constituted illegal combinations under the law. Years of litigation were involved and mil-

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Dealer-Broker Investment Recommendations and Literature

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

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.

Bank Stocks — Year-end comparative analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Business & Investment Timing —Weekly bulletin service designed to help businessmen and investors appraise the cyclical outlook for business activity and stock prices — special survey of the "Outlook for 1950" with summary of a 15-year record of how the firm's privately developed studies have worked in actual practice, and two months trial subscription will be sent on receipt of $10 (Yearly subscription, $80) Anthony Gaubis & Co., 37 Wall Street, New York 5, N. Y.

Investment Recommendations—List of selected high-grade investment bonds and preferred stocks —Eastman, Dillion & Co., 15 Broad Street, New York 5, N. Y.

Investment Security in Common Stocks — Analysis — E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Low Priced Growth Stocks—Report on ten low priced issues, with four weeks trial subscription—$1.00 (sent airmail, $1.25)—Duval's Consensus, Inc., Dept. B-106, 13 West 46th Street, New York 19, N. Y.

Market Outlook—Discussion—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

New York City Bank Stocks—Comparative figures at Dec. 31, 1949—First Boston Corp., 100 Broadway, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Puts and Calls—Booklet—Filer, Schmidt & Co., 30 Pine Street, New York 5, N. Y.

Railroad Securities — Analysis of what is in store for them—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

71st Quarterly Comparison of Leading Banks and Trust Companies of New York—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Steel Company Prospects in 1950—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y.

United States Government Financing Review—1950 Edition—Reviews important developments in the government securities market during 1949 and earlier years —includes study of the shifts of ownership of government securities since the war; a graphic record of the changes in short-term interest rates during recent years and a record of open market financing operations and other reference material—C. J. Devine & Co., 48 Wall Street, New York 5, N. Y.

* * *

Aerovox Corportion — Special analysis—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

American Can Co.—Circular—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available is a circular on **Interchemical Corp.**

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

Also available are circulars on **Kansas Light & Power Co., Laclede Gas Light Co.** and **Public Service Electric & Gas Co.**

American Trust Co.—Study—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Baltimore Porcelain Steel—Analysis — Gearhart, Kinnard & Otis, Inc., 45 Nassau Street, New York 5, N. Y.

Berkshire Fine Spinning Associates—Circular—Floyd A. Allen & Co., 650 South Grand Avenue, Los Angeles 14, Calif.

Black, Sivalls & Bryson, Inc.—analysis — Cohu & Co., 1 Wall Street, New York 5, N. Y.

Central Electric & Gas Co.—Circular—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

Clary Multiplier Corp.—Progress report—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

C. G. Conn, Ltd.—Analysis—H. M. Byllesby & Co., Inc., Stock Exchange Building, Philadelphia 2, Pa.

Houston Oil Co. of Texas—New study of a special situation in the natural gas and oil industry—White, Weld & Co., 40 Wall Street, New York 5, N. Y.

Hudson Bay Mining & Smelting Co.—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Also available is a bulletin on **Northern Indiana Public Service.**

M. H. Lamston, Inc.—Statistical memorandum — Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Meredith Publishing Co.—Circular — T. C. Henderson & Co., Empire Building, Des Moines, Iowa.

Also available is a circular on **Younker Bros., Inc.**

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

Minute Maid Corp.—Circular—Floyd D. Cerf, Jr. Co., 120 South La Salle Street, Chicago 3, Ill.

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

Niagara Mohawk Power Corp. —Comprehensive study in a forty-page illustrated booklet—Harriman Ripley & Co., Inc., 63 Wall Street, New York 5, N. Y.

Northern States Power — Circular — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Also available is a circular on **Potomac Electric Power.**

Pennsylvania Water & Power Co.—Memorandum—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

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

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

Seneca Falls Machine Co.—Circular—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Standard Oil Co. of New Jersey —Memorandum—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

West Penn Electric Co.—Summary and analysis—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Western Union — 20-page analysis—Bruns, Nordeman & Co., 321 Broadway, New York 7, N. Y.

Woodall Industries, Inc. — Circular—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill.

Ralph Chapin Joins Reynolds Co. Staff

Ralph Chapin

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Ralph Chapin has become associated with Reynolds & Co., 208 South La Salle Street. Mr. Chapin was formerly in the trading department of Fahnestock & Co. and prior thereto was with Webber, Darch & Co.

Brown Fin. Adv. Mgr. For N. Y. "Times"

Kenneth C. Brown has been appointed financial advertising manager of the New York "Times." Mr. Brown joined the "Times" financial advertising staff three years ago, and in 1949 transferred to the national advertising staff. Before coming to the "Times" he was a member of the advertising department of the "Wall Street Journal."

The "Times" also announced that Charles Schumann will return to the financial advertising staff after six years in the national advertising department.

B. H. Leather, formerly financial advertising manager, will specialize in institutional and industrial advertising in the national advertising department.

Edward Jennings With Boenning & Co.

PHILADEPHIA, PA. — Boenning & Co., 1606 Walnut Street, members of the Philadelphia-Baltimore Stock Exchange, announce that Edward J. Jennings is associated with them in their trading department.

Arnold, Cassidy Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Ralph A. Gossard has been added to the staff of Arnold, Cassidy & Co., 448 South Hill Street.

Business in 1951 and 1952

By ROGER W. BABSON

Mr. Babson, pointing out present business is supported by stimulants, warns increasing governmental doses will be required to prevent decline. Says present debt-creating policy must come to end or business balloon will collapse.

In my recent Forecast for 1950 (see "Chronicle" of Jan. 5, page 6), I stated that 1950 will be almost as good as 1949. This means that most industries and most localities will average nearly as well as for 1949. It is very possible, however, that 1950 may be the best year for some years to come. It should be remembered that 1949 enjoyed several stimulants which cannot indefinitely continue. For instance, 1949 benefited from a marked increase in military preparedness. Also, in 1949, the first installment of Marshall Plan Aid — amounting to $5,000,000,000 — was sent abroad, much of which helped U. S. industries.

Roger W. Babson

1950 will, however, benefit from the large amount of insurance money to be rebated to G.I. men. There will also be some other windfalls; but the European aid money will be less in 1950. The farmers will have less money to spend in 1950. All told, general business for 1950 need not be much below 1949. We surely live in a great country.

Normal Conditions vs. Stimulants

Readers should, however, realize the great need of increasing stimulants in order to hold business up to "normal" and prevent declines. Those who have administered to the chronic sick, know that in order for the patient to avoid more pain the dose of bromide must be increased. Those who depend upon liquor for a "lift" know that the amount used must be increased from year to year, in order to get the same results.

The above illustrations apply to U. S. business. It is not enough for the government to expend "as much" in 1950 as in 1949 in order to hold up business. **The government or private enterprise must expend more in 1950 in order to prevent a decline.** The Republicans are wise in complaining about ever increasing expenditures and deficits; but in order to keep the national income up to the 1949 figures, it is not enough for Uncle Sam to contribute as much in 1950 to the general welfare. He must contribute more than in 1949 unless the Republican businessmen have more faith in the country and they themselves finance more new industries.

Bursting the Balloon

Of course there is a limit to all things. The present policy of going into debt to keep up the national income cannot continue forever. If oxygen is continually pumped into the business balloon, it will finally burst from overpressure. If only the present amount is put into the balloon each year, the balloon will slowly become smaller. Hence, 1950 may be our best year for some time.

This is why I am advising readers to get out of debt during 1950. Neither jobs nor money will be as plentiful in 1951 or 1952. Now is the time to save your umbrellas for the inevitable "rainy days." Pay cash for what you buy during 1950. Give your employer the best you can during 1950. Many careless workers will be laid off in 1951; you don't want to be one of these. Increase your savings during 1950 as you may need to draw upon them in years which follow. Explain business cycles to your wife and children. Get them to cooperate with you.

Beware of Politicians

Don't let the politicians fool you. Most of them are not interested in your real welfare. They are interested only in getting re-elected. Moreover, the increase in salary which they voted themselves will make many of them in 1950 even more dangerous leaders than before. During these coming months too many of them will tell you anything to get re-elected. They will be giving you only temporary "pain killers." Don't be fooled by their harmful patent medicines.

Your hope and mine depends upon us doing more work and spending our money more wisely. There is no short cut to prosperity. Sooner or later we will learn that these politicians have been giving us only dope instead of an honest spring tonic. We need medicine which will make us produce more, so that prices can be reduced and false "prosperity" can be avoided. There is too much thought about getting free aid and too little about creating more goods. For prosperity to continue after 1950 we must have more religion and fewer handouts.

Reed and Strait Join Swift, Henke Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Roy S. Reed and Walter L. Strait have become associated with Swift, Henke & Co., 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Reed was formerly with E. H. Rollins & Sons, Inc., and the First National Bank of Chicago; Mr. Strait was with Ames, Emerich & Co.

Joins Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — John W. Johnson has joined the staff of Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

Raymond A. Herman With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Raymond A. Herman has become associated with Goodbody & Co., National City East Sixth Building. He was formerly with Gottron, Russell & Co., Cunningham & Co., and Prescott & Co.

With Apgar, Daniels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Richard W. Massey has become affiliated with Apgar, Daniels & Co., 120 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Heath & Company of Elgin, Ill.

Mark Nolan Joins Smith, Hague Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Mark L. Nolan has joined the staff of Smith, Hague & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges. Mr. Nolan was formerly cashier for Charles E. Bailey & Co. and prior thereto was an officer of D. M. Woodruff & Co.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Robert M. Barnes is with White, Weld & Co., 231 South La Salle Street.

Pennsylvania Brevities

Pennsylvania Asks Bids on $375,000,000 Bonus Bonds

The Commonwealth of Pennsylvania has announced that sealed bids will be considered Feb. 16 for the purchase of $375,000,000 series M veterans bonus bonds. The securities will be direct and general obligations of the Commonwealth and will mature $27,000,000 annually from 1952 to 1964 inclusive, and $24,000,000 in 1965. Bidders may name up to four rates of interest, but no rate may be in excess of 4½%.

A feature of the undertaking, which is believed to mark the largest single borrowing operation by a public body or a corporation, is that no temporary certificates will be issued in conjunction with the sale. By arranging to have the definitive certificates available on March 16, when the successful syndicate will make payment for the bonds, the Commonwealth will effect a saving of several hundred thousand dollars in paper, insurance and related costs.

P. T. C. Strike Apparently Averted

PHILADELPHIA — A compromise settlement of the differences represented by the demands of Local 234, Transport Workers Union (CIO), against the Philadelphia Transportation Co. is in the process of negotiation. Thus a paralyzing strike of transit facilities, which the union had authorized for Feb. 11 "if necessary," has probably been averted.

Under terms already agreed to at a preliminary conference of the union board held last Sunday, the workers would accept a five-cents-an-hour wage increase for maintenance men, two-cents-an-hour for transportation employees, extra pay for workers on the swing shift, sick benefits and improved pensions. Final approval is expected to be given at a secret ballot to be taken among union members later this week.

A deadlock in reaching a compromise, which appeared hopeless after several weeks' discussions, yielded to the efforts of Mayor Samuel Bernard's appointed fact-finding board headed by Albert M. Greenfield.

It has been estimated that the new contract will cost P. T. C. $1,200,000 per year. Car riders join company officials in hoping that management can foot the bill by further extending operating economies and without recourse to higher fares.

* * *

Bungstarters' Dispute

PHILADELPHIA — Publicker Industries distilling plants in South Philadelphia were closed last week by a walkout of about 1,000 employees in a brief wildcat strike which company officials called a "silly thing."

The internecine disagreement broke out between coopers and warehousemen (both members of the same CIO union) as to which group should knock the bungs out of whiskey and alcohol barrels preparatory to government inspection. Heretofore the chore had been done by warehousemen, but the coopers, a higher skilled and higher paid classification, coveted the job.

Workers have since returned and both sides have agreed to a settlement by arbitration. How silly can they get?

* * *

Pennsy in Black for '49

Despite sharp declines in passenger and freight revenues, Pennsylvania Railroad reports that it wound up the year 1949 with net income of $12,474,627, equivalent to 95 cents per common share, compared with $34,429,934, or $2.61 per share, in 1948.

A large factor contributing to the black figure was the $12,462,500 dividend the carrier received from its subsidiary holding company, Pennsylvania Co. Another was a $2,000,000 tax saving resulting from revision of leases of subsidiary roads.

During the year, the railroad set up a maintenance reserve of $8,000,000 to be applied during the first four months of 1950 for freight car repairs.

* * *

New Mill for Alan Wood

The first hot-rolled strip mill in Eastern Pennsylvania was put into operation last week by the Alan Wood Steel Co. at its Ivy Rock plant, near Conshohocken. Governor James H. Duff, company President John T. Whiting and Pennsylvania's Secretary of Commerce, Theodore Roosevelt, 3rd, were speakers at the ceremonies.

The mill, built at a cost of $9,000,000, is capable of rolling 200,000 tons of steel a year into 30-inch strips. It will afford employment to approximately 150 additional workers.

* * *

Penna. Highway Program

It will require $960,000,000 to provide for the immediate needs of Pennsylvania highway construction, Governor James H. Duff, told the House-Senate Economic Committee in Washington last week. To correct deficiencies which would accumulate over a 10-year period would require $1,625,412,000, Duff said.

On Jan. 1, 1949, the State had under contract construction work valued at $73,280,000. It expects to place an additional $80,400,000 of work under contract in 1950. This is exclusive of right-of-way costs and of the $12,175,000 in contracts scheduled by the State Highway and Bridge Authority.

* * *

Baldwin Locomotive Works

PHILADELPHIA — Several million dollars of new locomotive and turbine business has been booked thus far this year by Baldwin Locomotive Works. Largest single order is represented by four hydraulic turbines for Westinghouse Electric International Co., valued at about $1,250,000. Eleven diesel-electric switching locomotives ordered by Missouri Pacific Railroad will total about $1,000,000. Other locomotive orders have been received from Warner Co., American Cyanamid Co., Seaboard Air Line RR. and E. de F. Teresa Christina, Brazil.

* * *

Philadelphia Dep't Stores

According to estimates of the Philadelphia Merchants Association, the city's "big five" downtown department stores, Wanamaker's, Gimbel's, Snellenburg's, Strawbridge & Clothier and Lit Brothers, do an annual volume of business of $300,000,000, averaging a million dollars a day every day they are open. Fifty-odd other stores in the city add another $100,000,000 to the annual total.

* * *

Penna. Power & Light Co.

Charles E. Oakes, President, Pennsylvania Power & Light Co., announced that construction expenditures over the next three years will approximate $60,000,000, of which $28,500,000 has been budgeted for 1950. Operating revenues in 1949 increased $3,456,363 to $69,908,851 and net income rose to $9,487,776 from $7,923,911.

* * *

James Lees & Sons Co.

Although sales for the year 1949 declined about 10%, sales in the last quarter of James Lees & Sons Co. rose to a new high and management believes improved demand for floor coverings will extend at least through the first half of 1950.

* * *

John B. Stetson Co.

Net income of John B. Stetson Co., for fiscal year ended Oct. 31, rose to $1,572,947, highest in company's history, and equivalent to $6.51 per common share. This was accomplished in the face of a 12.8% decline in sales. Better showing was attributable to operating efficiencies brought about by modernization of production facilities and by the effects of lower costs of raw materials. Loss of export markets due to dollar shortages has been somewhat offset by entering into licensing agreements with foreign manufacturers.

* * *

Warner Company

Unaudited figures released by Warner Company last week showed gross sales of $18,069,456 for 1949, compared with $16,982,585 in 1948. Net income increased to $2,609,953, or $5.50 per common share, compared with $2,275,897, or $4.79, the previous year.

"We have been successful in contracting for our materials for delivery during 1950 in an amount which indicates about the same general over-all results for 1950 as in 1949," said Charles Warner, in a letter to stockholders."

E. F. O'Donnell With John Douglas & Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Eugene F. O'Donnell has become associated with John Douglas & Co., Inc., Insurance Building. Mr. O'Donnell was formerly Omaha representative for H. M. Byllesby & Co., Inc., with which he had been associated for many years.

S. R. Fowler Now With Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, ILL.—S. Russell Fowler has become associated with Dempsey-Tegeler & Co., members of the New York and Midwest Stock Exchanges. Mr. Fowler was formerly a partner in Wm. C. Juen and Company.

Frederick W. Willey To Be Stroud Mgr.

Fred'k W. Willey

PITTSBURGH, PA.—Frederick W. Willey has become associated with Stroud & Co., Inc., as Manager of the Pittsburgh office, which is being removed to the First National Bank Building. Mr. Willey was formerly with E. H. Rollins & Sons, Inc.

Joseph Buffington, Jr. will continue as representative of the firm in the Pittsburgh area.

J. Carl Wright With Moss, Moore & Co.

DALLAS, TEX.—J. Carl Wright has become affiliated with Moss, Moore & Company, First National Bank Building. He was formerly with P. B. Garrett & Co. and Fred R. Deaton & Co.

Three With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Augustine J. Doherty, Herbert L. Grosby, and Charles K. Morris are now associated with Bache & Co., 135 South La Salle Street. Mr. Doherty was formerly with Shields & Co.; Mr. Grosby with Merrill Lynch, Pierce, Fenner & Beane.

COMING EVENTS
In Investment Field

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. 6-8, 1950 (Washington, D. C.)
Association of Stock Exchange Firms mid-winter meeting at the Shoreham Hotel.

Feb. 9, 1950 (Chicago, Ill.)
Bond Club of Chicago 39th annual meeting at the Chicago Club.

Feb. 10, 1950 (Boston, Mass.)
Boston Security Traders Association 26th annual dinner at the Copley Plaza Hotel. Preceded by a luncheon for out-of-town guests at the Hawthorne Room of the Parker House.

Feb. 10, 1950 (Milwaukee, Wis.)
Milwaukee Bond Club Annual Business Meeting and Dinner at the Town Club.

Feb. 11, 1950 (New York City)
Friday Night Bond Club 14th annual dinner dance at the Hotel St. George, Brooklyn.

Feb. 21, 1950 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia dinner in the Garden Terrace Room of the Benjamin Franklin Hotel.

Feb. 26-27, 1950 (Washington, D. C.)
National Association of Securities Dealers, Inc. annual meeting at the Shoreham Hotel.

March 8, 1950 (Philadelphia, Pa.)
Eastern Pennsylvania Group of Investment Bankers Association Forum at Hotel Warwick.

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.

Milwaukee Bond Club To Hold Annual Dinner

MILWAUKEE, WIS.—The Milwaukee Bond Club will hold its annual business meeting and dinner at the Town Club on Friday, Feb. 10.

A nominating committee composed of O. B. Adams, Halsey, Stuart & Co. Inc., Chairman, Rolland A. Barnum, Merrill Lynch, Pierce, Fenner & Beane; John Toennessen, John A. Toennessen & Co.; August L. Engelke, A. C. Best & Co.; and Erwin G. Schleiger, Central Republic Company, has presented the following slate:

President: Charles W. Gerlach, Charles Gerlach & Co.

Vice-President: Matthew H. Pahle, A. C. Allyn & Co., Inc.

Board of Governors: Rolland A. Barnum, Merrill Lynch, Pierce, Fenner & Beane; Oliver A. Julien, Thomson & McKinnon; Walter O. Berge, Walter O. Berge & Co.; Otto J. Koch, Jr., The Marshall Company; Henry F. Furlon, First National Bank in Wauwatosa; and William C. Davis, A. G. Becker & Co.

The Secretary-Treasurer of the association is appointed by the Board of Governors.

With Investment Research

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Raymond McKinnon is now associated with Investment Research Corp., 53 State Street. He was formerly with Trusteed Funds, Inc.

Welfare State Spending "On Trial"

Pros and cons of Fair Deal programs aired over "courtroom" broadcast, with Henry Hazlitt the "expert witness." He testifies Constitution is being distorted to justify politically apportioned welfare to strong pressure groups.


Henry Hazlitt


Ralph W. Gwinn


Richard H. Wels

Following is the testimony of Henry Hazlitt, economist and contributing editor to "Newsweek" magazine, on the question "Do Welfare State Spending Programs Threaten Our Economy?"; with Congressman Ralph W. Gwinn and Richard H. Wels acting as affirmative and negative counsel, respectively; and Judge Felix C. Benvenga of the N. Y. Supreme Court the "trial judge"; as broadcast over ABC network Jan. 18, 1950.—EDITOR.

Mr. Justice Benvenga: Ladies and Gentlemen: To the evidence—Keep in mind this question: Does government spending for the Welfare State program involve a threat to our economic system or does such spending in fact stabilize and strengthen our economy? Will Congressman Gwinn, counsel for the affirmative, call his witness?

Mr. Gwinn: I will call as my witness, Your Honor, Mr. Henry Hazlitt, well-known economist, former member of the editorial staff of the New York "Times" and contributing editor to "Newsweek" magazine.

Mr. Hazlitt, where did we ever get in America, with our tradition of the limitations of government and the freedom of the individual, how did we ever get this Welfare State idea, or the poorhouse state, or the socialist state or whatever else the particular kind of state is called?

Mr. Hazlitt: Well, as near as I can make out the origin of this idea came in sometime in 1881, at least it was the time in which Bismarck, in presenting his first social security program to the Reichstag, said, and I quote in effect, that the task of the state is to take care by means of government funds, of the welfare of the people. And it was shortly after that that the German socialists took up the idea of the Welfare State and this idea was finally taken over by the British socialists for the simple reason that the words Welfare State is a more popular phrase than the words socialist state, which is still not a very popular phrase.

Q. This is a sort of introductory term—they'll change it later to the real thing which is socialism—is that your contention?

A. Well, I think that it is Socialism in effect and that it is at least collectivistic—it is state-istic. This is the concept behind the so-called Welfare State.

Q. Well, now that is true of the European governments generally, I take it, what you just said. Now, how about the American scheme of things? How do we expect to manage our affairs in a free society and get the best results with the people?

A. Well, in a free society it has always been supposed that the welfare of the people is best promoted by permitting the free enterprise system to work, by permitting free competition, by encouraging free initiative by encouraging incentive, and not by trying to kill incentive by discouraging those who have to earn the money that we live on.

The Constitution's Provisions

Q. Is there anything in the Constitution specifically providing for the government doing things that counsel for the defense says the government is supposed to do?

A. Well, I was rather surprised to hear the counsel for the defense—seemed to imply that the Constitution gave Congress or the President or anybody else the power to do whatever it liked or whatever it thought was right to do. As a matter of fact, Article 10 of the Bill of Rights specifically says that the powers not granted by this Constitution to the United States, or prohibited by it to the States, are reserved to the States, respectively, or to the people. And I don't think words could be any plainer than that. The Constitution was a delegation of limited specific powers and nowhere in the Constitution is there anything at all that can be twisted to mean that the central government has the power to do whatever it thinks, and that its judgment will lead to the general welfare.

Q. And I understand that you think and understand, from your reading, that the general welfare is to be obtained by limiting government and leaving it to the people to do these things.

A. Yes, the Welfare State is a phrase which refers to an end; we are all seeking the general welfare, of course, but the real question is what are the means that are likely to secure that welfare and this the so-called Welfare State does not do.

Q. Has the government got any money to do things for the people

Continued on page 12

Allan Kadell Joins New York Hanseatic

Allan Kadell

Announcement is made of the association of Allan Kadell with the trading department of the New York Hanseatic Corp., 120 Broadway, New York City. Mr. Kadell was formerly manager of the trading department for E. H. Rollins & Sons, Inc.

Donald Wales Partner In Sec. Supervisors

CHICAGO, ILL.—Donald Wales has been admitted as a partner in the investment counsel firm of Security Supervisors, with whom he has been associated as account executive and analyst since July, 1946.

Mr. Wales is Secretary of the Investment Analysts Club of Chicago, and a lecturer in finance at Northwestern University. He entered the investment field after graduating from Northwestern in 1937 and was associated with Glore, Forgan & Co., and Continental Casualty Company prior to service in the Army.

Security Supervisors is investment adviser to the mutual investment fund, Selected American Shares, Inc.

Raymond F. Revell With Comstock & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Raymond F. Revell has rejoined the staff of Comstock & Co., 231 South La Salle Street. He was recently with Apgar, Daniels & Co.

Joins Kidder, Peabody Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Richard W. Pierce has been added to the staff of Kidder, Peabody & Co., 115 Devonshire Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Continued mild pressure by the monetary authorities, despite the downward trend of prices, seems to indicate they are not averse to having quotations recede somewhat further. However, it is not believed that the decline from here on will be very sizable, unless the inflation picture worsens considerably. Although the inflation psychology is still very much in the forefront, there appears to be some lessening of this fear. A change in psychology could have a marked influence upon the money managers, which in turn would be reflected in the money markets.

The minor recovery in prices of Treasury obligations was short-lived, as Federal pushed more issues into the market. This action renewed the down-trend, because investors withdrew and refused to do more than make restricted scale purchases as quotations continued to give ground. Nonetheless, the buying interest in long governments is still there, even though it is not inclined to be too active yet. Developments are being watched very closely because a good many operators in government securities are looking for a bottom, which they believe is close by.

LOWER PRICES PROVE ATTRACTIVE

Commercial banks continue to be quite active buyers of the longer eligible obligations on a scale basis. The partially-exempts, mainly the 2¾s, seem to have considerable appeal for these institutions. The defensive position of the market is bringing a few more of the tax-sheltered issues out into the open and this is not exactly displeasing to many of the commercial banks, because they have been waiting for an opportunity to buy these issues at more favorable price levels.

The leading bond in the partially-exempts is still the 2¾% due 1960/65, with many buyers willing to purchase this obligation at quotations above those sometimes prevailing in the market.

TAXABLES ALSO ATTRACTING INTEREST

In the taxable group, the 2½% due 9/15/67-72 has been the favored obligation and despite price uncertainties considerable amounts of this bond are being moved out of the market. Large as well as small banks have been purchasers of the longest eligible issue, both on a scale down as well as at picked spots. While it is appreciated prices might continue to decline moderately in the higher-income obligations, it is believed by many buyers of the September 2½ of 1967/72 that only a minor recession is likely from prevailing levels. The not-too-large floating supply of this bond also adds to its attractiveness.

Although there are not many buyers who are inclined to stick their necks out in a defensive market, quite a few of the large deposit banks are adding to their holdings of the 2¼s due 1956/59. There seems to be more "spot buying" in this bond than in the other issues, which means the taking of blocks when they accumulate or appear at prices that are considered favorable. There has also been switching from the 2⅞% due 1955/60 into the 2¼% of 1956/59, with midwestern banks reportedly being the principal operators in this exchange. There are likewise some trades being made from the 2⅞s into the 2½s of 1967/72 by these same deposit institutions.

Scattered buying is appearing in the 1⅜% notes, but the 1¼s of 1951 seem to have taken considerable of the play away from the former issue. The 1952/54's are not without friends but there has not been the same demand for these bonds as there has been recently.

FIRMING OF PRICES EXPECTED

Despite the uncertain tone of the market, there has been more shopping around and scale buying this time, especially in the bank issues, than in previous down-trends in prices. The reason for the interest in acquiring securities as they move down is attributed to the belief that the recession in quotations will not be very substantial and will not last too long. Accordingly, the banks, which have been in shorts and are in a position to increase income by acquiring the longer-term obligations, are doing just that, but on a scale down. This kind of buying, it is believed by those following it, will turn out to be very satisfactory for them.

Although the economic situation will be one of the most important forces in determining the future course of interest rates, and this trend continues favorable, more concern is being expressed by some money market followers over what is likely to happen to business late in the second quarter of the year. These opinions that adjustments in economic conditions will be under way in the not distant future, are helping to create a constructive attitude toward the government bond market, in spite of current uncertainties.

SPECULATION ON MARCH REFUNDING

The restricted issues continue to be taken by savings banks, but in a less aggressive manner, because they are now inclined to wait and see where a stabilization level is likely to be established. They are, however, switching from lower into higher yielding obligations. The March maturities are now a topic of much discussion, but again a "straddle" is expected by many in the financial district. A shorter maturity of the 1¼% notes is looked for in some cases with the length depending upon inflationary forces. Others believe there might even be notes with a higher rate offered in exchange for at least part of these maturities.

With R. S. Hays & Co.

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Harvey C. Elliott has become connected with R. S. Hays & Co., Inc., 11 Corcoran Street. He was formerly with Griffin & Vaden, Inc. and Carolina Securities Corp.

With Prescott & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Louis A. Schulke has become associated with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges.

Continued from page 11

Welfare State Spending "On Trial"

that it doesn't first take from the people every dime that its got?

A. Well, it is believed of the people who are most articulate in favoring the Welfare State that somehow or other the money that the government distributes comes out of thin air or is manufactured by the government. As a matter of fact, if we spend $42 billion a year — the central government spends that much—it means that they must take it from somebody else and the man they take it from is the American taxpayer, and he loses exactly as much purchasing power as anybody else gains, and his incentives are destroyed and the whole functioning of business is strangled by this process of transferring these funds.

Q. Then I understand that to the extent the government takes from the individual, it weakens the individual to manage himself and his property.

A. Well, the concept of the Welfare State is a state-ist concept. It is a concept that the bureaucrats know how to run us better than we know how to run ourselves; it is the idea that poppa knows best; it is the idea that people are incapable of taking care of their own affairs.

Q. Well, do they charge the people for looking after their affairs, and managing them and controlling them for their benefit?

A. The general assumption—which I think is supposed by the fact that they charge a fairly good price for that service.

Q. About how much do you say they take from the people?

A. The government is not quite getting the $42 billion, it's taking about $37 billion a year from the American people and this is a crushing burden, a crushing discouragement to business.

Q. And that has what effect on the people as a whole?

A. The effect is to discourage the people who earn the money because they are not allowed to keep their earnings and it is to make those relax and sit back and let the state take care of them who don't earn the money, because they are being subsidized whether they earn it or not, so in both ways it destroys incentive.

Mr. Gwinn: No further questions, Your Honor, but I would like to reserve time for re-direct.

Justice Benvenga: Your witness, Mr. Wels.

Questioning by Counsel for the Negative

Mr. Wels: Mr. Hazlitt, I take it from your direct testimony that you have some familiarity with the Constitution.

Mr. Hazlitt: I have.

Q. Are you familiar, sir, with the preamble to the Constitution?

A. I am.

Mr. Wels: We the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty, to ourselves and our posterity, ordain and establish this constitution—

Mr. Hazlitt: I would like to call your attention Mr. Wels that that is a preamble and is not a delegation of power. The Supreme Court has held time and time again that this is a preamble and not a delegation of powers. There is nothing in the Constitution, and if there is I would like to have you point it out to me, which declares that the Federal Government can do whatever in its opinion forwards or promotes the general welfare.

Mr. Wels: Although virtually all of these laws which you criticize have been sustained by the Supreme Court of the United States.

Mr. Hazlitt: Whether they sustained them or not; I'm talking about what the Constitution says.

Mr. Wels: You are not a lawyer, Mr. Hazlitt.

Mr. Hazlitt: I am not a lawyer.

Q. Now, Mr. Hazlitt, I take it that wholly part from questions of spending or economic disaster, you are not opposed to improving the welfare of the people.

A. The whole object of government is to promote the general welfare so the people who have appropriated the phrase, the Welfare State, have appropriated a good phrase to bad purpose because the so-called Welfare State does not promote the people's welfare.

Q. Now, Mr. Hazlitt. You have said that the welfare spending programs, I take it, are threatening the economy and solvency of the country. You have referred to the fact that the present Administration has recently submitted a budget of $42 billion to Congress. Are you familiar, sir, with the fact that of that $42 billion, $13,545 million or 32% of the entire budget is intended for the support of the Army, the Navy and the Air Force?

Not Getting Our Military Money's Worth

A. I am familiar entirely with that fact, but I should like to point out, Mr. Wels, that it doesn't follow because the Army, the Navy and the Air Force are spending $13 billion for defense that we are getting $13 billion worth of defense. And I don't think that simply because an expenditure is for a good purpose that it is not to be examined, or not to be criticized or not to be reduced.

Q. I think you have answered my question. You are aware that that represents 32% of the budget.

A. I am aware that this represents a large per cent of the budget and I am aware that this contains in itself a great deal of wasteful spending.

Q. In other words, I take it that you feel that part of these economies you advocate should be accomplished through a reduction of the National Defense budget.

A. Any number of competent people have testified that there are many economies in the National Defense budget and if you want me to mention a couple, I shall be glad to do so.

Q. Well, the time is limited and I'd like to go on to some other things. Now, are you also aware, sir, that in this $42 billion, $4 billion, 711 million is allocated to the Marshall Plan and foreign aid?

A. I am quite aware of that.

Q. Which I think incidentally that you opposed.

A. I think that it is an extremely wasteful expenditure.

Q. In other words, you are opposed to the Marshall Plan.

A. I am opposed to that expenditure because I think it is simply promoting Socialism in Europe and has retarded the recovery of Europe and not promoted it.

Q. You do not believe then that the Marshall Plan has permitted the countries in Western Europe to increase their production and to restore economic health to those countries.

A. Those countries have, to some extent, increased their production. After the last world war the countries also increased their production without any Marshall Plan.

Q. Incidentally, Mr. Hazlitt, I know you are an authority on eco-

nomics; wasn't the cost of a single month of World War II as much as the annual cost of the Marshall Plan?

A. In don't think the fact that the World War cost a lot is any excuse for wasteful expenditure now. If it isn't I should like to suggest that the government appropriate $4 billion for my personal expenditures on the ground that it isn't really worth anything. I don't think you can justify a bad expenditure on the grounds that we were compelled to make much greater expenditures during the war.

Q. All right, sir, now this $42 billion. We covered $14 billion for defense and $4 billion some-odd for the Marshall Plan. Also included in this $42 billion is $6 billion to the Veterans. Do I take it that you consider that also social welfare and that you would eliminate the Veterans' appropriation?

A. Well, I think the veterans' appropriation can be cut, and I say that as myself being a veteran, not that it is of any importance, but there are all sorts of wasteful expenditures for the veterans. For example: I think that 83% of the men who enter the Veterans Hospital today suffer from diseases or ailments that are not war-connected; they have nothing to do with the war and I think the idea that any expenditures for veterans is sacred is an idea that we have to re-examine. I don't think that the veterans themselves think that and I don't think they want that sort of an expenditure.

Q. All right, so that you would reduce the defense budget, you would reduce veterans' expenditures and cut out the Marshall Plan.

The "Rare" Proposal to Economize

A. I would economize, in other words, Mr. Wels. This is a rare idea, but this is what I would do.

Q. Now, Mr. Hazlitt, within this same $42 billion which we're talking about, there's an item, interest on the public debt of $5.6 billion, which in a large measure represents the cost of financing the last war. Would you also cut that one?

A. I wouldn't cut a single cent out of that, Mr. Wels, but I would suggest that if the war had been more soundly financed, we wouldn't have had this debt of $257 billion.

Q. Now, in this same $42 billion budget, Mr. Hazlitt, there is an item of $817 million for the development of atomic energy. Would you cut that out or reduce it?

A. I have no opinion as to the relative worth of that particular expenditure, whether it should be larger or smaller. I want to point out, however, that it is only about 2% of the entire budget.

Q. All right, sir, in this same budget which we're talking about there is $230 million for the subsidy of steamship lines and another $222 million for the subsidy of airlines. Would you cut this down?

A. I cannot give, Mr. Wels, a curbstone opinion on every expenditure. What I can say is this—that where you have a wasteful Administration, where you have an Administration that is deliberately preaching the gospel of spending, the probabilities are overwhelming that practically everyone of its categories of expenditure conceals great waste and expenditure. And I think the Congress ought examine these things far more critically than it has ever examined them in the past year.

Q. Now, sir, so far you want to reduce the defense budget, you want to reduce the allotments to veterans, you want to cut out the Marshall Plan, you don't think we ought to reduce the service on the public debt and you don't have anything to say about cutting out subsidies for steamships and airlines. Now, sir, we have another $2.6 billion in the budget for agricultural matters to take care of the farmers and to assist them against their special hazards. How do you feel about that; do you want to reduce that?

The Most Unjustified Expenditure of All

A. I am very glad to be asked about that as I am not running for Congress, not running from a rural district, and I can completely afford to tell the truth of that. And I think that's the most extravagant, unjustified expenditure of all . . . what we are doing with that is to raise the cost of food to the city workers all over the country in order to give a bonus to farmers at a time when farm income is at a height that it's never reached before in our history.

Q. All right, sir; now, with respect to this agricultural matter, you are also opposed to creating special storage facilities to store surplus crops against favorable market conditions?

A. I most certainly am. I'm very glad you gave me the opportunity to say so.

Q. Are you aware, sir, that in this budget, of all these sums we've talked about, there is only $2 billion, $700 million for old-age assistance and for the entire social welfare program?

A. Well, I'd like to point out that these items seem small only by comparison with the waste in the rest of the budget. And all your questions, Mr. Wels, overlook the fact that the taxpayer loses all these monies, and he has his own budget which is being squeezed down and down and down by these budgets—and the taxpayer's budget also has something to be said in its favor and this is what all these items overlook.

Q. So that, sir, when out of a budget of $42 billion, $2 billion is being spent for social welfare programs, you feel that that item is bankrupting the country.

A. I think your item is unfair. I think perhaps you ought to throw in this $4½ billion for Europe.

Mr. Wels: I'm afraid my time has expired, Mr. Hazlitt.

J. F. Twohy Resigns Crabb Named Chman. Of Investors Div.

MINNEAPOLIS, MINN.—E. E. Crabb, President of Investors Diversified Services, announced with regret the resignation of J. F. Twohy as Chairman of the Board of Directors. The resignation was submitted to the Investors board at a meeting in Minneapolis.

Twohy wishes to return to the Pacific Coast, where he and his family have been active in financial and industrial affairs for many years. He has agreed to represent Investors as a consultant on the Pacific Coast, particularly in connection with their extensive mortgage lending activities in the Los Angeles area.

E. E. Crabb was elected Chairman of the board, and Grady Clark, General Sales Manager for the company, was elected a director and a member of the Executive Committee.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—Norris S. Teutsch is now with Merrill Lynch, Pierce, Fenner & Beane, 1319 Franklin Street. He was formerly with Davies & Mejia for a number of years.

With Channer Securities

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Calvin L. McIntyre is with Channer Securities Company, 39 South La Salle St.

Business Man's Bookshelf

Business & Investment Timing — Weekly bulletin service designed to help businessmen and investors appraise the cyclical outlook for business activity and stock prices — special survey of the "Outlook for 1950" with summary of a 15-year record of how the firm's privately developed studies have worked in actual practice, and two months' trial subscription will be sent on receipt of $10.00 (yearly subscription, [illegible] Gaubis & Company, 37 Wall Street, New York 5, N. Y.

Business Life Insurance and Its Economic Applications—Robert I. Mehr and Hugh G. Wales—Bureau of Economic and Business Research, University of Illinois, Administration Building, Urbana, Ill.—Paper.

Expanding Role of Government and Labor in the American Economy, The—Waldo E. Fisher—Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif.—Paper—$1.

Lipton Story, The—A Centennial Biography — Alec Waugh—Doubleday & Co., 14 West 49th Street, New York 20, N. Y.—Cloth—$3.

New Dictionary of American Politics—E. C. Smith and A. J. Zurcher — Barnes & Noble, Inc., 105 Fifth Avenue, New York 3, N. Y.—Cloth—$3.25.

Mutual Funds

By ROBERT RICH

Shareholders to Vote on Trust

A voting trust to provide for the continuity of the management of **Distributors Group, Incorporated,** sponsors and investment managers of **Group Securities, Inc.,** will be the subject of indirect approval by the Group Securities' shareholders at the annual meeting to be held on Feb. 28.

The request will take the form of a vote on a new advisory, research and statistical contract between Group Securities and Distributors Group, a step made necessary by the Investment Company Act of 1940 which provides that a transfer of control of investment management automatically terminates an investment advisory contract. Actually, no practical change is contemplated, since, if the new contract is approved by the Group shareholders, the voting trust will hold a majority of the Distributors Group stock, presently held by Kenneth S. Gaston and Herbert R. Anderson, President and Executive Vice-President, respectively. On the other hand, if it is not approved, the existing contract, identical with the new one, will remain in effect, with these two officers, who have been associated with Distributors Group since 1933, continuing to exercise joint control of Distributors Group which they have held since 1942.

Investment dealers are being advised of the proposed new contract.

Stocks Average Midway Between Historic Highs and Lows

According to the **Keystone Company** "1950 Investment Timetable," stock prices, as measured by the Dow-Jones Industrial Average, are only half-way between their normal long-term highs and lows.

The "Timetable," distributed to investors as an aid in buying and selling, uses a long range channel made up of two parallel lines which mark the approximate upper and lower limits of past market fluctuations. This channel rises at a rate of about 3% a year and encompasses all bull and bear markets for more than 50 years with the exception of the abnormal 1929-32 period.

Today the low is 139 and the high 278. The figure of 197 is exactly half way between these points. The Dow-Jones Industrial Average has moved within a few points of this figure for several weeks.

The long-range channel is divided into five zones, with the area above and below included as two additional zones. As the Average moves from one zone to another, a different proportion of defensive bonds and aggressive stocks are held.

The net effect, Keystone claims, is to help the investor preserve his capital by being largely in stable bonds as the market declines from high levels and to systematically sell the faster moving stocks and take profits as the market reaches high levels after rising from a low point.

Keystone remarks that although the "Timetable" operates on a formula planning principle similar to those used by Yale, Vassar College and banks and other large investors, it is also applicable for "investment accounts of any size."

National Trust Funds also publishes and uses such an investment device, with Standard & Poor as an index, which it describes fully in a pamphlet entitled "The Unemotional Approach."

New Booklet

Diversified Investment Funds, Inc. has put out a neat—and necessarily simple—little booklet entitled "Important Facts About Your Savings" for public consumption.

Inflationary Climate Forecast

R. H. Loomis, President of the **Loomis-Sayles Second Fund, Inc.,** advised shareholders to give serious consideration to reinvesting a considerable portion of future capital gains dividends, compounding benefits of a larger principal at work. Mr. Loomis, commenting on the general business situation, said that, beyond "the business momentum of the next few months, there is considerable uncertainty and the possibility that readjustments of a more fundamental and possibly more drastic nature may take place, than was indicated by the short, abrupt business decline of 1949."

Mr. Loomis thinks that when the postwar shakedown has finally been completed, prices appear likely to continue high by prewar standards and may ultimately go much higher than they are today. The possible inflationary development, Mr. Loomis says, is spawned by the vast redistribution of wealth, with increased incomes for those whose marginal propensity to consume is high, and is aggravated by the development of the "Welfare State," with bigger and better benefits for everyone, intensifying the inflationary climate

SEC Official Says No Reversal on Mutual Fund Promotional Material

By CHARLES G. BROPHY

SEC official clarifies opinion previously regarded as nullifying Cashion's Wiesenberger letter. Text of both opinions reproduced

"There is no express or implied overruling of the Cashion opinion, or 'Wiesenberger letter', by the recently written 'Hurlbutt' letter," James P. Goode, Assistant Director, Division of Corporation Finance, of the Securities and Exchange Commission in Washington, D. C., declared in a statement to the "Commercial & Financial Chronicle."

Mr. Goode was referring to an opinion rendered by him, on Dec. 16, to Frank R. Hurlbutt, of Hurlbutt and Hurlbutt, attorneys at law, in response to a personal written inquiry by Mr. Hurlbutt on Nov. 4, requesting a ruling on a mutual funds promotional booklet entitled "Mutual Funds & The People's Savings."

Mr. Goode stated that he would make no statement or forecast on a future ruling by the Securities & Exchange Commission, but commented that "the whole problem is under active consideration, and a ruling on the entire matter will be rendered as soon as possible."

Mr. Goode said that present practices in the use of promotional literature may continue, if there is a strict adherence to the spirit and intent of the Cashion opinion. If such literature is used for the purpose of selling a particular security, he pointed out that it would be a violation of paragraph one of the Cashion opinion.

The "Wiesenberger letter," written to Arthur Wiesenberger by the late Edward H. Cashion, former Chief Counsel of the Corporation Finance Division of the SEC, in 1948, stated that "The sender, of course, is the best judge of his intention in these matters. If no decision to offer specific registered securities is made until after consideration is given to the investor's circumstances, objectives and preferences and if the matter distributed does not refer to any specific security but contains only information of general interest to the investing public, I would not be inclined to question the propriety of the advertising and distribution of this type of material. This assumes that no security is named in the communication, that the material does not indicate that it has been prepared by an issuer or a distributor of named securities and that the sender has not decided upon a specific registered security to be offered to persons who respond to the solicitation."

Mr. Goode, in his letter wrote, that "a booklet which is intended to provoke inquiries which will result in an active effort to sell securities is an offer of those securities for sale."

"Both the Cashion opinion and the one I have rendered," Mr. Goode declared, "contain the same references to Section 5 of the Securities and Exchange Act." [Texts of both opinions appear further below.]

However, he stated, no mention is made in the Cashion opinion of Section 17(a) of the Securities and Exchange Act of 1933, and much of his opinion is based on the booklet's possible violation of Section 17(a).

Section 17(a) makes it unlawful for any person in the sale of securities to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading or to engage in any transaction practice or course of business which operates or would operate as a fraud or deceit on the purchaser.

Mr. Goode emphasizing the fact that the Hurlbutt letter was not made public by the Securities and Exchange Commission, but that it constituted a personal and specific reply to a personal inquiry, stated that although he did not personally desire to disparage any group or individual, he was required, in his official capacity, to point out to Hurlbutt and Hurlbutt, for the benefit of their clients, that the booklet in question, if used for the sale of securities, contains generalities which ought to be curbed, because, if they were used out of context, they might color the desirability of a specific security which did not conform to the generalities expressed.

He further said that he had no objection to the use of general innocuous promotional literature, but did object to the use of general literature to promote the sale of a particular security. The SEC, Mr. Goode said, would be glad to review and render opinions on literature submitted to it by those intending to use such literature for the sale of securities, if there was any doubt concerning the interpretation of the opinion.

It has been the generally considered policy of the Securities & Exchange Commission, under the Cashion opinion, to permit a firm to offer its entire business facilities, with an open mind, until it

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Two Join Walston, Hoffman & Goodwin

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Edmund G. Blackburn and Robert M. Damir are with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Miller, Spink

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Walter L. Goetchius has been added to the staff of Miller, Spink & Co., 231 South La Salle Street.

Continued from page 14

SEC Official Says No Reversal on Mutual Fund Promotional Material

ascertains the individual needs, circumstances and resources of a particular investor, according to prevailing opinions of attorneys familiar with the regulations. Under such interpretation, two of the conditions governing general advertisements in the securities field is that they be free of any reference to a particular security, and that the advertiser must have an open mind, and be willing and in a position to offer a substantial number of securities underwritten by different firms.

Apparently, the booklet in question would thus be a violation of Section 5 if a dealer, using the booklet for promotional purposes, was selling the shares of only one mutual fund without offering a prospectus under the prospectus requirements at the same time such a booklet was distributed.

In his letter, in addition to a possible violation of Section 5, Mr. Goode scored the booklet, "Mutual Funds and the People's Savings," on five counts.

First, the booklet is regarded in its foreword and conclusion as conveying the impression that the government in some manner regulates or controls the operations of investment companies to a far greater extent than it has authority to do.

Second, the letter states that, in discussion of dollar averaging, the example used presents the system of stock market buying in a misleading light.

Third, the booklet refers to open-end investment companies as "cooperative investment institutions" and as "investment cooperatives," "such statements obscuring the fact that such companies are private established ventures conducted not alone for the benefit of shareholders but also for the profit of their promoters, managers and underwriters. It is particularly misleading that no mention is made of the sales load . . . the impression created is that investment companies are operated as nonprofit enterprises."

Fourth, Mr. Goode's letter objects to the booklet's reference to the excellent performance record of investment companies without comparative supporting data. The letter comments, "It is my understanding that the performance of open-end management investment companies as a whole for the 12-year period, 1937 to 1948, inclusive, was not materially better than the general movement of stock market securities as shown in the Standard and Poor Stock Index for the same period."

Fifth, the promotional literature discussion representing investment companies as a "source" of capital seems fallacious when "in practice, investment companies operate to place funds (after deduction for sales load) which have their source with persons who buy the investment company shares."

Text of Hurlbutt Letter

Following is the text of the letter sent Dec. 16, 1949, by James P. Goode, Assistant Director, Division of Corporation Finance, Securities and Exchange Commission, Washington, D. C., in answer to the Nov. 4, 1949 inquiry by Frank R. Hurlbutt, Hurlbutt and Hurlbutt, attorneys at law. The letters X, Y, and XYZ have been substituted for the names mentioned in the letter.—EDITOR.

"SECURITIES AND EXCHANGE COMMISSION, WASHINGTON 25, D. C.

"Corporation Finance Division
"December 16, 1949
"Frank R. Hurlbutt, Esquire
"Hurlbutt & Hurlbutt
"50 Broadway
"New York 4, New York

"Dear Mr. Hurlbutt:

"This refers to your letter of November 4, 1949, with which you enclosed two copies of a pamphlet entitled 'Mutual Funds and The People's Savings' written by Mr. X, Professor of Economics.

"It appears from your letter that the article was written by Mr. X, in his capacity as a teacher, for publication in 'Y Business Review' and that when it was not accepted for publication, he decided to publish it himself in abridged form. It is further noted that Mr. X has received no compensation from any issuer, underwriter or dealer in securities but expects to profit from the sale of copies of the booklet to securities dealers and sponsors of mutual funds. Your client, XYZ, Inc., will act as agent for Mr. X.

"The article, as described in your letter, 'does not promote any specific security, but is a short description of mutual funds generally and their investment advantages but primarily devoted to their growing social and economic significance.' Therefore, you have advised your client that there is no violation of either the Securities Act of 1933 or the Investment Company Act of 1940 in the article itself or in the distribution of copies by your client as agent for the author.

"Most open-end investment companies are continuously offering their securities to the public which offering, among other things, subjects such securities to the prospectus requirements of the Securities Act. Section 2(10) of the Act defines the term 'prospectus' as a written communication 'which offers any security for sale' and Section 5(b)(1), in effect, makes it unlawful for any person to transmit by use of facilities of interstate commerce or through the mails any prospectus which offers a registered security for sale unless such communication is accompanied or preceded by a prospectus which meets the requirements of Section 10. A booklet which is intended to provoke inquiries which will result in an active effort to sell securities is an offer of those securities for sale. As neither Mr. X nor your client is engaged in the sale of securities issued by investment companies, Section 5(b)(1) would not preclude the distribution of the article to security dealers and sponsors of mutual funds by XYZ, Inc., as agent for Mr. X. However, any dealer transmitting the booklet to customers of the firm must accompany or precede it with a statutory prospectus for each security to be offered to persons to whom the booklet is sent.

"In addition to the prospectus requirements of the Securities Act, Section 17(a) thereof makes it unlawful for any person in the sale of securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading or to engage in any transaction, practice or course of business which operates or would operate as a fraud or deceit on the purchaser. An examination of Mr. X's article reveals that it contains many misleading implications and that it omits material facts which reasonably appear necessary in order to make the statements made therein not misleading.

"In general, Mr. X's article in its entirety conveys a misleading impression of the investment company field because it fails to describe clearly the methods of operation while commenting favorably upon them, it does not substantiate the statements that results have been excellent and it fails to disclose clearly the costs incurred by the individual investor in the form of sales load and management charges. I will not attempt to comment on each respect in which the article appears to fall short of full and fair disclosure, but in succeeding paragraphs I will point out a few of the more significant statements and paragraphs which, in my opinion, contravene Section 17(a).

"First, the references in the 'Foreword' and in the 'Conclusion' to federal regulation of investment companies when taken against the context of other portions of the article convey the impression that the government in some manner regulates or controls the operations of investment companies to a far greater extent than it has authority to do. The Investment Company Act of 1940 imposes certain requirements on the organization and operation of investment companies but, except in certain limited circumstances, it does not purport to restrict the discretion of management in selecting and maintaining a portfolio of securities or in declaring and paying dividends. The references to federal regulation of investment companies, therefore, appear incomplete and misleading by reason of the failure to adequately explain the extent and effect of such regulation.

"Second, in the discussion of dollar averaging on pages 5 and 6, the results of dollar averaging are compared with 'the average price at which shares have sold during any given period of time.' While such a comparison is arithmetically correct, it has little or no practical significance unless it can be shown that security purchasers attempt to secure an average cost over a period of time rather than a low cost basis. In addition, any references to 'gain' or 'increase in value of invested principal' appear misleading because they depend upon the arbitrarily assumed price at the end of the series of purchases, and are not the result of dollar averaging. For example, in the illustration at the top of page 6, if the market action used by Mr. X is revised to reflect prices of $20, $30, $40, $30 and $20, there would be no change in the average price or average cost per share, but at the end of the period, the application of dollar averaging would have produced a loss of $7.69 per share or a decrease of 27% in the market value of invested principal while prices at the beginning and end of the period were identical. It also appears misleading to contend that dollar averaging solves the problem of timing purchases and turns price fluctuations to an investor's advantage since, to the extent that price declines make purchases advantageous, they also cause unrealized loss in securities previously purchased at a higher price. Finally, any references to dollar averaging seem inappropriate in an article which purports to discuss only general characteristics of open-end investment companies, because the necessary instalment payment schedule is not a customary feature of such companies, and can also be applied to the purchase of other securities.

"Third, it is noted that open-end investment companies are described as a 'cooperative investment institution' and as investment 'cooperatives.' The impression created is that investment companies are operated as non-profit enterprises which obscure the fact that, in essence, they are privately established ventures conducted not alone for the benefit of shareholders, but also for the profit of their promoters, managers and underwriters. It is particularly misleading that no mention is made of the sales load normally charged on the purchase of investment company shares since a person redeeming shares loses the amount paid as sales load except insofar as it may be offset by dividends received on the shares or by an increase in their asset value.

"Fourth, the article refers to the excellent performance record of investment companies but, significantly, does not present any comparative data in support of the statements made. It is my understanding that the performance of open-end management investment companies as a whole for the 12-year period, 1937 to 1948, inclusive, was not materially better than the general movement of stock market securities as shown in the Standard and Poor 90 Stock Index for the same period. The failure to indicate the results obtained by the 'efficient and skilled management' of investment companies and to state that the asset value of an investment company's securities is reflected by the value of its portfolio which, in turn, is subject to general market fluctuations are, in my opinion, material omissions.

"Fifth, the discussion of 'Economic and Social Significance of Mutual Funds' on pages 9 to 12 seems fallacious in attempting to represent that investment companies are a 'source' of capital. In practice, they operate to place the funds (after deduction for sales load) which have their source with persons who buy the investment company shares. In connection with this question of the source of capital there appear to be inconsistencies in the 'Conclusion' section of the article on pages 12-14 which render it misleading. For example, the first paragraph states that one of the chief defects in our present society is the relatively small percentage who have a direct interest through ownership of corporate stocks or bonds, in the preservation of our system of private enterprise. But the third paragraph states that it would be highly unwise to encourage widespread investment directly on the part of inexperienced investors, and states that constructive assurance against Socialism or Communism can be attained safely only through mutual investment companies.

"Other statutory provisions which may apply to a distribution of the article in the sale of investment company securities are section 23 of the Securities Act and section 35(a) of the Investment Company Act. The first of these sections makes it unlawful to make, or cause to be made, any representation that the Commission has in any way passed upon the merits of or given approval to any security and the second makes it unlawful in selling investment company securities to represent or imply in any manner whatsoever that either the security or the company has been 'guaranteed, sponsored, recommended or approved by the United States or any officer or agency thereof.' The statements that mutual funds are 'under continuous regulation of the Securities and Exchange Commission since 1940' and that 'the development of the mutual investment industry under Federal legislation and regulation has radically changed the situation which prevailed even 10 years ago' can reasonably be construed as implying that the government has

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Banking developments in New York City during the past month have been dominated by issuance of annual reports and activities related to the annual meetings which were held by the various institutions.

As has been the case for several years, the annual meetings have been attended by an increasing number of shareholders and the sessions used to discuss a wider range of topics affecting banking operations.

While there are some instances where expressions of opinion as to the outlook for earnings and dividends by banking authorities and the possibilities of pending banking legislation have proven to be enlightening; in a number of cases the meetings have been more amusing than informative.

Several bank stockholders who have made it a practice for some years to question managements in detail about many minor and some major matters of bank operations were very much in evidence. Meetings were often prolonged and drawn out while discussions were carried on between these stockholders and the chairman of the meeting. Requests for information ranged from biographical sketches of directors to the effect of devaluation, officers' salaries and foreign operations. As in past years requests for adoption of such favored projects as changing the annual meeting dates so as not to conflict with other New York banks, sending past-meeting reports to stockholders, cumulative voting, placing a woman director on the board, serving lunch to attending stockholders, and full disclosure of pertinent information in the annual report were made at most gatherings.

What effect these individuals have had on the policies of different institutions and whether it is for the benefit of the bank and the stockholder is difficult to determine. They have, however, generated considerable discussion and in some cases sharp exchanges of words.

In most of the bank meetings and in several of the annual reports some comment was made on the assessments of the Federal Deposit Insurance Corporation.

Since the formation of the FDIC in the early thirties, member banks have been charged an assessment of one-twelfth of 1% of their total deposits. The capital funds of the FDIC have been built up through these assessments to over $1 billion. Because of this fact and current conditions within the banking field there is a large body of opinion that believes present assessments should be reduced and the insurance coverage increased from the present $5,000 to $10,000.

At present, consideration is being given by Congressional committees to proposals for changes in the legislation governing these assessments. Specifically the Maybank Bill, as it is known, has received a considerable amount of support both by the monetary authorities and private bankers and there is reason for believing that some adjustment in these assessments will be made in the near future.

While there are almost certain to be some major changes in the Maybank Bill, its principal provisions call for an increase in the deposit coverage from $5,000 to $10,000 and the transfer on a pro-rata basis of 60% of the net assessment as a credit against assessments for the next year. This in effect would amount to a reduction of 60% of the present assessment.

If such legislation were passed, it could mean a great deal to the banks who are at present members of that agency and pay these charges. Last year, for example, National City paid a total of $2,893,000, and Chase National $2,976,000 in such assessments. The elimination of this charge obviously could result in a significant improvement in bank earnings.

Another item which seemed to receive a considerable amount of discussion was the various dividend policies. Stockholders present at the meetings used the occasion to point out that dividend payments by some institutions have not kept pace with the rise in living costs and that while wages and salaries of personnel have been increased, stockholders are not able to show a proportionate gain. Few, if any, direct commitments were made as to future payments. In most instances the answers were qualified by future earnings results. At a number of meetings no encouragement at all was given for a larger payment, although in a few instances the possibility of continuing recent extras or stock dividends was mentioned.

Because of the recent market action of some of the New York City bank stocks and the recurrent rumors concerning them, the meetings were also used to sound out the different managements on the possibility or liklihood of mergers or consolidations.

In no case was there definite information obtained about any pending negotiations although several indicated that they were aware of the possibilities present. Despite other outright denials to specific inquiries, the rumors of impending mergers or liquidations persist and the question arises as to whether the right questions were asked.

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SEC Official Says No Reversal on Mutual Fund Literature

sponsored or recommended investment companies and the skill and ability of their managements and had passed upon the merits of their securities and the stability of the income to be derived therefrom. Under these circumstances, the article, in my opinion, is in violation of both section 23 and section 35(a).

"In the preceding paragraphs I have indicated some of the materially misleading aspects of Mr. X's article and have expressed the view that use of the article by dealers in selling securities would violate certain sections of the Securities Act and the Investment Company Act. Distribution of the article by Mr. X or your client for use in the sale of investment company securities might give rise to liabilities for aiding and abetting a violation of the law. Consequently, I wish to be advised immediately that the article will not be used, in its present form, to promote the sale of investment company securities. Otherwise, I will consider recommending that appropriate action be taken by the Commission.

"Very truly yours,
"JAMES P. GOODE,
"Assistant Director
"Division of
Corporation Finance."

Text of Cashion Opinion

Following is an abstract of a letter written to Arthur Wiesenberger & Co., in 1948, from Edward H. Cashion, Esq., Chief Counsel of the Corporation Finance Division—Securities and Exchange Commission, Washington, D. C.:

"The question of whether a particular advertisement or communication constitutes a **prospectus** as defined in Seption 2(10) of the Securities Act of 1933 depends upon the intent of the advertiser or the person transmitting such communication and the nature of the material involved. Where the purpose is to obtain purchasers for a particular security, there is an offering of that security within the meaning of Section 2(3) of the Act, even though the name of the security is not disclosed. If, in response to inquiries, it is intended to send a prospectus relating to a specific registered security it is apparent that the purpose of the solicitation is to obtain purchasers for such registered security. Under these circumstances, the distribution of the communication through the mails or in interstate commerce results in a violation of Section 5.

"The sender, of course, is the best judge of his intention in these matters. If no decision to offer specific registered securities is made until after consideration is given to the investor's circumstances, objectives and preferences and if the matter distributed does not refer to any specific security but contains only information of general interest to the investing public, I would not be inclined to question the propriety of the advertising and distribution of this type of material. This assumes that no security is named in the communication, that the material does not indicate that it has been prepared by an issuer or a distributor of named securities and that the sender has not decided upon a specific registered security to be offered to persons who respond to the solicitation."

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold its annual winter dinner in the Garden Terrace Room of the Hotel Benjamin Franklin on Tuesday, Feb. 21. Tickets are $12. Reservations should be made with Joe Dorsey, Merrill Lynch, Pierce, Fenner & Beane. Harry Farig, Reynolds & Co., is in charge of hotel reservations.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles has elected Jack H. Alexander, Walston, Hoffman & Goodwin, President to succeed William A. Miller, Fairman & Co. William McCready,

Jack H. Alexander

N. B. Van Arsdale

Richard R. O'Neil

Geyer & Co., Inc., was elected Vice-President; Nieland B. Van Arsdale, Blyth & Co., Inc., Treasurer; and Richard R. O'Neil, Edgerton, Wykoff & Co., Secretary.

Named to the board of governors are Stephen C. Turner, Wagenseller & Durst, Inc.; Thomas Euper, Francis I. duPont & Co., and William Miller, the retiring President.

BOND TRADERS CLUB OF CHICAGO

At the annual mid-Winter dinner of the Bond Traders Club of Chicago, the following new officers were elected:

President: Fred J. Casey, Doyle, O'Connor & Co.

Fred J. Casey

Leonard J. Wolf

Orville H. Strong

Frederick O. Cloyes

Vice-President: Leonard J. Wolf, A. G. Becker & Co.
Secretary: Orville H. Strong, First National Bank of Chicago
Treasurer: Fred O. Cloyes, Cruttenden & Co.

Total attendance at the dinner which was held at the Furniture Club in the Furniture Mart was 500 of whom 180 were guests.

BOND TRADERS CLUB OF KANSAS CITY

The annual Kansas City Mid-Winter Dinner and Cocktail Party is to be held again this year in conjunction with the Chicago and St. Louis Parties on a Tri-City basis. The Dinner in Chicago is to be on Jan. 30—in Kansas City on Feb. 1—and in St. Louis on Feb. 2.

The Kansas City Cocktail Party is to be at 5 p.m. at the Muehlebach Hotel in the private bar on the mezzanine and Dinner will be at 6 p.m. in the main ballroom. From the number of reservations already in from various parts of the country, this party looks to be one of the club's biggest. The guest fee is $12.50, which includes the Cocktail Party, Dinner and entertainment.

Reservations may be made with John Latshaw of Uhlmann & Latshaw.

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association announces its 26th Annual Dinner at the Copley Plaza Hotel, Friday, Feb. 10, 1950. Cocktails will be served from 6 to 7 p.m., Dinner at 7:15 p.m. Entertainment will be furnished. Tickets are $12.50 (including Federal and State Taxes).

Members of the committee are: Warren Donovan, Chairman, Dayton Haigney & Co., Inc.; T. Edmund Williams, Hooper-Kimball, Inc.; Arthur C. Murphy, A. C. Allyn & Co., Inc.; Nicholas Lamont, Lamont & Co., Inc.; Edmund J. Hurley, Wise, Hobbs & Seaver, Inc.

Ticket Reservations may be made with Edward F. Hines, Perrin, West & Winslow, Inc.; Room Reservations with Francis V. Ward, H. C. Wainwright & Co.

For out-of-town reservations, contact: Philadelphia—John R. Hunt, Stroud & Co., Inc., PEnnypacker 5-7330. New York—James V. Campbell, H. C. Wainwright & Co., DIgby 4-8200. Hartford—Robert B. Calvert, Tifft Bros., HArtford 7-3115.

Members Luncheon for out-of-town guests will be held at the Hawthorne Room, Parker House, Feb. 10, at 12:30.

Economic Slanting in Education—A Disaster!

By BENJAMIN H. NAMM
Chairman of the Board, Namm's, Inc.

Major Namm, emphasizing the abilities acquired during formal school education, calls on business to push reforms. Charges gross deficiencies in acquainting youth with nature and historical development of our economic system, the importance of productivity, true implications of the labor movement, knowledge of functions of business management, and personal responsibilities of individual citizen. Concludes genuine study of American economic history and debunking of popular catchwords would lessen current unsound experimentation.

"As the twig is bent so is the tree inclined," said a famous educator of the 19th century. This applies most aptly to education for a career in business.

Benjamin H. Namm

It is the basic economic function of business to produce goods and to distribute them—and those are its functions regardless of the economic system in which business operates. But we are talking today about business in the American Economy. In the American Economy "business" consists primarily of labor, investors, and management. In most business enterprises it is essential to develop healthy relations with suppliers, creditors, and distributors, or else the business as a whole—and that means the workers, the owners, and the managers—will suffer. It is most important of all, however, for managers, owners, and workers alike to realize constantly that unless there is a pretty steady volume of purchases of the goods or services produced there just can't be steady employment or steady dividends. In other words, if managers or owners or workers try to gain for themselves at the expense of the consumers, the whole business enterprise will suffer.

I am speaking to you today as a representative of business management—the people who must put together capital, labor, and materials and then try to find customers and more of them, to develop better goods and services. In my particular branch of business we are in closest touch with John and Mary Doe, and we have to know what they want—and then try to satisfy their wants. Every business executive, if he is to be successful, must relate the problems of his own business enterprise to the wants of John and Mary Doe.

The Schools in the Picture

Where do the schools come into this picture? They train every future John and Mary Doe; they train the future managers, owners, and workers in industry. Will our future John and Mary Doe be satisfied with whatever they get—or will they continually want more and better goods and services—as our forbears have? Will John and Mary Doe as workers recognize the value of work — and will they be trained to work on and with the continually more intricate machines and processes which are being developed? Will our schools and their graduates recognize that the schools are just one part of the American way of life—and that when any major element of the American way of life—freedom of education, free election, free speech, free worship, free enterprise—is attacked, then all of the others are definitely menaced? These, as I said, are some of today's major challenges to responsible educators.

Where is the common meeting ground of business and the schools in all this? It is twofold. First, both business and the schools should each recognize that it is a part of the complete American way of life and that, when either is basically attacked, there is danger of a precedent being established which sooner or later could be used against the other. Second, and more directly, the pupil becomes both the finished product of the school and a raw material in business. Will the pupil be trained for his entry into business—or will there be economic waste because he is essentially unsuited for his post-school life? Here, it seems to me, we have a direct fusion of interest between the business executive and the school executive.

Essentially the schools should try to do these things—

(a) Fit the graduate—at whatever level he leaves formal school training — for the economic life he will enter—both as worker and consumer.

(b) Fit the graduate for the social life he will enter—how to get along with other people, how to utilize and enjoy the leisure increasingly provided as a result of the accomplishments of our economic system.

(c) Fit the graduate for the personal life he will lead—how to develop interests in life, how to use and develop his own mental abilities, how to be a successful and happy member of a family and community.

As I see it, every school graduate, in addition to possessing the ability to study and to think logically, should possess knowledge—

(1) That most good things in life have to be worked for.

(2) Of how to write good English—a lot of good scientists who graduate from our universities don't succeed in proportion to their real ability because they don't know how to write good reports.

(3) Of how to speak in public.

(4) Of the nature of the American government; and of the importance of every citizen casting an intelligent ballot and being willing personally to run for elected office.

(5) Of the essentials of economic progress — inventions, incentives, initiative, and investment.

What Business Needs

I list these qualities which the graduates of our schools should possess because the greatest single problem that confronts American business today is to develop executives, first junior and then senior, with enough "know how" to meet the changing conditions of modern times.

The men and women of American business are thoroughly alert to the need for discharging their social responsibilities, to employees, consumers, and likewise to the community in which they serve.

The great imponderable lies in finding ways and means to meet the added costs that social service of all types will entail, without unduly increasing costs and prices. This problem can be met in only one way, namely, by greater efficiency and improved techniques.

Therein lies the challenge for business, and therein lies the opportunity for youth!

If our youth can develop themselves, and know "why they are doing what they are doing," and if they forego complacency and find new and better ways for private enterprise to render essential services at a fair profit—then all will be well for us, and for them, and for America. Whether our youths will be able to do this will in large measure depend on the knowledge and especially on the abilities they acquire during the period of their formal school education.

Some Defects in the Educational System

Some of the general criticisms of our public schools which are especially related to the social studies field are these—

(a) Failure to give able students adequate incentive to continue their educational work instead of dropping out of school at an early age to take remunerative jobs.

(b) While businessmen appreciate the increasing adjustment of education to the individual rather than to the group, they believe that this needs still further development.

(c) At every opportunity courses of study should introduce real-life economic situations, since this will not only make the study of economics as such more intelligible but should give students a better understanding of the nature of society and the meaning of democracy.

(d) The great necessity for training in economics is seen in the fact that the report issued last month by the Joint Council on Economic Education recommended a complete revision of the high school social-studies curriculum. Professor Baker of New York University, director of the Council declared that "in the nation, as a whole, not more than 5% of the boys and girls leaving high school have received adequate instruction in economics"—and yet, as citizens are called upon to make judgments on economic issues which "vitally affect the future of our society." Is is any wonder that I and other business executives are seriously concerned about the extent and nature of

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A Parable of Two Investors

By BRADBURY K. THURLOW
Analyst, Minsch, Monell & Co., Members of New York Stock Exchange

Mr. Thurlow presents illustration to prove his contention that purchaser of "worst-performing" industrial stocks 10 years ago received more on his investment than investor in Series E bonds

We are all familiar with the parable of the servants, each of whom was left money by their master who was going on an extended trip. When the master returned, one of the servants produced the original money which, for safety, he had hidden under a rock. Another had increased the money through astute operations. The master severely reprimanded the first servant and made him hand over his money to the second servant.

B. K. Thurlow

Many timely conclusions are to be drawn from this tale: First, government experts to the contrary notwithstanding, it is not, according to our best authority on ethics, morally evil to make money with money but is, on the contrary, a very foolish thing to have money and not put it to work. Second, he who puts another's money under a rock to avoid risk is not fulfilling a trust. Third, he who puts money under a rock to avoid risk frequently finds he has nothing of value when he takes it out. Fourth, to paraphrase General Eisenhower, if a man's principal goal is to preserve his status quo (i.e. security), he will inevitably fall short of it, since few if any men have perfect wisdom.

Consider for a moment how perfectly the forces of circumstance have borne out this principle during the past ten years. Let us suppose that in 1938 two men were given an equal amount of money to invest and that one of them in effect hid it under a rock by buying life insurance and savings bonds with the entire amount, while the other put his money into the industries whose stocks (to emphasize the comparison) have shown the least satisfactory market performance ever since: railroad equipments, marginal base metals, and aircraft manufacturing. Today these three groups are about 30% better marketwise than they were at the extreme lows of 1938-1942. Therefore, the gain in price is about the same as would have been obtained in Series E Bonds. Superficially, therefore, Series E Bonds were the better investment, since over the intervening period there was no price risk. Superficially, neither investment has provided any material protection against the 100% increase in the cost of living which has occurred since 1938.

But, before concluding that the buyer of stocks has not properly hedged himself since 1938, we must consider this less obvious fact: For every $100 invested since 1938 the buyer of these stocks has received approximately $100 in cash dividends. In other words he has, in picking the dullest, worst-performing industrial groups in the market, made 130% on his money in ten years, an average of 13% per annum. This is probably as poor a result as anyone could have shown who bought stocks 10 or 11 years ago and held them.

Viewed in terms of the cost of living, the man who bought the poorly performing common stocks has bettered the price rise by 15% over the period, while the "conservative" Series E Bond buyer has lost about 33% in actual value. Both have, of course, had to pay taxes on their "income." The difference in results is wholly caused by a 50% decline in the value of the dollar. With government economists talking glibly about raising the value of the national product from 200 billion to 400 billion (i.e. printing up another 200 billion in paper currency to distribute to worthy individuals) so the National Debt would no longer be bigger than the national product, an investor would have to be insane not to see the possibility of at least another 50% decline in dollar's value in next decade.

And yet "conservative" investment services and counsels continue to advise intelligent businessmen and housewives to hide all their money under a rock in spite of the growing evidence that it is deteriorating in value daily.

Canadian Securities

By WILLIAM J. McKAY

A Conservative victory in the forthcoming British elections, following the resounding defeats suffered by the Socialist-Labor Governments of Australia and New Zealand, could not fail to have a profound influence on British Commonwealth policies in general. As far as Canada is concerned the wane of British Socialism could mark the beginning of a new era of constructive cooperation with the other members of the British family of nations.

While Socialistic principles have dominated the economic policies of the British Labor Government, Canada has by no means obtained the favorable end of the bargain. Undue State interference in erstwhile private fields of operation produced the pernicious system of inter-governmental bulk trading in commodities. This in turn led to the acceptance by Canada of long-term contracts with the United Kingdom for the sale of farm products at prices below the world market level. It had been hoped that the Dominion thereby would be assured of a permanent market in the United Kingdom for its export surpluses despite any change in market conditions. As is invariably the case long-term bilateral contracts of this kind give rise to economic and political embarrassments whenever their terms become out of line with economic reality. The U. K.-Canadian Wheat Agreement for example will doubtlessly be terminated next July despite the generosity of the conditions granted by Canada during the major portion of its term.

Furthermore the British Labor Administration has not hesitated to cast sentiment to the winds in the face of the dollar shortage, with the result that as far as Canada is concerned Imperial Preferences are now replaced by British Commonwealth trade discrimination. In conformity with the Socialist program of full employment British unrequited exports have taken the place of serious efforts to promote trade with Canada and other hard-currency areas. Similarly, British development plans abroad favor endeavors of the nature of the ill-fated Strachey Peanut venture in Tanganyika rather than participation in the development of Canada's vast wealth of natural resources.

In the event however of the defeat of the Labor Government there will be unquestionably a drastic change of atmosphere. Wherever practicable the policy of State domination in trade and the curbing of individual enterprise would be sharply modified. Trade with hard-currency areas would be energetically fostered and a less indulgent attitude would be adopted towards Britain's blocked-sterling creditors. On the other hand there is little question that the wartime and postwar generosity of U. S. and Canadian unrequited aid would receive fuller recognition.

The way would thus be prepared for the general acceptance of the idea that Canada could replace India as the "brightest jewel in the British crown." Warmer cooperation would be forthcoming for bolder schemes for large-scale migration from the overcrowded British Isles to the vast empty spaces of Canada. Greater publicity would doubtlessly be devoted to the recent epoch-making discoveries of Canadian oil and minerals, in the exploitation of which British capital and technical skill so far have played a negligible part. With the restoration of greater freedom for private enterprise the dollar curtain, that now virtually shuts off British participation in a new era of dynamic Canadian expansion would soon be lifted to the greater benefit of the British Commonwealth and the world at large.

During the week there was a continued demand for external bonds but in the absence of an adequate supply dealings were once more on a small scale. In view of this market condition the forthcoming new issue of five-year Province of Quebec refunding bonds will undoubtedly receive a highly favorable reception. Free funds remained strong and the Feb. 16 Alberta oil-lease auctions are likely to create a further demand for "free" dollars. Stocks after a further decline from their recent peaks showed a tendency to rally led by the industrials and senior golds but the Western oils and base-metals made little headway.

Parrish Co. Has Fiftieth Anniversary

Parrish & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, Feb. 1 celebrated the 50th anniversary of the firm's founding.

In looking to the future, the firm stated:

"We enter our second half-century in the securities business under constantly changing investment conditions. The past 50 years have seen the nation prosper along with our vast industrial expansion. The survival of the free enterprise system depends upon a better understanding of its benefits. We believe it is essential that more and more people through stock ownership become partners in our great industries and share directly in their growth and profits."

Richard Nelson, V.-P. Of Equitable Secs.

Equitable Securities Corporation announces that Richard D. Nelson has been elected a Vice-President. Joining the firm in 1937, Mr. Nelson has been with the New York office, 2 Wall Street, where he will now be in charge of the Eastern Buying Department.

"Such Boastings as . . ."

"Actually, in 1949 the disposable personal income—that is, the income of all individual consumers after the deduction of taxes—was higher than the previous record high figure of 1948, or any other year in our history, and they could buy these goods and services at somewhat reduced prices. . . .

Charles Sawyer

"The American standard of living includes . . . more than the durable and non-durable goods we buy and use. It includes a wide variety of services and in this we have progressed less rapidly than in the field of commodities. Even so, the average person today obtains 40% more services than the average person did in 1919. . . .

"We have made steady progress in equipping the American home with the conveniences of modern living. Even in the seven years between 1940 and 1947, which included five years of war, the number of dwelling units without electric lighting was cut from 8,000,000 to 4,500,000. The number without inside running water was reduced from 11,000,000 to 7,000,000. Home owners used three times as much electricity in 1949 as in 1939, and since then the number of residential telephones in use has doubled."

—Charles Sawyer, Secretary of Commerce

We have just two observations:

(1) Such achievements as are real, the people, not the "we" of the politicians, have won.

(2) Let us not forget that there were "two chickens in every pot," "two cars in every garage," and almost no poverty left in the country (according to the politicians) less than 12 months before the crash in 1929.

West Coast Banker Warns Against Overoptimism on Business Outlook

E. C. Sammons, President of United States National Bank of Portland, Ore., tells ABA Credit Conference, belief nation can "spend itself rich" has gained too much momentum and bankers should do something about it.

In the face of continued government deficit financing, business for 1950 as a whole cannot be as good as predictions indicate, E. C. Sammons, president of the United States National Bank, Portland, Oregon, told the Second National Credit Conference of the American Bankers Association at Chicago on Jan. 25.

E. C. Sammons

"I am sure the banking fraternity recognizes the possibility of moderate contraction later in the year," Mr. Sammons said. "There should be good opportunities, nevertheless, for banking volume and bank profit during the year. It seems reasonable to believe that bank expenses, which have been trending upward for some time, will do so at a less rapid rate in 1950.

"These things are on the credit side; but I wish to mention some things that are not quite so 'rosy.' I want to discuss our public financing.

"There is an idea which seems to have gained much momentum in this country," Mr. Sammons continued. "It is that the government can 'spend itself rich.' This thought has reached dangerous proportions, and I believe the bankers must do something about it.

"The present program of the government calls for a continuing large deficit in 1950. I am not alarmed by temporary deficits, but our government has been running at a deficit for seventeen out of the last twenty-one years. Naturally we understand the reason for deficits during the war years, but we can and should become alarmed about huge deficits in these postwar years. It is the momentum of government spending that presents the biggest danger. In the twelve nonwar years in this twenty-one year period, our federal debt increased more than $57 billion; and it is intended to add still further to this vast debt. If our people do not make it plain to the government that deficit in these prosperous years should be avoided, we can have serious doubts as to whether we will ever again see a balanced budget.

"The budget is out of control," Mr. Sammons stated. "There isn't a banker who would let his bank's budget get out of control. You and I are stockholders in the government, and we have a right and a duty to see that the managers of our corporation handle the business properly."

Discussing the report of the Hoover Commission, Mr. Sammons said: "The Commission finds that we are paying heavily for confusion, overlapping, and waste. It has presented the American people with a blueprint for good government. This is of utmost significance, since, as a people, we have reached the point at which the size and cost of government can easily impair the effectiveness of our economy and lower our standards of living.

"When Mr. Hoover was President, the government employed 600,000 persons, and cost $4 billion a year to operate. Today the budget is more than $42 billion, and the government employs more than 2,000,000 persons and comprises a maze of departments, bureaus, sections, divisions, and what have you—1,816 different organizations.

"If the heads of the 15,000 banks in America would each undertake to talk to one group of citizens a week through the rest of the year," Mr. Sammons continued, "I believe we could alert the populace to the dangers of increasing government spending. We can all talk about the importance of getting the Hoover Report adopted. There is no reason why it should not be done. President Truman asked for the Committee; Congress voted for the Report unanimously; the facts are available. I believe that if put before the people clearly, the people will respond."

In conclusion, Mr. Sammons said: "We as bankers should accept our undeniable responsibility and take our proper part in forming and guiding public opinion, and help stimulate the people into action to reverse these dangerous trends. We thereby will have strengthened the base for bank credit in the years following 1950. Collectively, the banks of the nation have 44 per cent of all assets invested in government bonds which will waste away in value under continued deficit spending. Their value can be preserved by a sharp and prompt reversal of present government financial policies. Our patriotic obligation is to work earnestly to that end."

Tyson & Co. Adds Johnson to Staff

PHILADELPHIA, PA.—Albert B. Tyson, President of Tyson & Company, Inc., Lewis Tower Building, of this city, has announced that George E. Johnson has become associated with the firm as a registered representative.

Mr. Johnson is believed to be the first Negro to become a registered representative of a Philadelphia investment firm. He is also believed to be the first of his race in the country to obtain a license to sell securities.

Mr. Johnson enters the securities business with selling experience gained in other fields. He is 49, a native of Richmond, Va., and a long time resident of Philadelphia, where he is active in a number of Negro organizations. He is a graduate of Virginia Union University, Richmond, Va., and for a number of years was engaged in educational work.

Mr. Johnson will represent Tyson & Company, Inc., in Philadelphia and throughout eastern Pennsylvania.

"The addition of Mr. Johnson to our sales staff is nothing more or less than recognition of the great shift in the distribution of the national income that has occurred during the past decade," Mr. Tyson said. "In this shift the middle and lower income groups especially have benefited. This has created a new group of potential security buyers. Mr. Johnson will help us reach this new market."

Bache & Co. to Admit A. Glen Acheson

Bache & Co., 36 Wall Street, members of the New York Stock Exchange, will admit A. Glen Acheson to partnership on Feb. 9. Mr. Acheson is Manager of the syndicate and securities distribution department.

What to Do About Our Fiscal Crisis

By JOHN W. HANES*
Chairman, Tax Foundation, Inc.
Formerly, Under Secretary of the Treasury

Leading Treasury official in Roosevelt Administration, asserting Federal deficits constitute most serious fiscal problem and are grave danger to our free enterprise economy, sees only solution in reduced government spending. Advocates as tax reforms: (1) liberalization of depreciation allowances; and (2) relief from double taxation on dividends. Contends lower taxes giving added incentives to risk capital will increase government revenues. See Socialism, of the British type, threatening American economy.

The subject assigned to me is "The Tax Burden." I should like to divide my remarks into several sections: first, taxes and spending in relation to a sound overall fiscal policy; second, some desirable reforms in tax policy; and third, incentives and Socialism.


John W. Hanes

To some, "fiscal policy" has a forbidding sound. The very words bring to mind visions of statistics by the pound, complicated formulas, the higher reaches of economics and public finance—in short, a subject to be avoided at all costs and at all times.

Nothing could be further from the truth. Although the techniques for carrying out fiscal policies may be complex, the basic policies themselves are determined — or should be determined—by common sense principles understandable to any layman.

For instance, in drawing up a Federal fiscal policy for the next year beginning June 30, 1950, there are two possible approaches. On the first basic decisions resulting from these approaches, rests the entire fiscal program.

One is the businesslike approach. The fiscal planner looks first at the estimated revenues for fiscal 1951. He finds they have been estimated at $37.3 billion. And he says, in effect: "We are going to get that much money—a tremendous sum—and what can we afford? How can we fit our many wants to the funds available?"

That is one approach. A second is to draw up a national budget based on what one would like to spend, what is desirable or considered necessary by one voting group or another. This fiscal planner, after finding that the total adds up to $42 billion for fiscal 1951, goes on to say, in effect: **"Let's see what new taxes can be added to reach that total. How much of it can we add to the national debt?"**

There is the choice: what we can afford, or what we would like, whether we can afford it or not. A decision in this basic area, understandable to any taxpayer, can determine—has determined—fiscal policy for the most powerful country in the world.

I have begun with this illustration to demonstrate simply that tax policies do not exist in a vacuum; they are dependent on the level of expenditures. And both taxes and spending depend on an overall fiscal policy developed at the top. It is difficult, if not impossible, for Congress to cut spending without strong leadership from the Executive Department.

*An address by Mr. Hanes at the 310th Regular Meeting of the National Industrial Conference Board, N. Y. City, Jan. 26, 1950.

Deficits: Number One Fiscal Problem

Today, the number one fiscal problem of the Federal Government is this: we are living above our income; we are spending more than we are taking in.

There are three ways to meet this problem: first, we can reduce spending; second, we can increase taxes; third, we can increase the national debt through deficit financing.

During the present fiscal year we are spending over $80,000 a minute, 24 hours a day, seven days a week, for 52 weeks. As a result of this spending pace, nearly $6 billion will be added to the national debt by next June 30.

Proposals for reducing government spending are as numerous as they are unsuccessful. You will remember the situation in Congress last year. A strong effort at economy gathered momentum through June, then aborted in the tangle caused by the out-of-date appropriation procedure. It finally ended with failure of even a somewhat plaintive appeal from Congress to the President to cut down expenditures after the money was appropriated. When it finished work, the First Session of the 81st Congress had the distinction of appropriating a larger sum than any other peacetime session in our history.

One ray of hope has been the work of the Hoover Commission. About 20% of its recommendations are already in effect with potential savings so far listed at about a billion and a quarter dollars.

But this large sum is dwarfed by the anticipated deficit for this year alone.

There is a solution to the problem of reducing government expenditures. But it doesn't lie in half-way measures. The Director of the Budget, Mr. Frank Pace, hit the nail on the head, and I quote him:

"A realistic appraisal of the budget outlook must begin with the realization that if there is to be any significant reduction in Federal expenditures, it must be obtained through the curtailment or elimination of programs."

Mr. Pace, unfortunately, was not arguing for the elimination of any programs. But one of his predecessors in office did offer recently a concrete proposal for immediate action. Mr. Daniel Bell, formerly Under Secretary of the Treasury and Director of the Budget, now President of the American Security and Trust Co. in Washington, proposes a two-year moratorium on new legislation creating any new government function or the expansion of any function already assumed. He adds, and I quote:

"During this two-year period, the Congress should devote itself almost exclusively to a re-study of all functions taken on during the past quarter of a century to ascertain whether they were soundly conceived and soundly financed, and whether our economy can afford them. After this study has been completed, Congress should devote the next period to a correction of our past mistakes."

This is an ambitious plan. But, in my judgment it indicates one good method of cutting government spending enough to lick our basic fiscal problem. The road back to sanity in public spending is going to be a long one, in any case. Trimming Federal personnel rolls and sniping at individual items of Federal expenditure, however desirable, are not enough. Some day we will have to come down to the crux of the matter, which is reducing government functions.

Alternative number two is to **increase taxes to meet budget demands.**

Postwar Tax Revenues Have Increased

It will not be necessary to demonstrate that taxes are a burden. But it is a startling fact that in each of the last two fiscal years, the American economy furnished all government with more revenues than the greatest amount collected in any year of World War II.

Despite the postwar decline in the individual income tax burden, American taxpayers as a whole have been called on to pay more in taxes to Federal, state and local government than they did when we were fighting and trying to pay for history's most destructive war.

Total tax receipts for the three levels of government reached a wartime peak in 1945, when 50 billion 148 million dollars was paid in. In fiscal 1948, this figure was up to 51 billion 42 million dollars and in fiscal 1949 it was an estimated 50 billion 271 million dollars. And Mr. Truman has just proposed additional taxes.

I have bunched Federal, state and local taxes together for this example. But despite a postwar trend showing increases in state and local taxes, our principal tax problem is at the Federal level. Back in 1939, less than 40% of total tax receipts went to the Federal Government. Today, almost three-quarters of all taxes go to Washington, and this makes the problem a Federal one.

It has been said, and I believe it, "there is a point in taxation beyond which government cannot go without draining away the lifeblood of the economy."

Moreover, with total taxes already at about 25% of our national income, that point I believe has been reached. In England, where taxes have risen to 40% of the national income, industries have reached the point of stagnation. In the United States, about 700,000 new jobs must be created each and every year for the young people just starting their careers. Consequently, constant expansion of private business must be encouraged. More taxation does just the opposite. It destroys all incentive to expand.

Increased taxation, as a solution to our primary fiscal problem has nothing to offer but a direct threat to the continued health of the economy on which our very existence depends.

The third alternative is deficit spending.

Greatest Danger Is Deficit Spending

I am convinced that prolonged deficit spending, as we have seen it in 18 of the last 20 years, holds more immediate danger for us than any other domestic problem.

A single year's deficit does not make a crisis. Even a business or a family can have a bad year financially. But it was President Roosevelt who said in 1932 that if a government "like a spendthrift, throws discretion to the winds, and is willing to make no sacrifice at all in spending; if it extends its taxing to the limit of the people's power to pay and

Continued on page 29

Securities Salesman's Corner

By JOHN DUTTON

About a year ago I mentioned in this column some of my observations over a period of years concerning the possibility that salesmen transmit thought waves to their prospects. Other men have observed this phenomenon. The following letter has been received from John Albert Goodpasture, Jr., Captain U. S. A., Retired, of Bristol, Va. It is interesting.

"Dear Mr. Dutton:

"About a year ago you will recall that you mentioned in your column something along the line of 'mental attitude transmissions' to prospective customers, and that I replied that I felt reasonably certain that such a state of mind (good or bad) could be conveyed from one person to another. Well, just a few days ago I read in the New York 'Times,' that Jurgen Ruesch, M.D., and A. Rodney Prestwood, M.D., both of the University of California Medical School, stated to the press, to the effect, quote:

"'Anxiety is contagious, due to keyed-up blood vessels, muscles, etc.; no matter how you try to suppress or conceal your anxiety, the tone of your voice or your gestures will start others worrying.'

"Now I think all good salesmen have 'sensed' the above for years, before the discovery was recently made by medical science by the aforesaid doctors. (What really happens is a change in processes suddenly induced through endocrine influence via mental faculties.) We know that the adrenals (of kidney) secrete some 27 substances, one of which is the now widely publicized 'Cortisone,' which is said to be influenced (via A.T.C.H.) from the pituitary of the brain. So many near miracles have developed within the last three years, and even past three weeks through using A.T.C.H.—Cortisone upon patients, that some Doctors now say: 'All ills regardless of nature are influenced by one or more of these endocrine secretions, over or under normal quantity.'

"It seems reasonable and logical to me that happiness, success, optimism, may also be connected with counteracting secretions which may add to, or correct the negative substances. So far as I know this theory is original. For example, the substance Epinephrine which is secreted through stress, is soon diminished in potency. But when stress is continued over many years it probably causes permanent damage, especially to heart and circulatory system.

"What salesman has not noticed that sometimes while going for days without making any substantial sale, that upon suddenly landing a good order, many good orders follow in rapid succession for no accountable reason? I say the reason is a changed mental attitude (induced by body chemical metabolism, altered by success secretions), which is actually transmitted in a spirit of optimism to the sales prospect!

"I am fully convinced that a successful salesman must first develop self-confidence and radiate optimism. Of course, some order takers succeed to the contrary. My father, the late J. Albert Goodpasture, Sr., was a very successful travelling salesman for over 20 years and he gave me the benefit of his self-acquired 'salesphilisophy.' Some of his ideas were astonishingly correct, as I see the years roll by and read of scientific verifications. He had the philosophy and quasi-knowledge of a bedside practicing physician. It was years later that I fully understood a little metal card that hung on the wall of his home which merely stated:

"'The city of happiness is in the state of mind.'

"P.S.—My medical observation is purely 'amateur,' and of course not to be relied upon otherwise."

Public Utility Securities

By OWEN ELY

Niagara Mohawk Power Corp.

Niagara Mohawk Power Corp. is a recent newcomer to the Stock Exchange list, and the company celebrated by issuing a 35-page brochure, "A Brief Story of the New Consolidated Operating Company of the Niagara Hudson System." (Harriman Ripley also issued a 40-page story.) The new common stock was issued early in January to the common stockholders of Niagara Hudson Power Company (still traded on the Curb Exchange). Each share of old stock surrendered with a $1 payment per share (up to July 5) receives 78/100 share of Niagara Mohawk. The $1 contribution (per share of old stock) is used to retire the holding company's bank loan. Those who did not wish to make this contribution can await free distribution of the new stock some time late this year or early in 1951, after the pro rata share of the bank loan is paid off by dividends received by the holding company from the Niagara Mohawk which it still retains. The amount of the dividends (Mohawk expects to pay 35c quarterly) will about equal the amount of the contribution. After distributing all its stock, Niagara Hudson Power will dissolve and Mohawk (a temporary name) will then assume the title of the holding company.

Mohawk's subsidiaries include The Niagara Falls Power Company, which sells electricity to large industrial customers in the Niagara Falls area, and in turn controls Canadian Niagara Power Company, Ltd.; and three smaller companies, St. Lawrence Power, Frontier Corp., and the Oswego Canal Co.

Niagara Mohawk Power Corp. provides electric service to a large part of the New York State area from the Niagara Frontier to the Hudson River Valley and from the state's northern border to the foothills of the Catskill Mountains on the southeast and the Pennsylvania border on the southwest. It serves about 882,000 electric customers. Two Canadian subsidiaries provide electric service to an additional 9,000 customers in parts of Ontario, Canada. Gas service is provided by the company to about 294,000 customers in parts of eastern, central, and northern New York State. About half of the 712,000 residential electric customers of the System are concentrated in and around Buffalo, Syracuse and Albany, the largest cities served.

Residential and farm customers use about 1,825 kwh. per annum compared with the national average of about 1,664. The average residential and farm rate is 2.56c per kwh. compared with a national average of 2.97c.

The Niagara system in 1948 had revenues of $138 million, making it one of the largest utilities in the country. Electric revenues contributed 88% and gas 12%. Electric revenues during this period were as follows: residential and rural 29%, commercial 18%, industrial 35% and miscellaneous 18% (including municipal, special defense power, etc.).

In 1949 about 50% of electric power was obtained from hydro and 38% from steam, the balance being purchased. The Niagara System, which is entirely interconnected, includes 81 hydro plants with a capacity of 961,000 kw. and six steam plants with a capacity of 977,000 kw., while purchase contracts cover 231,000 kw. The Schoellkopf hydro-station at Niagara Falls has a capacity of 335,000 kw., and the Huntley steam plant near Buffalo 625,000 kw.; the second largest steam plant (240,000 kw. at Oswego) is being increased to 320,000 kw.

The gas division obtains about 62% of its sales from manufactured gas and 38% from natural and mixed gas sales. Residential revenues were about 70% of all dollar gas sales, commercial ranking next, while industrial sales amounted to only about 7% of the total. Contracts have been signed with New York State Natural Gas Corp., a non-associated company, and applications are pending before regulatory commissions to extend natural gas service from the central New York area eastward to the Utica-Albany region and then north to Glens Falls. Under this plan straight natural gas service will be available to the greater portions in Niagara Mohawk Power Corporation's central and eastern divisions by 1951.

The proposed project involves construction by New York State Natural Gas Corporation of a transmission line to serve the Utica-Albany area which will extend from the gas storage fields in northern Pennsylvania to a point near Ithaca, and from there northeast to Utica and eastward to Albany. The plan also provides for New York State Natural Gas to secure a part of its requirements from a transmission line to be constructed across New York State and New England, from Buffalo to eastern Massachusetts. The Tennessee Gas Transmission Company has applied to the Federal Power Commission for approval of its plan to build such a line.

The company has had a large postwar construction program under way, largely devoted to increasing electric steam capacity. 180,000 kw. steam capacity was installed in December, 1948 and 40,000 early in 1949, while 160,000 will become available in 1950 and 80,000 in 1951. Of the $110 million spent for construction in 1946-49, depreciation and retained earnings accounted for all but $38 million which was borrowed on short-term notes, recently refunded by $40 million long-term bonds. The $65 million construction in 1950-51 will require about $25 million new money which will be taken care of through short-term loans. As of Oct. 31, 1949 long-term debt was 51%, preferred stock 19%, and Class A and common stocks 30% of total capitalization.

The common stock is currently around 22, yielding 6.4%. Earnings for the calendar year 1949 are estimated at close to $1.95 a share pro forma.

F. C. Masterson Co. Admits H. P. Henriques

Henry P. Henriques, Jr. has been admitted to partnership in Frank C. Masterson & Co., 64 Wall Street, New York City. Mr. Henriques for many years has been active as an individual Curb floor broker.

Van Alstyne, Noel To Admit Robinson

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Richard H. Robinson to partnership on Feb. 9.

Utah Banker Calls Deficit Spending Suicide

Orval W. Adams, Vice-President of Utah First National Bank, calls increase in Federal Debt tragedy of first magnitude.

Speaking at a luncheon meeting on Jan. 24 of the Salt Lake Rotary Club at the Hotel Utah in Salt Lake City, Utah, Orval W. Adams, Vice-President of Utah First National Bank, stated that on Aug. 4, 1949, the day this country returned to deficit financing, even though it was a time of full employment, high national income and maximum production, could be referred to as a day of fiscal insanity leading to national suicide.

Orval W. Adams

Mr. Adams termed the return to deficit financing and superimposing more debt on top of the present $247,000,000 debt as "a tragedy of the first magnitude."

"Every free institution in this great country should have exhibited the flag at half-mast on that occasion," he declared. "The American Bankers Association should have sounded a cry of alarm and the life insurance companies should have followed."

Mr. Adams termed the bankers and insurance companies "unofficial custodians" of the billions of dollars saved by millions of people. As such custodians they have a two-fold responsibility, he said, a legal one to pay out in dollars, and a moral one to pay out in dollars of substantial purchasing power.

He likened the present situation in this country to other countries where the middle-class citizens have been propagandized first out of their understanding and then out of their savings.

"After the tragedy of losing their understanding they were easy victims for the next step—being cheated out of their savings by propaganda and false Santa Clauses."

That process, Mr. Adams declared, is going on in this country. To a great extent the same technique has been employed and is now going on at an accelerated pace.

Purchasing Agents Express Cautious Optimism on Outlook

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee reports good business in January, with likelihood of little change during year's first quarter, but some doubt as to thereafter.

According to the Business Survey Committee of the NAPA, headed by Robert C. Swanton of the Winchester Repeating Arms Co., purchasing executives report good business in January. Production gains are at a higher rate than December. Order backlogs though still of a conservative short range, are keeping pace with production increases. The price structure is creeping up, mostly attributed to steel. Industrial inventories show no marked change but show the strongest trend to increase since last October. Employment is back to the September level. Buying policy continues within a 90-day commitment range, with 74% maintaining a 60-day coverage.

Robert C. Swanton

The January report confirms the December forecast of good business through the first quarter. The cross-section opinion of the men on the front line of buying does not support the strong optimistic tone of many of the first-of-the-year forecasters. "Cautious" optimism best describes the current purchasing attitude, preparing for possible quick changes in general business. Coal is beginning to pinch back industrial activity in several areas.

Commodity Prices

The greatest number since September, 1948, report price increases in the January Survey. The increases are small, and most of them stem from rises in steel costs. Industrial profit margins are being squeezed, as sellers are becoming more competitive. With few exceptions, steel in particular, supply and demand are in near balance, and steel has been catching up rapidly. Continuing shortage of coal will slow up recovery of steel stocks.

Inventories

The over-all trend is still toward lower industrial inventories, though the pace has been slowed up considerably in the past two months. A brake on the down trend is noticeable, as the largest number since September (21%) indicate moderate additions to inventory. Satisfactory turnover rates are being maintained. Availability of most products and prompt delivery conditions make it unnecessary to store more goods than are needed for operating requirements.

Buying Policy

The forward commitment range remains within a 90-day coverage, which balances fairly well with production programs and the back-order position. Buyers expect to continue this cautious policy. Prices are still considered too unstable for even modest speculation. Procurement for definite needs is the general policy.

Employment

There has been a steady increase in re-employment during January. There is still quite a way to go to reach the presteel strike pay rolls. Severe weather and seasonal slack in several areas account for much of the current unemployment.

Good office workers are scarce, as are skilled mechanics in some industrial localities. Unskilled labor is generally reported available.

Specific Commodity Changes

An impressive number of items are higher in price this month, though increases are small and many of them are influenced by the steel price rise.

Up were: Belting, benzol, bolts, bricks, chain, chlorine, cocoa butter, conduit, steel drums, dextrose, fasteners, files, forgings, coal, oil, work gloves, pig iron, plywood, manila rope, steel nuts, vegetable oils, kraft papers, pipe and fittings, propane, refractories, rubber, steel screws, screw machine products, starch, stampings, steel, textiles, tires, tools, washers, wire rope, zinc oxide.

Reported **Down:** Cable, castings, cedar poles, diamond powder, storage batteries, poultry, eggs, pork, gasoline, grease, hides, boxing lumber, rosin, tin, tin plate.

Hard to get: Aluminum, benzol, burlap, chlorine, coal, copper, metal furniture, plywood, Western pine, tung oil, pipe, steel, wire, zinc oxide.

Canada

The Canadian business pattern follows that of the United States in only one respect—buying policy is within the same range, 90 days. Production up, but in lower percentage than December. Back orders have increased, but are lower than in the United States. Prices have not advanced as much and there are more price declines reported. Inventories show no trend to increase, the decreases being substantial. The employment trend is still much lower. Weather conditions in some parts of Canada have been unfavorable. Lack of exports continues to trouble many companies in Canada.

Revised Edition of Directors' Register Now Off Press

Poor's 1950 Register of Directors and Executives has just come off the press. The Register, first published in 1927, has been published continuously since then, and its listings have grown from approximately a thousand companies to its present scope. The Register gives the complete personnel listing of some 20,000 of the leading corporations throughout the U. S. and Canada. These corporate listings are arranged alphabetically and show the names of all the officers, the duties of these officers, and all the directors. During the last five years, the name of Director of Sales, Purchasing Agent, Chief Engineer, Production Engineer, and Works Manager have been included in the listings. In the 1950 Edition, Traffic Manager and Director of Personnel have also been added. The Register shows the number of employees, which is a gauge of the company's size; and gives all their principal products, which immediately identifies the nature of that company's activities.

In the second section of the Register, also arranged alphabetically, case histories are given of 78,000 of the top flight officers and directors showing when born, main affiliation, home address, club and college affiliations, and all inter-corporation connections.

The Register is revised and kept up-to-date through the medium of quarterly supplements that are cumulative. It offers to its clients an unlimited inquiry privilege and the use of the library.

Copies of the 1950 are available for inspection without obligation, in accordance with the usual custom of Standard & Poor's Corporation. For free inspection write Dept. A 452-0000 or phone Mr. Wyman, WAtkins 4-6400, Standard & Poor's Corporation, 345 Hudson Street, New York 14, N. Y.

Chicago Analysts to Hear Dr. Daugherty

CHICAGO, ILL.—Dr. Carroll R. Daugherty, of the School of Commerce of Northwestern University, will address the luncheon meeting of the Investment Analysts Club of Chicago on Feb. 2 on the subject of "The Steel Case—Its Genesis and Possible Effects." Dr. Daugherty was Chairman of the Steel Fact Finding Board appointed by President Truman in 1949.

Record Gain in Savings Deposits Reported

Henry S. Kingman, President of Mutual Savings Banks Association, estimates increase of $887 million in 1949, making deposits reach all-time peak of over $19 billion.

During 1949, the 531 mutual savings banks of the nation showed a record gain in deposits of $887,000,000 to reach a new peak of $19,287,000,000 at the year end, according to a report issued Jan. 26 by Henry S. Kingman, President, National Association of Mutual Savings Banks, and President, Farmers and Mechanics Savings Bank, Minneapolis. The increase compares with one of $641,000,000 in 1948. Reflecting the deposit gain, together with the rise of $117,000,000 in surplus, the assets of the banks gained over $1,000,000,000 in 1949, or one-third more than during 1948. The increase in the number of regular accounts was 173,000 in 1949 and 130,000 in 1948.

During December, 1949, deposits gained $222,000,000, as compared with a gain of $190,000,000 for the same month in 1948. Continuing the upturn begun late in 1948, for every month in 1949 the increase exceeded that for the comparable month of 1948.

"Equally impressive," stated Mr. Kingman, "is the record of the savings banks over the past decade. On Jan. 1, 1940, their deposits were $10,481,000,000, so that the decade shows a gain of 84%."

During December, the savings banks increased their holdings of mortgage loans by $114,000,000, a new monthly high, to reach $5,482,000,000. Reversing the trend since April, they added $26,000,000 to their U. S. Government bond portfolio, while continuing by $18,000,000 the decline in their holdings of corporate and municipal securities. Cash showed a seasonal upturn of $118,000,000 during the month.

During 1949, the savings banks placed $899,000,000 in mortgage loans and $197,000,000 in corporate and municipal securities, while reducing their U. S. Government bond portfolio by $75,000,000. This represented a considerable shift from 1948, when mortgages gained $727,000,000 and corporate and municipal securities rose $487,000,000, in the face of a drop of $475,000,000 in U S. governments.

Central Organization Proposed As Secondary Mortgage Market

Mortgage Bankers Association of America announce contemplated private institution similar to Government sponsored Federal National Mortgage Association. R. O. Deming, Jr., MBAA President, says proposal will be relief to National Treasury and RFC, which now hold mortgages aggregating $1.6 billion.

CHICAGO, Jan. 31.—One of the boldest efforts yet made by private enterprise in U. S. to relieve the government of responsibilities it has had to assume in private industry is disclosed in the announcement by the Mortgage Bankers Association of America that plans are underway to organize a private corporation similar in most respects to the Federal National Mortgage Association and which, it is contemplated, will serve as a nation-wide secondary market for mortgage loans which the Federal agency is now supplying. While plans now being formulated are concerned with only one such association, actually it contemplated that several such institutions to serve various regions would develop almost immediately.

The most significant fact about the proposal from the standpoint of the national economy, R. O. Deming, Jr., Association President, said, is that if the effort is successful, it will mean that one of the principal reasons for the huge Federal deficit will be removed. The Federal National Mortgage Association, a subsidiary of the Reconstruction Finance Corporation, now holds more than 200,000 mortgage loans aggregating more than $1,600,000,000, far more than originally contemplated when organized as a "stand-by" secondary market for mortgages. Most of its holdings are in GI loans. Its operations have been a major contributing factor in unbalancing the Federal budget. It is generally agreed, however, that its operations have also been a powerful factor in maintaining the high construction activity of recent years because builders and lenders have been able to proceed with construction with assurance that if the financing was not available through private sources the FNMA would purchase the loan.

In making the announcement, Mr. Deming declared that the FNMA has become a far different agency than originally contemplated. It has in fact, he said, actually become a primary source of mortgage money without any effective limits or underwriting standards — a development not contemplated by Congress when it authorized its creation.

The program which the Association announced contemplates several steps. First, it does not advocate that the present Federal National Mortgage Association be dissolved at once but returned to its original function as a stand-by market to provide liquidity in times of emergency to investors holding mortgage loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration. But at some future time, Deming said, it seems certain that the government will want to retire from this activity entirely.

Second, a private National Mortgage Association, or possibly several such associations located in various sections of the country, would be established with private capital to provide a secondary market for FHA and VA loans, especially for rural areas where mortgage money has most frequently been difficult to secure. It is thus contemplated, Deming said, that private capital can and will step into the mortgage section of the national money market and perform the same service which the FNMA has had to assume in recent years. It will, in effect, represent the creation by private enterprise of a nation-wide discount institution for mortgages, he pointed out.

NASD District No. 12 Elects Its Officers

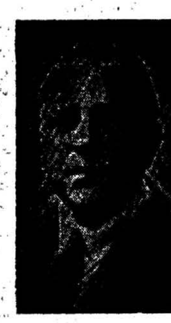
PHILADELPHIA, PA.—William D. Buzby, Jr., Butcher & Sherrerd, Philadelphia, has been elected Chairman and Joseph M. Scribner, Singer, Deane & Scribner, Pittsburgh, Co-Chairman, of District No. 12, National Association of Securities Dealers. H. Sheldon Parker, Kay, Richards & Co., Pittsburgh, was chosen Secretary.

After 1952, What?

By PAUL EINZIG

Warning U. S. must make it plain to Britain that no further financial assistance is to be given after 1952, Dr. Einzig points out this is essential to dispel belief that United States must continue its foreign subsidies in order to support its foreign export surplus. Contends impression in Britain that U. S. assistance will be permanent has destroyed incentives.

LONDON, ENGLAND — The greatest service the United States Government and Congress could render to Britain and Europe would be to make it plain beyond a shadow of doubt that there will be no further financial assistance of any kind forthcoming in any circumstances after the termination of the Marshall Aid period in 1952.



Dr. Paul Einzig

The impending debates in Congress on the next instalment of Marshall Aid should provide an excellent opportunity for some such solemn declaration. Then Western Europe would know at least that from 1952 onwards it must depend on its own resources.

Beyond doubt, such a pronouncement would be most unpopular on this side of the Atlantic. Far too many people in Britain and on the Continent are inclined to take it for granted that the United States simply must continue subsidizing Western Europe indefinitely, and that, when Marshall Aid comes to an end some other form of financial assistance must be invented. It is now widely realized that there is little chance for the influx of American private investment on a really large scale. It is also realized that, with the budgetary deficit of the United States running at a high level, there is little hope for inducing Congress to agree to further Government loans or grants, apart from military aid in the form of arms deliveries. As for the suggested distribution of the book-keeping surplus on the American gold reserve that would arise through a devaluation of the dollar, or the physical redistribution of the gold stock accumulated in Fort Knox, even the most incurable super-optimists have abandoned all hope.

Many of the best brains and some of the second-best brains have for some time been concentrating all their thinking power and imagination on the task of finding a new formula which is not yet discredited and which Congress might swallow. The result of their mental efforts is the idea that the United States should accept payment automatically in the currencies of the countries with a dollar deficit. Experts and pseudo-experts on United States law on this side are already looking up the available reference works to ascertain whether such arrangement would be possible without specific approval by Congress. Technically it would not be lending more money to Europe, but simply holding American foreign exchange reserves in the form of sterling, francs, marks, lire and other currencies. To anyone really acquainted with the constitutional and political position in the United States the idea that in practice such form of assistance could be effected on a large scale over a long period without authorization by Congress must appear fantastic. However, the formula is as good as any for enabling politicians to continue dreaming about American aid after 1952 instead of setting out here and now to work out the salvation of their respective countries without external aid.

There is far too much talk about the alleged inevitability of the continuation of American financial aid. The popular formula is that sooner or later American official political and public opinion is bound to realize the elementary truth that, in order to be able to have a large export surplus, the United States must necessarily provide in some form the dollars required for paying for it. What those who talk on such lines are inclined to overlook is that by 1952 American opinion might go even further on the road of enlightened self-interest, and might arrive at the recognition of an even more elementary truth—that it is not worth while to have a large export surplus if it has to be financed largely at the expense of the American taxpayer. The continued existence of a large budgetary deficit is likely to go a long way towards making American opinion realize this.

The first step in the direction of bringing this absurd state of affairs to an end would be a solemn pronouncement that in 1952 all financial aid (as distinct from military aid) to Europe must cease. This would induce the Western European governments to face the situation and to take the necessary measures to reduce the dollar gap. To enable them to do so, however, the United States could do a great deal, by abandoning the policy aiming at a large export surplus. Unless this is done the European statesmen, administrators, experts, and newspaper editors would be fully justified in refusing to take the "no further aid" pronouncement seriously. After all, if the United States has an export surplus it is bound to finance itself somehow if the necessary dollars are not forthcoming then the surplus remains simply unpaid. To convince Europe that this time the United States really mean what they say about the termination of financial assistance, it would be essential to decide upon and announce a series of measures indicating that the policy of the United States would aim henceforth at the elimination of the big American export surplus, either by relinquishing some foreign markets or by admitting imports more freely, or by the combination of both devices.

Although there have been lately some indications that in official circles, and even in business circles in the United States, the need for some such change of policy has come to be realized, little has actually been done in that direction There has not been much evidence of an adequate effort to change American customs procedure so as to ensure an increased inflow of foreign goods. The recent outcry that followed the British effort to reduce demand for oil payable in dollars shows that, even if the principle is admitted, in practice there is strong resistance to any concrete measure aiming at the elimination of the dollar gap. So long as this attitude continues to prevail, nothing could possibly convince European countries that they could not continue to live on American assistance forever. They assume, and with some degree of logic, that if the various American business interests are influential enough to prevent the elimination of the dollar gap through a reduction of American exports or through an increase of American imports, then they are bound to be powerful enough also to ensure that the United States would continue indefinitely to provide the dollars needed for financing the surplus.

Griffin, Kuipers Co. Formed in New York

Henry G. Kuipers

O. D. Griffin

Oscar D. Griffin and Henry G. Kuipers announce the formation of Griffin, Kuipers & Co., to transact a general investment business. The new firm will maintain offices at 149 Broadway, New York City.

Mr. Griffin was Manager of the Trading Department of Lord, Abbett & Co. from 1936 to 1949. He had been associated with the firm since 1930. Mr. Kuipers was associated with the Lord, Abbett organization since 1933. In March, 1949, Mr. Griffin became Manager and Mr. Kuipers became Assistant Manager of the Trading Department of Louis H. Whitehead Co.

Griffin, Kuipers & Co. will make firm markets in North American Trust Shares, all series, Corporate Trust Shares, all series and in other issues.

Chicago Bond Club 39th Annual Meeting

CHICAGO, ILL.—The thirty-ninth annual meeting of The Bond Club of Chicago will be held at The Chicago Club, Thursday, Feb. 9, 1950. Cocktails, 6:15 p.m. and dinner at 7:15 p.m.

Richard W. Simmons

The Nominating Committee, E. C. George, Harriman Ripley & Co., Chairman; Andrew M. Baird, A.G. Becker & Co., and Holden K. Farrar, Smith, Barney & Co., will submit the following officers and directors for the coming year:

Richard W. Simmons, Blunt Ellis & Simmons, President; Richard M. Delafield The First Boston Corporation, Secretary; Milton S. Emrich, Julien Collins & Company, Treasurer.

For directors, the officers are: Fred B. Carpenter, John Nuveen & Co.; Austin Jenner, The First National Bank of Chicago; James P. Jamieson, Glore, Forgan & Co.; Joseph W. Hibben, Kidder, Peabody & Co.; Henry W. Meers, White, Weld & Co., and Alfred S. Wiltberger, Blyth & Co., Inc.

The Committee, headed by James P. Jamieson, Glore, Forgan & Co., will again present a program under the same name as last year—"The Bond Club Follies of 1949." The only thing, however, that's the same is the name; it will be a new show, new faces and new places, and skits which the membership cannot afford to miss.

Business and Finance Speaks After the Turn of the Year

MORE BUSINESS FORECASTS

We are able to accommodate in this issue another group of opinions on the business outlook for the current year. These are in addition to those which appeared in our issues of Jan. 19 and Jan. 26.—EDITOR.

CURTIS F. BRYAN

President, Toklan Royalty Corporation and Toklan Production Company

Nineteen forty-nine earnings of nonintegrated concerns engaged in the domestic production of crude oil are expected to reflect a decline of some 30% from 1948 levels. These declines, sustained during a year when drilling activity was maintained at a high rate, were principally attributable to reduced allowable rates of production. Total U. S. production of crude oil and lease condensate for the year averaged approximately 5,075,000 barrels per day, or about 8½% below that of 1948.


Curtis F. Bryan

Reductions in domestic production were offset by, and were largely due to, the increased use of imported oil. Crude oil in storage, reaching a peak at midyear, ended the year somewhat above levels of 12 months earlier.

Consumptive demand for crude oil during 1950 will exceed that of 1949 by about 6%, sufficient to maintain a healthy balance with the industry's increasing productive capacity except as that balance may be destroyed by progressively increasing imports. These are expected to attain a record level of 70 to 75 million barrels during the first quarter of the year. Lacking governmental restriction of imports, no disposition toward which is now in evidence, or voluntary action by importers, toward which only token action is indicated, further reduction of domestic production rates or a weakening price structure are to be expected. In either of these events industry earnings for 1950 will be below those of the preceding year. Changes in earnings of individual entities will vary, dependent upon the stability of their presently held reserves, the degree of their success in obtaining new production and their capacity for absorption of revenue losses by reduction of operating costs.

Any reductions in posted prices for oil or further curtailment of producing rates will be followed by reduced exploratory efforts and slower development of proven properties. The point at which these factors, with their effect upon the national economy and national security will require reassessment of import policies is a matter for consideration in the not too distant future. Elimination of long established depletion provisions of income tax laws, recently urged by President Truman, would present at even more serious threat to industry earnings and development activities. Opinion is widely divided as to the possibility of approval of the recommendation, repeatedly rejected by Congress in the past.

E. M. McCONNEY

President, Bankers Life Company

The factors entering into the short-term view for the next six months are of an optimistic nature.

There is a considerable backlog still left in steel production because the strike delayed the production of steel which has had its effect upon many durable goods. This backlog, therefore, should lead to much activity in the first half of 1950.


E. M. McConney

The construction of dwelling units continues at the same rapid rate and this, too, should continue into early 1950.

The liquid funds in the hands of people are very high and this together with the rapid expansion of credit indicates that unless some fear arises, people should continue to buy goods, both durable and consumer, at about the same rate as at present.

The distribution of $2,800 million in National Service dividends—which dividends are due to the fact that the premiums charged were based upon a mortality table showing a much higher mortality for young men than actually exists, and the fact that the government from general funds has paid all the overhead expenses and by far the larger part of the death losses and disability losses that would otherwise have been paid from the premium receipts and the further fact that this dividend is a single dividend covering the past eight years and is not an annual occurrence—will add considerably to the available funds in the hands of the public.

Furthermore, the growing deficits of the Federal Government are inflationary and for the next few months should lead to a continuation of good business conditions until the day arrives when we finally have to face the age-old fact that we cannot eat our cake and have it, too.

The long-term view is by no means so optimistic. The number of unsolved problems is numerous and the ostrich-like tendency to stick our heads in the sand rather than to face facts and be frank seems to be universal. To point only three of these problems out and mention them does not mean that they are the most important or that there are only three.

One of these three is the whole question of social benefits. We have only studied these one by one in a disconnected way instead of facing the whole picture and analyzing the cost to our national economy. If this were done, we, as a nation, would then be in a position to decide what we wish to have and how we are going to pay for what we desire. Nationally, we should be in the same position as we are individually in regard to our desires and our budgets.

Another long-term problem is our capacity to overproduce. Temporarily we are tiding this problem over with aid to nations abroad and because of the necessity for a strong national defense including our Allies. We should plan ahead for the time when the cost of one or both of these can be made smaller than at present rather than to let such an event come upon us suddenly.

A third problem is that of the constant deficit financing of the government. This is only a modern method of resorting to the printing presses and will inevitably have the same results.

THEODORE G. MONTAGUE

President, The Borden Company

The half century just closing transformed a crossroads business into the modern dairy industry. Within a 50-year span have come practically all of the advances in milk processing and distribution that have contributed so materially to the health and well-being of Americans.


Theo. G. Montague

This progress is particularly impressive because it was sparked by free competition. The evolution was not brought about by a few large companies, as in some industries, but by literally thousands of concerns, large and small, which make up this highly competitive industry of ours. And the transformation was speeded by the cooperation of the several million dairy farmers who produce the nation's milk.

Figures tell part of the story. At the turn of the century, annual milk production was only 59 billion pounds and its value at the farm $471 million. Production during 1949 will probably run almost 118 billion pounds, but the total value will be approximately $4,550 million.

And today's milk is produced by farmers who are aided by milking machines, mechanical refrigeration, labor-saving equipment, motorized transportation, electricity and running water. Bovine tuberculosis has been stamped out. Bang's Disease is well controlled. Efficiency has been increased by improved breeding and feeding practices. Modernized farm machinery permits lower cost feed production, while net returns are swelled by higher-producing herds.

The lot of consumers has improved substantially in 50 years. Prices of dairy products have, of course, risen—but not to the extent wages have. In 1900, the average factory worker labored about an hour to earn enough for a pound of cheese. Today it takes only 25 minutes. He worked an hour and 47 minutes to buy a pound of butter as compared with 31 minutes now. A dramatic improvement has been in fluid milk—it took 27 minutes' work to buy a quart delivered at the worker's home in 1900 as compared with only 9 minutes now!

While foundations for improvements were laid in the latter part of the 19th Century, the great changes did not become general until the era just closing. Progress in the fluid milk industry typifies that of all dairy enterprises.

Both processing and distribution have been revolutionized. Pasteurization is now almost universal and has virtually wiped out milk-borne disease. Modern packaging—paper containers as well as glass—has replaced milk sold from cans, preventing contamination, protecting against adulteration, and guaranteeing fair measure. Modern testing methods assure uniform quality and full value. Homogenization has improved the flavor and digestibility of milk. Vitamin fortification has stepped up its value as a food.

The real wages of dairy workers have risen, but their full impact on consumer prices has been softened by the improved efficiency brought about by modern equipment. One factor in offsetting mounting labor costs is streamlined deliveries—thrice weekly or on alternate days. Milk was once delivered as frequently as twice a day to avoid souring, but today's finer quality milk and improved processing permit less frequent service. And modern refrigeration allows consumers to store a larger supply without danger of spoilage.

All of this in half a century! What of the challenges ahead?

Taking fluid milk as an example again, we must continue technological progress and work toward even more efficient distribution. We must continue research to develop a product, less perishable than fresh milk, but retaining its flavor and other desirable characteristics. We must find ways of getting all milk products, and particularly fresh milk, to the consumer at lower per unit labor costs.

We must continue educational work to increase the consumption of milk products. We must build a larger milk supply to handle this demand when it develops. We must encourage farmers to lower their production costs, working particularly upon the problem of avoiding seasonal surpluses in high-cost producing areas. And we must work toward sounder pricing policies which will permit a practical balance between the milk supply and consumer demand.

One of our greatest challenges is in public relations. A penalty of progress is the complexity of milk economics and the difficulty the public has in understanding them. This makes the industry an easy target for demagogues and sensationalists. And the violence and unfairness of their attacks has made the industry shy away from controversy. But we must streamline our public relations thinking to get to the public the straight facts about a business that is vital to the nation's health and economy.

C. HAMILTON MOSES

President, Arkansas Power & Light Company

Where would one go to get the answer to this vital question — a question on the tongue of every businessman, big and small, in this country? There is only one place and one person who has the answer.

That place is not Washington, where too many people have been looking too long. That place is back in the local communities, back at the crossroads, back at your home. That person is not in the Congress, nor the White House. The person with the answer is Mr. Average Citizen, whom both the Congress and the White House delight to serve.


C. Hamilton Moses

Theorists of economic cycles predicted a serious recession after the war. They said there always has been one. Fifteen different depressions have occurred in U. S. history—lasting from three to 42—months—but after these periods of depression there always come periods of boom and prosperity.

Many claim the present decline is the long over-due pay-off. Many look for hard times. Many are harking back to the thirties. Our people's attitude is unsettled by a bad psychology of business.

These prophets of doom cry out that:

1. Unemployment is on the increase;
2. Production cut-backs are still necessary;
3. Wholesale and consumer prices are sliding downward;
4. Business failures are double those last year;
5. Private investment is going down;
6. Consumer psychology is getting wary and depressive;
7. Installment buying is now at an all-time peak;
8. Corporate profits are going down—down $28,000,000 in the second quarter of 1949;
9. Our government takes away our incentive to grow and risk and spend.

These fact-finders aren't thinking straight. They overlook more favorable factors. Our economic situation today is wholly different from any other period in history. We are better prepared to brave financial storms. Look at these positive factors:

1. National income is around $216 billion, compared to some $40 billion in the thirties;
2. National savings are highest in history (about $210 billion), with no major decline in evidence;
3. Annual savings are about $35 billion, unheard of before the war;
4. The stock market has risen steadily with the apparent belief that stocks are under-priced;
5. Interest rates are low and probably will remain so;
6. Veterans' insurance benefits will add over 2½ billion in 1950;
7. Government spending apparently will continue at all-time high. All governments in U. S. will spend $68 billion in 1950;
8. Our Government intends to maintain prices on principal agricultural products, substantially maintaining the agricultural South.

I wonder if things have not been too easy for our business people. Everybody has had a good job and big pay. Every manufacturing concern had capacity output with little chance of loss. Everybody has had unprecedented business with assured high profits. Business people have more inventory and more machinery and more physical assets and more money and owe less than ever before in history. They have been trained to think in big figures. It has been difficult for them to face some of the economic facts of life.

Now the scene is changing. America is entering a new economic period. Every season could not be the last. The sellers' market is gone. War shortages are wiped out. The pipelines are full, and you can get delivery when you want it. Apparently, we face the most intensely competitive buyers' market our country has ever known. American business has got to be smart enough to produce what the people want—for a cheaper price. The people have the money and will buy after you do a selling job. Competition for sales is getting tougher. No longer is the mere production of goods enough—you have to produce cheaper and better goods and then create and sell your markets.

What American business needs today is a big dose of old-fashioned American merchandising vision and ingenuity. That is one of the principal factors in our present business decline.

American business can think and talk itself into a serious business slump. Depressions are largely matters of human psychology. They are the result of fear and the lack of courageous business leadership.

American business has to wake up. Only a small part of our business industry was prepared for this changing scene. It seems simple that if business can satisfy the customer with his big back-log of savings and his continuous employment at high wages, our economic problems would be largely solved. Apparently, however, business is not in this frame of mind. It has been slow to streamline its shop and to get ready for these changing conditions.

Business men have to realize that the biggest man-made force working to keep our economy safe and sound is salesmanship. When it falters, as it did last year, then a recession must follow. Salesmanship is an American invention, but the world still fails to understand its importance.

Someone has said, "The only remaining shortage, and the most serious shortage, is the shortage of creative salesmanship. Until this is corrected, we will continue to be long on many goods." One sales executive recently said, "The American salesman will turn the recession and we will have five or six years of good business."

It is estimated that we have about 3,700,000 people in sales work, and it is further stated that we need some 600,000 more salesmen to bring the national ratio even up to the pre-war level.

Business people short on courage and vision will fall by the wayside. Inefficient producers will be weeded out in the bitter fight for business. Shoddy products and low quality have got to be things of the past. The ones who don't know how to sell and won't learn are in for a licking at the market place. Common sense and drive and individualism all combined constitute the very heart of successful business.

We're a fortunate people. America is the only country that has both money and machinery. Russia has money but no machinery; England machinery but no money. America has money, machinery, and the opportunity of private competitive enterprise with a profit system that provides the incentive to use them. Those four factors put to work by our people have built the biggest mass evidence of prosperity on earth.

W. A. PATTERSON
President, United Air Lines

From the standpoint of their over-all operations, the scheduled airlines of the nation have never looked better at the beginning of a new year.

Impressive gains made by the industry during 1949 in such matters as safety, regularity and dependability of flights, service to the air traveling and shipping public, and general efficiency are being carried into 1950. The result, assuming intelligent administration by airline managements and continued constructive actions by the Civil Aeronautics Board, should be the best year in the industry's history.


W. A. Patterson

Two or three years ago, a commonly heard question was "What's wrong with the airlines?" There was considerable justification for the questioning. Staggered by a flood of postwar business, hampered by problems of new equipment and inexperienced ground personnel, vexed by a frequently unreasonable attitude on the part of governmental regulatory agencies, and criticized by impatient patrons, columnists and commentators, the air lines were having a bad time.

It is gratifying to review the progress which has been made since those hectic days. Operating revenues have been increased and operating expenses have been lowered substantially; new fleets of planes have settled smoothly into routine operations; employee experience has increased enormously; travelers and shippers are being given a new kind of dependable, on-time performance; increasing public acceptance is indicated by upward airline traffic trends in the face of a declining total travel market. A far more constructive attitude on the part of the Civil Aeronautics Board, reflected in an apparently sincere desire to solve many of the industry's problems, has proved a significant development over the past year.

Despite this greatly improved picture, the airlines continue to have their share of headaches. Earnings still are inadequate to reflect a proper return on investments. Safety is good but must be even better. Dependability of flight schedules must continue to be increased. Sometime soon there will have to be a determination of the proper level for airline fares. Increased air mail pay for major airlines which are not in the subsidy class is still another "must."

There are certain air transportation facts not sufficiently known to the public at large. In the matter of so-called air mail "subsidies," not enough people realize that the major airlines are being paid considerably less per ton-mile than the Post Office receives in air mail postage—in our company's case, for example, an average payment of 61 cents a ton-mile as against $2.30 a ton-mile taken in by the Post Office Department.

As for airline safety, the public which reads the headlines about occasional airplane accidents—military, private or commercial—probably does not realize that there are 11,000 scheduled airline take-offs and landings every day, or one every eight seconds, night and day. As a matter of fact, last year's safety record stands as one of the best in the nation's history—an estimated 1.4 passenger fatalities for every 100 million passenger miles flown. These and other truths about air transportation need to be told.

I have expressed my opinion that an effort must be made to determine the proper level for airline fares—a level which will produce the greatest revenue. A great many devices have been tried in recent months to find how many people must pay how much for what kind of service in order to produce a reasonable profit. Meanwhile, the whole airline fare structure has threatened to tumble before any sensible conclusions could be reached. This presents one of the real problems of the industry as it goes into 1950.

As contrasted with earlier post-war years, the airline picture looks good indeed. Assuming continued intelligent work on the part of the airlines and of all agencies concerned with their operations, the year 1950 should be even better.

W. T. PIPER
President, Piper Aircraft Corporation

The light or personal plane has not yet established itself to the point where, like the automobile, it is considered to be an essential. Therefore, all predictions about the number of sales in the coming year are largely guess work. Due to the unequalled publicity which aviation received during the war and to the pent-up demand caused by no planes being produced for commercial purposes for over four years, the industry readily sold over 30,000 surplus trainers. This increase in one year was more planes than an industry which had only accumulated 25,000 licensed planes over a period of 10 to 12 years could absorb. The result was that sales fell to around 16,000 in 1947, dropped again to 7,000 in 1948 and will only be about half that many in 1949.


W. T. Piper

This at first glance seems bad, but it has several elements of strength. The number of planes built each year is too small to produce at satisfactory volume of business for many manufacturers. Just as in the automotive field when new, a number of companies have been forced to stop production so that what business there is will be divided into smaller number of pieces than in the past. Those still building planes will, therefore, be able to tool up better and produce better planes at lower costs.

The greatest weakness of aviation is a woeful lack of ground facilities—small airports and hangars. There wasn't an airport in the world 45 years ago so that with 6,500 in the U. S. today, we are making progress. One of the strongest forces in the promotion of more airports is the American habit of each town trying to outdo its neighbors—or as we say "keeping up with the Joneses."

The airplanes of today, like everything else, have weaknesses, but they are greatly improved over the ones made a decade ago. The biggest improvement has been in the development of engines of remarkable reliability and comparatively low cost. With these new engines we have been able to build more useful airplanes. Four-passenger planes with cruising speed well over 100 miles per hour are now for sale at prices, but little above the price of slower two-passenger planes. Not only do they carry more people and cruise faster, but they also have greater range. Cost of travel in an airplane has always been compared with the cost of Pullman travel, but on certain trips we can now compete favorably with day coaches and buses. If a party of three or four wish to make a trip of 150-250 miles and return on the same day, they can do so in a rented plane, spend several hours in the city and return in time for dinner. This will often cost less than the bus or coach fare.

Aviations great problem is an educational one. The public must be taught who can use a plane to advantage, and when and how to use it. Travel by air has long been considered something for people with money. They ride the airlines which make long hops, operate on schedules and serve only large cities. On the other hand, the private plane can take off and land on fields which small towns can afford to own. This ability to fly a straight line between two airports and make the trip at the convenience of the users gives these planes unequalled flexibility. When the general public knows that many trips can be made more comfortably, more easily and possibly at a lower cost than by auto, bus or day coach, by private plane their use will increase rapidly. The farmers have learned that a small plane is a most useful tool and are our best customers.

Most of the airplanes now in use are several years old. They are being used up in larger numbers than new planes are being built. Unless there is a drastic decline in general business the personal plane makers should have a better year in 1950 than in 1949. Flying is such a wonderful way to travel that in spite of occasional setbacks, its future growth is certain.

F. L. RIGGIN, SR.
President, Mueller Brass Company

Next year is an election year and I believe that there will be some artificial props under business because of that fact. The government will want to make business appear prosperous in order to be reelected, and they will go to any lengths to accomplish that. Therefore, we may look for some mild inflation. The impact of the granting of pensions by steel and and the increase in prices by steel have not yet been felt on the brass industry. We undoubtedly will be facing some difficult times in 1950 because of the demands of labor upon our industry at a time when we are not able to afford such things as are being demanded. Nineteen forty-nine has not been a good year for this industry. We were one of those affected quite seriously by the rapid decline in the price of copper, zinc and other metals in the middle of the year. This caused heavy inventory losses and stopped all buying for awhile. Some of the very substantial companies in this industry will finish the year in the red.


F. L. Riggin, Sr.

As to the outlook for the volume of business at this time, if there are no major labor difficulties in our industry, we look for a normal year in 1950. We have not yet seen the end of the building program, and while we do not believe it will be as large as 1949, which seems to have been the top year of all time, we believe it will be a substantial part of our business for the coming year.

Many of our industries have done a remarkable job of reducing their costs and increasing their efficiency and reducing their break-even point, and this will help them in getting squared away for the tough competitive year which we see ahead in 1950.

We believe that for the industry as a whole, 1950 will be a better year than 1949, and that profits will be substantially greater than in '49, as we do not anticipate the large inventory losses that had to be absorbed by our industry in 1949. We do believe that there may be a decline in copper and zinc and lead sometime before the middle of the year, but these declines will not be anything like the real serious ones during 1949.

CHARLES F. ROBBINS
President, A. G. Spalding & Bros. Inc.

Assuming that general economic conditions for 1950 will remain at about the present level, it is our opinion that the volume of sales for our business will be about the same as in 1949. At the end of the war, in 1945, it was believed that there would be a very strong and enlarged market for our products for certainly two years and possibly more. In retrospect, it developed that the extraordinary postwar market lasted for approximately 2½ years. By mid-year 1948 inventories in the hands of manufacturers and dealers had begun to pile up. Beginning in the last half of 1948 and running through 1949, production was slowed down and inventories were liquidated so that at the end of last year the trade generally was in a clean inventory position. This condition, as well as the general strength of the present market, combined with a more confident feeling, is reflected in better advance orders for spring and summer merchandise calling for delivery January to May, 1950.


Charles F. Robbins

Ours is a highly seasonable business, severely affected by weather. If the market is strong and inventories are clean, shipments in the early months of the year will make a good showing. The playing season opens about mid-March—or possibly later, depending on the weather. From then on to the end of the playing season, which is Nov. 1 to 15, sales will be governed by (a) the weather—particularly on week-ends and holidays, and (b) by any marked change in economic conditions.

In general, the interest in participation in athletic games is on a level much higher than in the five-year period before the war. Active playing of baseball is notably much greater, as is also the spectator attendance. This indicates a continuing firm consumer market during 1950.

Costs of the principal items entering into the manufacture of our goods are as high or higher than in 1949. The same is true of expense items, such as transportation, telephone, shipping supplies and the like. Against this, it is not practical for us to advance prices because of competition and the present general economic price level. Obviously, this condition calls for intensive sales effort, supported by the rigid maintenance of quality standards and factory operations at the highest level of efficiency.

Our industry is one of those on which a manufacturers' excise tax was levied—as a wartime tax. It is an unduly heavy burden, particularly as our market is a youth market and also because in our case the tax is highly discriminatory. As an example, state schools receive an exemption, whereas privately owned schools are compelled to pay the tax. We have been working for and hope for relief by having it repealed.

The increased participation in sports is a hopeful sign, both for the physical welfare of our youth as well as for

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the athletic goods industry. And the repeal of this ill-placed excise tax would do much to spread the use of proper equipment in the all-important youth market.

WILLARD F. ROCKWELL
Chairman of the Board, The Timken-Detroit Axle Co.

Business conditions during the year 1950 will depend on the outcome of the current battle between the forces of inflation and deflation. As the year opens, the steel companies announce an increase in prices, and a large automobile manufacturer announces a radical reduction in prices. The petroleum industry is depressed by overproduction, and the automotive industry is optimistically forecasting a new high in production. Some labor leaders insist that wages should be raised to offset inflated prices, and other labor leaders insist that higher wages are needed to increase the workers' purchasing power to avoid deflation and unemployment; while bankers and manufacturers insist that present profits are not high enough to attract the venture capital which is essential to maintain the productive efficiency so essential to maintain our high wages against foreign competition based on low wages. The government experts propose price controls to offset inflation and subsidies to offset deflation, which contributes to confusion, if not to the policy of profusion.

Col. W. F. Rockwell

For the first time since 1941, there are very few shortages of material and relatively few threats to maximum production. In the established American tradition, manufacturers will try to attain new production records; and, sooner or later, greater production and keener competition will bring about price reductions, whether justified or not. However, if the government insists on more taxes and more deficit financing, the resultant inflation may seriously retard the potential business expansion. If higher costs result in higher sales resistance, followed inevitably by lower volume and less profits, the government will find its tax income greatly reduced and the inflationary forces will be accelerated until they produce the explosion which results in drastic deflation.

There is a rising volume of protest against high taxes, and a growing realization that we cannot continue to spend more than we earn. Politicians of both parties are becoming more aware of such developments and may decide that it is going to be easier to be elected by promising tax reductions right now, rather than by promising something for nothing in the dim debt-ridden future. It has been prophesied that when 50% of the taxpayers find that their taxes are higher than their "promised" paternalistic political benefits, there will be a drastic and decisive change in political platforms.

Managers of small businesses are discovering that many of the punitive political measures aimed specifically at Big Business are detrimental to all business. The politicians are finding that attacks on Big Business are less popular. The attempt to force Big Business into a political straitjacket has hampered small business in many ways. The double taxation on corporation earnings has made it almost impossible to raise money for small corporations or new business enterprises. This situation eliminates competition against some big strong companies and forces financially weak companies to sell out or wash out. The government can correct this serious situation, and it remains to be seen whether anything will be done to achieve that end.

There is every reason to believe that business will make fair progress in the first six months of 1950, but the latter half of the year will be good or bad, according to the action taken by our political leaders. Business leaders will only be responsible for the political changes to the extent that they use, or fail to use, all their resources to inform and direct public opinion on the certain consequences of present tendencies in governmental powers and policies.

A. S. RODGERS
President, White Sewing Machine Corporation

Again this year the sewing machine industry should make new sales records. Production should top comparisons with any previous year in the history of this business. But distribution and merchandising expenses will also soar. Profits, which should continue satisfactory, will undoubtedly shrink in the percentage to sales volume attained the past couple of years.

A. S. Rodgers

Many factors which should influence the market potential for this industry appear strong. Population now exceeds 150,000,000 according to latest estimate by the Census Bureau. More family units and the predicted continuing boom in new home building should keep the demand for sewing machines on a steady incline. A dependable machine can be an economic life-saver in the acquisition of curtains, draperies, slip-covers, bedspreads and similar articles needed to properly furnish a new home. Kept humming on such requirements, aside from wearing apparel sewing, a machine can pay for itself quickly in savings effected. Today more people know more about home sewing thrift than ever before.

Interest in sewing has mushroomed within the past five years. Formerly many prideful people hoped their acquaintances and visitors would not recognize clothing and furnishings as being home sewed. Now they actually brag about such accomplishments. In 1949, thousands of pages of editorial comment and featured articles were devoted to sewing in publications of all kinds. Even general circulation magazines like "Life" and "Look" carried full page pictorial layouts covering the subject.

Also in 1950, the record breaking birth statistics of a few years back should begin having a noticeable effect on our market. Toddlers need more clothes and wear them out faster than babies in cribs. When school age is reached those requirements accelerate more rapidly.

Total manufacturing in this industry is headed for a new record level **if these boom market signs are dependable.** The top volume producers at least, will account for output substantially beyond their 1949 figures. Our new plant unit in suburban Lakewood, completely renovized and extensively reequipped, is now operating. It should reach the peak of its efficiency by mid-year. Meanwhile, construction of another entirely new building at the same site, should be well under way.

But while sales and production are reaching new highs in 1950, expenses will likely increase at a faster rate. The normal competition among all industries for portions of the spendable income budgeted to appliances and other articles for the home will be brisk. One relative newcomer to the general field, television, has already become a high-powered and important factor. Effective advertising and sales promotion programs carry high price tickets. So the household sewing machine industry, to procure its proper share of the over-all market, shall likely be forced to invest more money in those endeavors. Such increased expenditures will naturally affect the profit structure percentagewise even though selling prices seem pretty well stabilized at current levels.

LYTLE L. SALSBURY
President, The Marine National Bank of Erie, Pa.

I feel that the conditions during the year 1950 will be such that we may expect a year somewhat comparable to the year 1949. I am a firm believer that business in the long run is governed very largely by supply and demand, the supply created by industry and the demand of the general public. Naturally, should the government do any great amount of spending over and above what might be considered normal, that would create a great deal of purchasing power in the hands of the public which in turn would mean an increase in general business.

Lytle L. Salsbury

One of our greatest industries is that of automobile manufacturing. I observe at the present time in almost all automobile sales agencies that the show rooms are full of new cars and that there is a great desire by the agencies to sell, sometimes to the point of cutting prices. I feel that there is a great field yet for the automobile industry, but I also think that the fact that many owners feel that they can use their cars a much greater length of time than was considered, say 10 years ago, plus the fact that the price of cars is so high has a tendency to lessen the volume of purchases. As against this situation, we must also recognize that there is almost unlimited supply of money and credit which will help to a great degree toward keeping up the volume of purchases. I believe that the strikes which we experienced in the latter part of this year have retarded to quite a degree the leveling off process in business which had been anticipated. In other words, that condition has been postponed.

I believe that the year 1950 will be a very satisfactory one and that business will prosper. To me, the stock market looks healthy which means that it has sound support and that heavy investors have faith in the future of well managed industries.

While the earnings during 1950 may not equal those of 1949, I feel that they will be very satisfactory and general conditions will be moving toward what we might call a more steady and normal operation. I hope that as time moves on we may have less government regulation and more free enterprise.

With particular reference to my own business, that of banking, it is my belief that interest rates will continue to be low until something unforeseen happens to stiffen those rates. There is a pattern set by the United States Fiscal Agencies as to government bond interest rates; also, there is sufficient money for investment that the interest rates on very high-grade corporates and other bonds are rather low. This it seems will continue for sometime to come. Inasmuch as most banking institutions are heavily invested in governments, thereby receiving a small return in interest, it would seem to me prudent and sound that banks should operate very conservatively in order that there might be the minimum of losses from mortgage and loan investments.

I believe that most financial institutions are satisfied with the profits for the year 1949, and, as I see it, the year 1950 should be equally satisfactory.

There seems to be a disposition on the part of the government to relax in our credit structure, possibly for the purpose of increased business therefrom. I am personally definitely against a move of that kind. I would like to see the gradual elimination of all restrictions to the end that we would have a natural flow of business and sometime in the future would get back to a normal and natural plane of doing business.

R. B. SMALLWOOD
President, Thomas J. Lipton, Inc.

The outlook for grocery manufacturers in general, and the United States tea trade in particular, appears fairly promising for 1950.

The 1949 recession proved that, with the tremendously high level of consumer buying power which now prevails in the United States, the food processing industry was not particularly vulnerable to mild changes in the economic climate. A majority of businessmen and economists are predicting a good economic picture well into 1950, and even those who anticipate the possibility of a reaction believe that it will, at worst, be comparatively mild. Therefore, there is no reason to anticipate that conditions for food manufacturers will generally be any less favorable in 1950 than they were in 1949.

Robt. B. Smallwood

We at Lipton find it helpful in setting up our advertising and promotional programs to bear in mind that the real buying power of the American people is reliably estimated to be some 50% greater currently than it was in the comparatively prosperous prewar year of 1940. While the statistics on the subject are not exact, it appears that the increase in discretionary buying power—buying power beyond that required for the basic essentials of living—has also been substantial.

Not only is there such a tremendous buying power, but, insofar as we have been able to determine, a greater share of it is held by the middle and lower income groups than ever before in the nation's history. In other words, the typical American family, with its income of over $3,000 per year, has the money to buy the food products it wants and needs. While some of these products are of necessity considerably more expensive than prewar, others, such as tea, have never been cheaper in terms of the number of hours the average worker must labor in order to buy them.

In addition to this great ability to buy on the part of the American people, the grocery industry is benefiting from ever-increasing efficiency on the part of its distributors, both wholesale and retail. Mechanical handling in the warehouse and the rise of the super market are but two phases of this trend toward greater efficiency. Of course, such progress benefits the grocery manufacturer. More importantly, it benefits the entire population, since increasing efficiency tends to raise the standard of living for everyone.

With tremendous buying power among his customers and a constantly more efficient distribution system, the food manufacturer faces a real opportunity in 1950. The food industry is highly competitive, with new products and new techniques constantly coming to the fore. The entire situation represents a challenge to the American business man who believes that free enterprise and aggressive competition represent the best road to a better America.

MALCOLM A. SCHWEIKER
President, American Encaustic Tiling Company, Inc.

The floor and wall clay tile industry expects to sell as much tile in 1950 as in the year 1948, when over 100,000,000 square feet of tile was produced, the largest physical volume in the history of the industry. The great amount of construction started in the last six months of 1949 and the large volume in prospect for the first six months of 1950 will require the productive facilities of the tile industry to operate at a continuing high rate.

M. A. Schweiker

The increased capacity for producing building materials of all kinds combined with the slowing down of construction activity in the Spring of 1949, brought the supply of building materials generally into balance with demand. This was a good thing for the building industry. Balanced competition resulting from a reasonable working supply caused manufacturers of most building materials to inquire again into their costs, to streamline their manufacturing processes and to give due consideration to the needs of their customers and the progress of competitive materials.

Balanced competition also caused many contractors to operate again at normal profit levels. Mechanics in many trades began to realize in 1949 that steady work was dependent upon efficiency and lower costs if the public was to buy housing and thereby provide employment. As a result, the building dollar in 1949 bought more on an average than in 1948. Healthy balanced competition of this kind has likewise benefited the floor and wall clay tile industry.

The demand for tile in 1950 will be supported because of the expanding construction program for schools, hospitals and institutions. Buildings of this type require permanent materials which permit operation and maintenance at low cost. The architectural profession recognizes that real clay tile meets these requirements and an enlarged program of institutional construction automatically benefits the tile industry.

The Housing Act of 1949 raised the maximum building costs limits permissible for low-cost housing. This change makes it possible for the local designers and builders of public housing to use permanent materials such as clay tile which, due to its long life and absence of maintenance cost, contribute to the low net cost that is a necessity in public housing.

Tile at one time was regarded as a luxury, but now, because of its lowered first-cost and its freedom from expensive upkeep it is recognized as an economical material as well as being decorative.

The selling prices of tile at the manufacturers' level are relatively low in comparison with the change in the cost of living. For instance, the current prices of the principal products of our company are approximately 25% lower than the average selling prices in effect between 1925 and 1929. At the same time, the hourly labor rates now being paid our employees are more than 150% higher than the labor rates prevailing between 1925 and 1929.

This achievement in lowering prices while increasing labor rates, and the similar accomplishments by other industries, are the only sound bases upon which our standard of living can be permanently improved.

If our politicians, businessmen and our labor leaders gave more consideration to improving the standard of living of our citizens by raising the bottom toward the top and not by pulling the top down to lower levels, we would then be blessed with a statesmanship which would be far more beneficial to all our people than the present leapfrog system of increasing wages and prices.

If the efforts of our public and influential men were united in balancing the economy instead of pulling and hauling for temporary advantagge, we would greatly improve the stability of our economy. We could thus provide steady employment and raise our standard of living without sacrificing any of our freedom.

L. C. STOWELL

President, Underwood Corporation

Underwood Corporation's job is to develop and provide tools of business for use throughout the world. The business machines and supplies we make are designed to accomplish the machine writing and record keeping administrative details, which make possible the transaction of business at today's pace.

L. C. Stowell

In the early days of the century, the preparation of a payroll involved only adding up the number of hours worked by an individual, multiplying the hours by the rate, and then counting the money into an envelope. Today a single Underwood accounting machine must start with this basic operation, and then continue through multiple deductions for the several taxes, savings, dues, insurance, and other plans. At the same time, it computes overtime and incentive pay, and results in a completed employees earnings statement and check, earnings record and payroll check register ready for filing and analysis, and does this all in a matter of seconds.

There is also considerable change from the day when typewriters were first introduced and were met with skepticism by businessmen. They thought of these machines as poor substitutes for penmanship on the one hand and printing on the other. Today's Underwood Typewriters, electrified for ease of operation, produce any desired number of clear carbon copies to handle the essential flow of information needed to conduct modern business.

Early adding machines hand operated with disc arrangements were but little faster than mentally adding a column of figures and still no more accurate than the operator's memory. Today the Underwood Adding Machine, with direct subtraction and credit balance features, is a high-speed precision instrument, which makes possible the rapid and accurate computations desired by business.

Office machine manufacturers have the responsibility of providing the tools for modern business, and they must be prepared to handle anticipated and projected changes of procedure. Underwood has a dual research program, which includes engineering, development and laboratory testing, in addition to field research, which is concerned with the solution of existing and future business records problems. Correlation of the results of this research makes possible the manufacture of efficient machines for each job, while at the same time it permits the intelligent development of sales techniques.

The combination of quality products essential to the successful administration of our economy, and the ability to maintain world wide distribution and service facilities, contributes materially to the high standard of living we enjoy in our country.

The outlook in our field is good. With more than fifty years experience in making the tools of business, I am confident that Underwood Corporation, by the application of its present policies and long range future program, will continue to be able to serve the needs of expanding business efficiently, economically and accurately.

L. P. SPERRY

President, Scovill Manufacturing Company

Production activity in the brass mill products and fabricated parts industries is currently in a rising trend following almost a year of liquidation of inventories at all stages of fabrication, assembly, and distribution. The cumulative effect of a wave of inventory liquidation is increasingly severe as it progresses farther back from the ultimate consumer and toward the primary producer. This has been very evident to the brass mills this year. By the same token, a period of inventory replenishment usually results in a marked strengthening of demand for primary products and parts in the earlier stages of fabrication. We seem to be in such a period of inventory replenishment at the present time, and I would expect the effect to carry through the first quarter of 1950. Thereafter, a continuance of the level reached will depend largely on general business conditions, although there is always a danger that the wave of replenishment in a particular industry will carry too far and be followed by a subsequent downward adjustment.

L. P. Sperry

With reference to general business conditions, the prospects seem to be for continued strength in the first quarter, induced by a high level of activity in the steel, automobile, and construction industries, by the veterans' insurance refund, and by loose Federal financial policies in general. Beyond the first quarter, the outlook is not very clear. Steel, automobile and construction demand may be more nearly satisfied, the effect of veterans' refunds will have faded out. How extensive the cumulative effect of these factors will be in 1950, I hesitate to predict. However, my expectation is that 1950 will be a good year, with the highest rate of business activity occurring in the early part of the year.

The general outlook and the industry outlook are not necessarily representative of the outlook for individual companies. Some companies, among them our own, have completed major new facilities which are now entering the phase of substantial and rapidly increasing output of new or greatly improved products. For such companies, 1950 should be a year of great promise. The opposite may be the case for those which fall behind in the development and installation of modern production equipment.

MILTON TOOTLE

President, The Tootle-Lacy National Bank, St. Joseph, Mo.

In our trade territory, the geographical center of the United States, the business outlook continues to be favorable. Because these Midwestern States are predominantly agricultural, I believe they are placed in a somewhat more favorable position than some other sections where business may be affected by manufacturing, mining, exporting, etc.

Milton Tootle

Bountiful crop yields during 1949, aided by government price supports, put into the hands of farmers one of the largest cash returns in the agricultural history of the country. These cash returns have been the foundation by which much of the recovery in general business this fall was made possible, and since, for the greater part, the basic returns for 1949 will be spent in 1950, the results in business cannot fail to be encouraging. They will produce in our territory steady, dependable business in practically all lines.

Generally speaking, our merchants have been operating in a conservative manner. They are not excessively in debt, are free from out-of-style merchandise, and because of low inventories, they have not suffered severe inventory losses. Collections continue to be good, and there is every reason to feel that this will be the condition during 1950, as wages are high and employment promises to remain full.

In addition to the solid foundation of agriculture, steady employment, and high wages, there is another factor that will affect business in 1950. I am referring to the refunds in National Service Life Insurance which the government is committed to pay during the early part of the year. These payments, some $2.8 billion, are in comparably small amounts to a great many persons, and therefore will probably flow into many and varied types of business. The effects of these payments will be felt in every State of the Union.

Still another factor that will favorably affect business in the immediate future is the payment of funds from our many "Social Security" agencies. Many persons are now receiving regular payments which amount to a considerable sum from a completely new source of income. I am referring not only to actual "Social Security" payments, but to Old Age Assistance, Unemployment Compensation, Child Welfare, Assistance for the Blind, GI Educational Benefits and many others. Although many of these benefits were started several years ago, it takes a good time for their effect to be felt, and it is only now that our country is beginning to feel these effects on our economic life. Quite naturally, appraisals of such factors have seldom heretofore been taken into consideration on near future surveys of business conditions.

Credit conditions are favorable. Most people with charge accounts have kept them within reasonable limits and are discharging obligations as agreed. Instalment buying, while large and materially on the increase, is not out of proportion to the needs and demands of an increased population. The very nature of such buying is of itself a class of business that calls for more than usual care, attention and regulation, and, apparently those using such methods of sale are doing a good job in seeing that this field is not overdone.

In banking circles, our correspondent banks have abundant deposits. Most banks are seeking loans from many and varied sources, but such loans are made only after careful scrutiny of credit risk. Bank losses in loans have been very few, and loans have been retired promptly and with a minimum of renewals. In fact, in this trade territory, the banking situation is very sound, with ample funds to care for all needs of business without any unusual assistance from reserve sources.

Consideration of the above basic conditions makes me feel that businessmen can look forward to 1950 with every confidence. However, I firmly believe it will take hard work, close application and a never ending adherence to fundamentals for us to benefit as individual businesses from these favorable conditions.

GEORGE AVERY WHITE

President, State Mutual Life Assurance Company

With notable exceptions, we seem to be following a routine postwar economic pattern. The outstanding exception, of course, is the impact of government in the economic field to a greater extent than in any previous postwar period. Subsidization of uneconomic industrial operations through RFC financing and other subsidies has tended to level off the penalties and rewards of substandard and exceptional performance. Government insistence upon artificially low interest rates has further contributed to the easy come, easy go philosophy.

George A. White

The principal difference between the present situation and that which followed World War I is that government has assumed to a large extent the role previously held by private investors from whom equity money used to be forthcoming. The incentives for individual equity financing are now largely lacking and the factors upon which investment of capital is based have changed from economic to political.

Despite the many exceptions, the postwar pattern is a fairly normal one. We are seeing the huge productive capacity created to satisfy the needs of war being diverted to the uses of peace. As Europe regains her economic stability and requires smaller subsidies from the United States, we shall undoubtedly see the supply of wanted things become available in greater quantity and the standard of living should stabilize at a higher level than we have ever known before. Just as automobiles became available to the average family after World War I in spite of the predictions that our economy wouldn't stand it and the dire forecasts of the results of installment buying, so we shall see new distribution methods and higher living standards emerge in this postwar period, if and it is a big "if", encouragement is given to enterprise and incentives are offered for outstanding achievement.

It is unthinkable to me that the American people will be persuaded by any foreign power or by those in Washington whose thinking is based on foreign ideologies to give up the economic system which has given them world leadership in freedom of choice and ease of living.

Accordingly, I look for a decade ahead which will bear much similarity to the 1920's—shorter working hours, higher living standards, more ease and selfishness, lowered moral standards, increasing isolationism, and ultimate choice between another economic breakdown some years hence or the emergence of this country into a dominant creditor nation which will maintain the strength and the vision to attract the following of the other nations and establish a world peace.

The great periods of world advancement have come when a dominant power kept order and financed worldwide development. That seems to be America's role for the future. The United Nations should serve a valuable purpose as a worldwide clearing house of opinion, but its success, in my judgment, depends on America's strength and vision.

ELMER WARD

President, Goodall-Sanford, Inc.

The 1950 business outlook is good for those companies in the textile industry that have devoted recent energy to developing new ideas, improved product-performance, greater value, sound advertising and selling methods.

Many firms have done little or nothing in the field of product development. I believe that they will be unable to meet their 1949 sales figures. Others have been active in creating new, sales-compelling features—and these are the organizations that will go ahead in 1950.

For example, we recently completed research and testing laboratories which are staffed with capable, ingenious men and women. We have also built a complete pilot plant for small-scale production of actual fabrics. Sparked by salesminded direction from these develop-

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ment areas have brought us new products and improved techniques.

As an instance, our automotive division has perfected a new fabric about which "Motor Magazine" says:

"The fabric makers, the car manufacturers, their stylists, desperately in need of new things to spice and give variety to car interiors, all think they've got something hot."

"The new fabric in this category that so far as had greatest acceptance and widest adoption is a blend of fibers—one-third each of wool, mohair and acetate, if you want to be technical."

This Goodall blend is an important contribution to making our 1950 outlook a bright one. It is the result of a determination to win a greater share of the available business in 1950.

Another example of advance planning is our introduction of an entirely different Palm Beach fabric, which will be given entirely different tailoring in our clothing factories. Intense product development work has culminated in a smooth, muss-resistant cloth involving a patented method developed by our own experts.

Palm Beach sales increases to dealers this fall (for retailing next spring and summer) prove the earlier statement that the 1950 business outlook is dependent on the efforts of the individual companies making up the textile industry.

In addition, many economic factors will have an important bearing on 1950 textile activity.

GI's will get an estimated $2,800,000,000 of which considerable will be spent for automobiles and apparel—both large consumers of textiles.

Public and private construction and housing will be better in the spring, and apartment house construction is especially active. These fields are important outlets for drapery fabrics, furniture fabrics and carpeting—all of which we make.

Credit buying and extended charge purchasing will maintain its huge expansion, adding to the demand for furniture, clothing and other major textile-using items. On the other hand, increased competition for the consumer's dollar will be provided by non-textile users such as appliances, television, etc.

In one segment of the textile industry, a long-range trend has already begun and will make itself felt even in 1950: the gradual but steady trend to lightweight clothing for men. Suitings have been getting lighter and lighter as heating becomes better, as our mode of life has grown more urban and sedentary, and as our women have taken to lighter clothing and less of it. There is a distinct new lighter way of living, which opens a whole new avenue of opportunity to alert minds in the textile industry—and especially to those who have specialized for years, as we have, in lighter weight materials.

Here again, a better-than-average share of the available business will go to those who have prepared for it and developed with it. Recognition of the fact that this is fundamental in *any* industry, will help progressive companies take fuller advantage of the favorable outlook for business in 1950.

J. M. WHITE

President, The Long-Bell Lumber Company

The outlook for business for the year 1950 as applying to lumber, which is the only commodity on which I desire to speak, is relatively good for the first six months or for a like period after the winter months of January and February. This may spread throughout the entire year. It is impossible for anyone to speak definitely of the outlook and so I can only say to you that I am making a wild guess. I am hopeful, however, that we will have good business. We need good business throughout our country or we are in for a bad time. By good business, I mean good sound business and not business supported by government subsidies.

C. I. WEAVER

President, The Ohio Fuel Gas Company

The Ohio Fuel Gas Co. is a public utility, serving directly 487,000 customers in 365 towns in the State of Ohio. The natural gas companies that have connections with the new long distance pipe lines from Texas have been quite completely and accurately covered in the last issue of "Fortune" magazine. If much detail is wanted that article goes to some length to explain how the natural gas business is different from most other businesses. In brief, the prices of competitive fuels are now higher than the price for natural gas and this has caused greater activity among our gas customers served directly by The Ohio Fuel Gas Co., and the customers of our wholesale market, which include about 25% of the gas sold to the Cincinnati Gas & Electric Co. in Cincinnati (220,000 customers) and we also supply gas to The Dayton Power & Light Co. and 20 small distribution companies that serve an additional 170,000 customers. The first 40 years of the existence of Ohio Fuel we connected 40,000 house heating customers. Since the close of the war there has been such a demand for house heating that we now have a total of 175,000 house heating customers. These customers are part of the 487,000 customers named above.

C. I. Weaver

Since I think you are interested more in the general business conditions in the territory I will review them briefly. We have recently gone over our annual budgets and have had an opportunity to do a great deal of checking and measuring of business past and future, and it is our opinion that the year 1950 will be a better year by 5% or 10% in dollar volume than the year 1949. The first half of 1950 will be considerably better than either the first or second half of 1949, and it is our estimate that the last half of 1950 will be about like the last half of 1949. Our reasons for believing this are that the year 1950 will run without too much labor disturbance. There is enough labor available in Ohio to permit the carrying on of larger construction programs, particularly in the capital goods area, than was possible in 1949. On the other hand, there are many lines of business that are finally catching up with unusual demands for construction and merchandise which has not been satisfied since 1941. This is the reason for the estimated falling off of the business in the latter part of 1950 as against the first half of 1950.

One of the items that will have a tendency to stimulate some business in this territory (and, of course, every industry operating in this territory will be doing much the same thing) is a heavy construction program, which we have been carrying on since the war. This construction program consists of the replacement of old lines with much larger lines to take on additional business at a very much higher pressure than was needed heretofore; the extension of our underground storage facilities; the construction of compressor stations; the strengthening of distribution systems to market, the gas, etc. The following table, I think, will be illuminating:

Year	Spent for Construction
1946	$5,672,000
1947	9,900,000
1948	21,300,000
1949	11,900 000
1950—Est.	14,800,000
1951—Est.	12,100,000
1952—Est.	8,900,000
Grand Total	$84,500,000

As I indicated above, some of this construction is replacement and some of it is enlargement for new business. I think the best picture I can give you of the size of this program is to say that in 1945 the rate base for the Ohio Fuel Gas Company was $80,000,000 and in 1950 the rate base is $123,000,000.

We are counting on some increases in commodity prices due to wage increases; we are counting on some increases in labor costs over the next three years in the neighborhood of 10%. In our own case there will be some increases in gas rates, but the additional volume of natural gas sold will make the increases very modest—I would say not to increase more than 10% or 15%, depending on conditions.

EDWARD FOSS WILSON

President, Wilson & Co., Inc.

Predictions in the meat packing industry are especially hazardous due to some of its unusual economic characteristics. First, the packer has no control over the supply of raw materials, for livestock must be purchased whenever several million individual producers decide to send it to market. Second, meat prices are determined by the willingness and ability of millions of housewives to buy the available supply. Third, livestock and meat are highly perishable, leaving very little opportunity to hurry or delay the processing and distribution of meat. Fourth, intense competition in the meat packing industry results in a very narrow operating margin, so that profits may be greatly affected by relatively small changes in conditions.

Edward F. Wilson

These characteristics, however, have caused readjustments following war and postwar distortions to be made rather quickly in the meat packing industry. It now appears that major readjustments in demand and prices have already been experienced for most meats, animal fats and other livestock products. More normal price variations and stability in price levels would be favorable to our outlook. It is very difficult to maintain a profit margin in meat packing when prices are following a sharp downward trend and fluctuating as widely as in 1949.

Unlike many industries, however, the meat packing industry is not faced with rapid obsolescence and the consequent demand for new money to build new models to meet new conditions. Basically, a Wilson Certified Ham 1950 style isn't greatly changed from the previous model.

A significant development to the meat packing industry, as well as to the nation as a whole, is the increased emphasis being placed on livestock production. A trend toward increased livestock and meat production has been brought about by the growing realization of the contribution which livestock makes to soil conservation, to better human nutrition and to an improved economic balance between agricultural output and the demand for farm products.

Livestock production is increasing. Meat is now in good supply, and more will be available in 1950. Increased volume is important to the operating efficiency of meat packers, and especially to the national packers who carry a large part of the capacity needed to process the extra volume of high-level production.

Wm. Hemenway With R. J. Edwards, Inc.

DALLAS, TEX. — William P. Hemenway has become associated with R. J. Edwards, Inc., Mercantile Bank Building, as Manager of the Corporate Department. He was formerly with Thomson & McKinnon and prior thereto with Merrill Lynch, Pierce, Fenner & Beane.

Wm. P. Hemenway

Paul Grannis With Selected Investments

BEVERLY HILLS, CALIF.—Selected Investments Company, national distributor of Selected American Shares, Inc., has appointed Paul Grannis as its wholesale representative on the Pacific Coast. Mr. Grannis has been active on the Coast in all phases of the investment business for more than 25 years, most recently with Douglass & Co. He served as district Manager of the War Finance Committee for the U. S. Treasury during World War II. Formerly a Chicagoan, he is a graduate of the University of Illinois. His office is at 133 N. Robertson Blvd., Beverly Hills, California.

Mr. Grannis was previously associated with Selected Investments Company and introduced Selected American to Coast dealers when it was formed in 1933. His long acquaintance with the fund, coupled with his many years in investment business in general and his recent retailing experience, will be an advantage in his new wholesaling work.

David Wallace With E. W. Smith Co.

PHILADELPHIA, PA. — David W. Wallace, formerly with Coffin, Betz & Co., is now associated with the Trading Department of E. W. Smith Co., members Philadelphia-Baltimore Stock Exchange, 225 South 15th Street.

Reynolds Co. Absorbs Troup Co. in Chicago

CHICAGO, ILL.—The business of Clarence G. Troup & Co., members of the New York Stock Exchange, will be merged today with Reynolds & Co. John G. White, resident Manager of Reynolds will continue in that capacity and Clarence G. Troup will join the merged firm as Manager of the Stock and Commodity Departments in the Chicago office, 208 South La Salle Street. William Rothbart, who has been associated with the Troup firm for more than 20 years, will become a registered representative.

Midwest Exch. Members

CHICAGO, ILL.—The Executive Committee of the Midwest Stock Exchange today elected to membership the following: William O. Alden, O'Neal, Alden & Co., Louisville, Ky.; Sidney V. Duncan, R. S. Dickson & Co., Inc., Chicago; Walter Glass, Chicago, Ill.; George P. Lloyd, Lloyd & deGeus, Joliet, Ill.; Harry F. Smith, Smith, Polian & Co., Omaha, Neb.; and V. Hudson White, White, Noble & Co., Grand Rapids, Mich.

Bogardus, Morse With E. F. Hutton & Co.

LOS ANGELES, CALIF. — Darrell J. Bogardus, Jr., and Ralph C. Morse, Jr., have become associated with E. F. Hutton & Co., 623 So. Spring St. Both were formerly with Shearson, Hammill & Co. and Bogardus, Frost & Banning.

Alfred B. Sturges Dies

Alfred Beers Sturges, charter member of the New York Curb Exchange, former member of the board of representatives and former Secretary of the New York Curb Market Association and the New York Curb Market, died at Passaic General Hospital, Passaic, N. J., at the age of 82 after a short illness. Mr. Sturges, a 32nd degree Mason, was a resident of Nutley, N. J., for the past 45 years.

Edmund Davis Proud Papa

Edmund J. Davis, Vice-President, Rambo, Close & Kerner, Philadelphia, proudly announces the birth of a son, his second, on Jan. 26. The newcomer, Keenan Davis, is posted for membership in the Investment Traders Association of Philadelphia.

With Rockwell-Gould

ELMIRA, N. Y.—Fred B. Crumbaugh, Jackson Summit, Millerton, Pa., has been added to the sales staff of Rockwell-Gould Co., Inc., 159-167 Lake Street.

Continued from first page

"Why Go the Way of Britain?"

Atlantic, enjoy a life of luxury and do my full share in discovering new grounds for new squabbling between the peaceful nations of the world. I blush to think of the large numbers of my fellow countrymen who are battening on the American taxpayer, to no more sensible or useful purpose than I have suggested.

What the planners have done to currency and monetary exchange illustrates perhaps better than anything else what is happening to every other commodity and service that crosses national barriers. And here I come straight away to the main subject of my address, for while you fortunate Americans will last a little longer than the rest of us, your doom is assuredly sealed if you, like us, rely upon politics and collective action to relieve you of the normal and natural responsibilities of healthy men.

Socialism a Disease

Socialism is not a system, it is a disease, and we English have at long last discovered that indubitable truth. The "something for nothing" mentality is, in fact, as we now know, an economic cancer. England, "this other Eden, demi-paradise, this blessed spot, this happy breed of men," is in a very poor way. We have suffered nearly five years of effective Socialist government, but that is only the end of the story, for we are just completing 50 years of a sloppy sentimentalism in public affairs of which the present Socialism is merely the logical outcome. In the result we have murdered old virtues with new deals. Well-meaning, shallow-thinking, kindly people, aware of the scriptural injunction that "the greatest of these is Charity," have failed to notice the distinction between the real article and the giving away of other people's money. So we come to the end of the story, having lost our faith, accepted false hopes and practiced a charity which is nothing of the kind.

You will remember that at the end of Victoria's reign, now almost exactly 50 years ago, we, in this little island, able by ourselves to grow no more than half the food we required to keep us alive, did, in fact, achieve, notwithstanding its many shortcomings and blemishes, a higher general standard of living than in any country in any time, not excepting the United States of America. From that proud position we have now descended to the point where American tourists coming to Europe go to the countries conquered by Hitler to escape the drab austerity of Utopian Britain.

Now, at long last, I think, it may be said with confidence that we have learned our lesson, learned it at an awful price, and you will rejoice with us as the peoples of the British Empire, led by gallant little New Zealand, next by Australia and in a few weeks or months time by the Home Country itself, begin on a new and very painful start to set up old John Bull once again at the service of mankind.

Security, Mortals' Chiefest Enemy

I understand that in the United States there are still those who think that the machinery of government can be used as a substitute for personal responsibility on the part of the governed. Shakespeare was not deceived in this way, as you will remember, for he said "security is mortals' chiefest enemy." We have had enough experience of security to know exactly what it means: A technical claim upon salaries or wages, austerity rations bought with Marshall Aid, more and more paper money and less and less of anything to buy. The absence of the natural penalty for failure to do one's duty has reduced output per man with, of course, glorious minority exceptions, to the lowest in all our history. Our people have believed the promises of 1945 and have concentrated on their supposed rights and forgotten their responsibilities. I repeat that I think you may safely consider that we are very near the end of this very painful story. There are now few thinking people among us who do not realize that while it is easy to make the rich poor, it is quite another matter to make the poor rich. One simple figure will show you the lengths to which we have gone.

Our latest tax returns show that there were only 70 persons resident on this island with a net spendable income of 6,000 pounds or over. The numbers of the rich have been declining for many years, but 10 years ago there were still 7,000 who had this amount of money at their own disposition; 100 times as many as in 1948. The decline goes on, and it is probably true today, taking into account the lower value of the pound, that only one in a million English subjects is able to spend upon his own purposes $10 000 a year. You can if you will work these figures out in terms of the income and population of the United States, and imagine what it would mean to your industry and commerce and your enjoyment of the normal life of a free people.

There is little purpose to be served in wearying you with the details of life, and especially business life, in the Old Country, in the circumstances of today. You will be more interested in the longer view and the lessons to be learned from it. In the short period of 50 years we have traveled the whole road, starting when no government had anything whatever to do with trade, and ending where all trade is under the dead hand of the State. America, as I understand, is about half-way along this disastrous road. To argue about taxes, pensions, houses or even ground-nuts is to scratch the surface. What has happened is the triumph of the producer over the consumer, and it proves to be an empty triumph.

It is no accident which express the law of Supply and Demand in that way, supply first, demand second. Socialism, in practice, attempts to change the order, the theory being that one can ascertain and measure demand and then proceed to plan and organize supply. The theory ignores completely the forces which govern the ordinary actions of the ordinary man. Nature requires that the maker shall produce his goods, display them for the inspection of the buyer who is, at all times, free to decline to buy. The right to buy or not to buy is vital to economic wellbeing and, of course, vital to personal liberty. Supply and demand in that order put the producer in his proper place.

Among the disasters resulting from the attempt to reverse the natural order I put, at the top of the list, the loss of the market, for we have no such thing that counts for very much in England today. The willing buyer and the willing seller have, for practical purposes, disappeared. Bulk buying, fixed prices, subsidies and purchase taxes have abolished willingness and substituted force. Goodwill is a thing of the past. Price, properly so called, the result of a compromise between the willing buyer and the willing seller, is now nothing more than an official abstraction arrived at for political rather than economic reasons. The word "willing" is not to be found in any official vocabulary, and whereas a few years ago in every city and village in the world there was a measure of goodwill or willingness for the buyers and sellers of Great Britain, now every country is full of grievance at the real or supposed iniquities of official bargainers.

"The sanctity of contract" is a thing of the past and that again shows how far we have departed from the principles upon which civilization was constructed. It is not merely that authorities, governments, here and elsewhere, set so little value on their pledged word, but that no government, no authority can bind its successors to take a loss.

Destruction of Price Mechanism

Perhaps the biggest of all the changes in this connection is the destruction of the price mechanism. Before the politicians usurped the right of the citizen to provide for himself, the price mechanism indicated with speed and certainty the existence of plenty at any time and in any place, and scarcity elsewhere. It did not require committees of experts and official enquirers to discover the trends of production and consumption, and the need for adjusting action accordingly. The price mechanism has been put so completely out of action that we now pay a series of varying prices for the same article at the same time.

The natural process named by economists the Law of Supply and Demand has insured to the free citizen that freedom of choice essential to the worthwhile life. Socialism tries to put the matter the other way round and operate what is in effect the law of Demand and Supply. Some authority claiming to know what the people want announce the intention of purchasing vast quantities, having, as they think, an assured market, are under no obligation to do their best, to go out of their way to study the requirements of the buyers or demanders. So, to give only one illustration from England, cottages or houses now cost five times as much as they did a few years ago and are not nearly so good. It is not a question of building for the rich, but of workers building for workers, and yet with the State in between they will not do it.

Of all the false thinking of recent years here, and I believe to some extent in America also, there is none greater than that which thinks of a job in terms of wages rather than in terms of the work done and the quality achieved.

These are general considerations, proper subjects for argument at any time in the last few decades. It is only now, after an expensive and destructive war, that we are beginning to reap the results of wrong thinking. Millions of our people look to the government as their fathers of Victorian times looked to God; with large masses of them political authority has taken the place of Heavenly guidance. In consequence here, and indeed all over the world, but here in England more than elsewhere, mankind is living by permission. That is a system which may perhaps be suited to Slavs and Huns, but which is the very antithesis of the spirit of all who speak the English language.

Herbert Spencer in that wonderful prophecy, "The Man Versus the State," explained in detail what would happen and foretold with exactitude the present rush of the weaklings for jobs as planners and permitters, telling other people what not to do.

You will have noticed the curious circumstance that while we are all under the thumb of authority, authority itself is composed of those who, lacking the courage to stand upon their own feet and accept their share of personal responsibility, seek the safety of official positions, where they escape the consequences of error and even failure. In the result the active, energetic and progressive section of the population, which struggles to serve its day and generation in the way that it has always done, instead of leading the rest, can only move by the grace and favor of that section of the population which from its very nature lacks all the qualities needed to produce the desired results.

On a broad view the issue is Individualism vs. Collectivism; the individualist thinks of millions of single human souls, each with a spark of divine genius, and visualizes that genius applied to the solution of their own problems. His conception is infinitely higher than that of the politician or planner who at best regards these millions as material for social or political experiment or, at worst as mere cannon fodder.

Collectivism Destroys Character

The individualist believes self-help to be twice blest, for no only does it provide the help required, but also gives a self-respecting satisfaction in accomplishment which can never attach to help that is received.

When a man is on his own, an individual responsible for himself, he must earn a character, a personal character, that is perhaps his first necessity; others must be made by experience of him to learn of his qualities, capabilities and perhaps defects and limitations. In a planned society he has no need of a character, no such thing is wanted. No national or universal plan can afford to take the least notice of personal character. He must also acquire credit, others must be made to know that he is creditworthy, can be trusted, that what he undertakes he will perform to the limits of his ability. But when he is planned, nothing so troublesome is in the least necessary.

The individual responsible for himself must avoid loss, but if he is planned and loss comes out of the bottomless, mythical public purse, he is relieved of that necessity and can waste and lose just as much as his inherent laziness may dictate.

The individual responsible for himself must strive to do better, better than his previous performance and better than others; he must apply to the practical things of life the rules learned on the playground at school. In a planned society, if the urge to move upward has not altogether disappeared, then the only move available to him is into the ranks of the planners where he can arrange the affairs of others and force them down deeper into the passivity of a planned existence.

The individual responsible for himself does his best to keep out of the doctor's hands. In a planned society he can indulge in the luxury of invalidism to his heart's content.

Against all this the Socialist professes to believe that the individual can be so trained as to cause his every act to be performed in the interests of society as a whole. His idea is to substitute for the enormous constructive natural power of the self-interest of each of us, a manufactured force composed of the theoretical interests of the State. To the individualist this means nonsense. A view much strengthened by the losses and disasters of the last five years in England alone.

Perhaps, above all, I am an individualist because it makes for honesty. In a society of free men, each acting on his own responsibility, honesty, to put it on the lowest grounds, is the best policy. As we move further from the individualist position into associations, unions, districts, counties, nations and states, we tend to lose touch with that essentially personal quality, honesty. Honesty may be described as a force governing dealings between individuals. When the transactions are between masses, they tend to become less honest; when between nations, there is, indeed, little pretense of honesty about them. That simple circumstance arises not from evil intent, but from the very nature of things.

Individualism Not Destructive of Social Services

All this concerns foundations, a philosophy, a point of view from which to start, and if only individualism could get these foundations as well laid in the minds of the people as folly has been pumped into them by the Socialists, planners and New Dealers, we could then proceed with our social services and other humanitarian plans, for the comfort of the less fortunate minority, in the certain knowledge that we were not diverging from the path of progress. As it is, without these foundations, charity, good feeling, desire to help, sympathy and many other virtues have been brushed aside, and in their place there has been set up the mean, unworthy, degrading and destructive notion of non-existent rights for robots.

I have exhausted my time without a word about nationalization, profits, wages or even wars. The real issues are bigger, as I have endeavored to show; they are moral issues. Man has few natural rights and many natural responsibilities, and you happy people in the cleaner atmosphere of the United States are better able to recognize these greater, all-pervading considerations. You have only to refer to your own Declaration of Independence for a complete and final judgment on all these matters. You will remember the words:

> *"When a long Train of Abuses and Usurpations, pursuing invariably the same Object, evinces a Design to reduce them under absolute Despotism, it is their Right, it is their Duty to throw off such Government."*

NYSE Board Members To Be Increased

An increase in the membership of the Board of Governors from 25 to 33 was voted by members of the New York Stock Exchange. The increase will take effect at the annual election to be held in May. The vote was 686 for the increase, with 400 opposed.

The number of Governors who are members from the New York metropolitan area will be increased to 13, of whom not less than seven are to be general partners in member firms, and not less than two floor members. The number of Governors who are general partners of member firms will be increased from four to six, five of whom are to be allied members and one a member.

Governors from outside the metropolitan area, who are general partners, will be increased from seven to nine, and not less than two of them must be members of the Exchange.

The number of Governors who are representatives of the public will be increased from two to three. The other members of the Board will be the Chairman and the President.

Railroad Securities

Chicago Great Western

Both the preferred and common stocks of Chicago Great Western have been unusually active and notably strong for the past month or so. Highs established in recent trading have represented the best price levels witnessed since the speculative boom of 1946. Late last year the company made a dividend payment of $0.3125 a share on the $2.50 preferred stock. This was the first distribution made on the shares since 1946. No dividend has been paid on the common since consummation of the reorganization. The preferred is cumulative up to $7.50 a share and this amount has already accrued.

Probably the major reason for the marked strength in the company's stocks is the spectacular improvement in its operating performance during 1949. Except for some minor lines and unimportant switching assignments the road's operations have now been fully dieselized. This program was finally completed last September. Even before it was completed the program was bearing fruit in substantially lower transportation costs. For the nine months through September the transportation ratio was 4.4 points lower than it had been a year earlier, a showing made particularly noteworthy by the fact that traffic was off during the period. In comparison, Class I carriers as a whole had the same ratio in the 1949 interim as in the preceding period.

On the completion of the dieselization program the savings became even more pronounced. In October the transportation ratio for the first time dropped below 30% and in November it was just 30%. Monthly reports for the last quarter showed the transportation ratio running from 8.5 to 9.8 points below the like 1948 months. For the year as a whole this ratio was down to 34.6%, which was well below the indicated industry average, from 40.3% (slightly above the industry average) in 1948. The implications of the economies are obvious when it is borne in mind that each point drop in the ratio is equivalent, before adjustment of Federal income taxes, to $0.92 a share on the outstanding common stock.

The company has also done a very constructive job on its debt structure since reorganization was consummated. The road did have to borrow $1,500,000 from the banks recently on a short-term serial basis. This money was needed in part to meet a $500,000 bond maturity on Jan. 1, 1950 and to provide working funds. The treasury had been depleted by earlier debt retirements, down payments on equipment, and property improvement expenditures. Even with this recent bank accommodation the total of non-equipment debt is only modestly more than 50% of what it was immediately after reorganization.

Previous to borrowing from the banks the road had eliminated more than half of its original fixed interest non-equipment debt, reducing the amount outstanding to $8,190,700 as of the end of 1948. Even with the new bank loan it is now only about $9,000,000. Moreover, as of the end of 1948 the Income bonds had been reduced to $2,743,780, a cut of $3,369,820 from the amount issued initially in reorganization a relatively few years ago. The debt retirement has been very substantial in relation to total capitalization. The $2.50 preferred is outstanding at only 366,104 shares and the common at 352,639 shares.

Even with the sharp improvement in operating efficiency accompanying dieselization, common share earnings last year dipped to $2.73 compared with $5.58 in 1948 and $1.89 in 1947. These figures are before deduction of sinking and other reserve funds. The major drag on reported earnings stems from the heavy roadway rehabilitation program now under way with the consequent high maintenance outlays. The maintenance of way ratio last year jumped to nearly 22% from jus tover 15% in 1948. It is expected that this program will continue in the current year. In the long run, however, the money now coming out of earnings for the property will enhance earning power through even greater operating economies. Moreover, even with continued heavy maintenance (which incidentally clouds the dividend prospects) it is generally expected that 1950 earnings should run appreciably above those for the year just ended.

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Economic Slanting in Education—A Disaster!

economic education in both our schools and colleges?

(e) Lack of any adequate—even though preliminary — knowledge of how the economic system works by grammar school graduates—and by many high school and college graduates as well.

(f) Lack of knowledge of extent and nature of American progress and of how our form of government and our economic system differ from those in leading foreign countries.

What School Graduates Should Know

After listing these defects in much of our educational system, it is certainly reasonable to ask what I think our schools should teach. I believe that our secondary schools should supply at least basic information on the following subjects, with appropriate amplification of each of them being obtained in the colleges and universities:

(a) The nature and historical development of our economic system—an ability to study its accomplishments and understand what makes the system go. This should include a realization of the value of competition and the danger of monopoly—whether in industry, distribution, or labor.

(b) The importance of productivity. This means realization that standards of living can increase only through increased productivity and that we cannot have this without better tools and machinery. This, in turn, implies knowledge as to the importance of capital investment for the provision of plant facilities and jobs.

(c) The importance of the consumer and consumer choice in making jobs, through the daily ballot in which the consumer buys the products or services of some and reject others—the greatest truly democratic system in the world.

(d) Development of the labor movement and the nature of collective bargaining, with understanding of the basic principles behind sound collective bargaining.

(e) Knowledge of the functions of business management.

(f) The personal responsibilities of the individual citizen, including knowledge of the obligations of the individual, of the ideas of majority rule and minority rights and the value of freedom as the basis for our form of government. This should include information as to efforts to develop international cooperation and the place of the United States therein.

All of this will help the school graduate realize that citizenship not only includes him, but depends upon him and will help to create within him a desire to participate personally in citizenship. It will help him to understand the nature of government and to desire to improve it through the fulfillment of his own responsibilities, especially taking advantage of the privilege to vote. By developing proper habits of thinking and analysis the school can do a great deal to minimize the ability of demagogues to get elected to positions of administrative and legislative responsibility.

The schools alone cannot solve deficiencies in our social system because the faults are due to many characteristics of our life; but the schools can certainly assist—even if they cannot do the whole job—in remedying such defects.

History in the Schools

The principal curriculum subjects I have covered fall in the fields of history and economics.

In the first of these two fields, we find that at practically every level in the schools history is taught—and that is fine. But I think that as soon as it can be assimilated by pupils, their attention should be called to the meaning of history as well as to knowledge of its facts. I whole-heartedly endorse the following statement made to this group two years ago by Dr. John W. Studebaker, then United States Commissioner of Education:

". . . Nor do I believe that it makes no difference whether or not a pupil has had a chance to learn about the long struggle by which the rights of American democracy were secured. I believe that every pupil should have a chance to learn how difficult it was to establish freedom of speech and of the press, freedom of religion, the right of habeas corpus, and the other American freedoms. . . . The implications of all this for teacher education are far-reaching. Every teacher in every field should have a well-grounded understanding of American democracy."

I would go a little further. In the high schools, at least, and possibly even beginning in the grammar schools, I would include as a part of the history courses emphasis upon American economic history. I am quite sure that if economic history — both of this and other nations — were known to all our state and national legislators, we would have much less so-called experimentation which is not really experimentation at all, since the actions proposed have been failures wherever tried.

Some Economic Facts

This brings us into the field of of general economics. It is my belief that if all school graduates knew how to look behind the claims of the critics of the American Economy, this nation could look to the future with great confidence.

I am reminded that Ralph Waldo Emerson once said: "Men do not live by bread alone—they also live by catch-words." Let me set forth three catch-words by which the enemies of business have endeavored to poison the minds of our people and thereby spread "economic color-blindness" throughout the land, "catch-words" the appeal of which adequate basic training in social studies could do much to obviate:

Catch-Word No. 1—Profits (too High)

"Business profits are much too high!" Actually, they average less than five cents of the customer's dollar. Even that figure is illusory and should be weighed to reflect inventory gains (which are subject to sudden reversal) and inadequate depreciation reserves, (which are based on old cost and not replacement costs).

Catch-Word No. 2 Wealth (Concentrated)

"The bulk of our national income goes to rich people!" Actually, 83% goes to people whose incomes are less than $5,000 per year. Less than 5% goes to people whose incomes exceed $25,000 a year.

Catch-Word No. 3—Capital (Ample)

Venture capital is drying up. In 1948, the 420,000 corporations in the United States needed more than $25 billion for expansion and improvements. Less than $1 billion of this was available by investment in common stock issues. Almost two-thirds of the total came from retained earnings and almost one-third from institutional loans.

Economics in Colleges

I have previously mentioned the fact that, according to the Director of the Joint Council on Economic Education, only 5% of high school graduates have had "adequate instruction in economics."

What about the colleges and universities?

I found that there are some institutions in which the professors of economics believe in the economic virtues of competition, and in the value of the market place as the determiner of economic values—prices, wages, and profits. But there are too many institutions in which the majority of the professors believe that competition is wasteful and would substitute government monopoly—through centralized government economic planning—for the market place as the prime determiner of economic values. These teachers are anti-business and seek to influence their students in that direction.

I have no essential criticism of the students of economics in our colleges and universities. But I do feel that in altogether too many cases the economic education they receive is not objective, but is slanted one way—and that slant is against the economic system in which they must seek to earn a livelihood. They thus not only receive bad economic education but are given psychological fixations which prejudice them against happiness in their work and provide an easy mental and emotional "out" if they do not succeed in their occupations.

I found, for example, that in many of the leading universities of the country, at least 50% of the members of the economics faculties favor economic planning and direction by government as the prime determiner of economic values — despite the lessons of history that such efforts have universally failed wherever they have been used.

I found that the heads of economics faculties who wish to engage young instructors who fundamentally believe in the economic benefits of competition and the market-place have difficulty in finding such individuals—because much of the graduate training in economics is carried on and supervised by those who reject the economic benefits of competition and the price mechanism.

I found that a considerable proportion, but by no means all, of the college and university textbooks in economics criticize competition, marketplace determination of values, and the whole concept of free enterprise, and advocate instead widespread government operation of industry and control through centralized direction of any remaining segments of private industry.

Is anybody to blame for the kind of economics being taught in our colleges and universities?

I think every business executive who is a trustee of an educational institution should actively investigate the views of the teachers and textbooks at such institutions.

I believe that every business executive should actively study the economic instruction at the college or university which he attended, or which may be located in the community in which he lives. He should also study the salaries, most of them inadequate, paid to instructors.

If every business executive would make such serious investigation, I am convinced that the contacts between businessmen and economics faculties which would undoubtedly ensue should help to put more realism into the teaching of economics, and would restore to our youngsters the belief in freedom of the individual.

Last but not least, businessmen should take all the time and effort necessary to indoctrinate the students and the faculty with the underlying philosophy of business.

Conclusion

I am sure all of us believe that the future of our country lies in getting the greatest number of individuals to do their best in any and every field of activity in which they may engage, and that this involves rewards commensurate with performance.

I firmly believe the terms "free enterprise" and "representative self-government" are properly linked. They are **indivisible** in producing the kind of democracy we enjoy in America. And as for me, I do not recognize, and I do not want, any **other** kind of democracy! I do not want a welfare state but I do want a welfare society.

In this country, we are all workers, and we are all capitalists. But, more important, we are all just plain Americans. And, **most important**, we are all—and perhaps the educator has a leading responsibility — simply guardians of our country's blessings, dedicated by our American Constitution and by every instinct in our hearts, to uphold the dignity of man!

The big battle is on to preserve the American Way of Life. Now is the opportunity of a life-time for the schools and colleges of America to meet the responsibility to help preserve the way of life of which American education is a part, and which will surely itself be destroyed if the American Way of Life is destroyed.

Grace Stoermer Joins First California Co.

LOS ANGELES, CALIF.—Grace S. Stoermer, formerly Assistant Vice-President of the Bank of America, has become associated with the First California Co., 647 South Spring Street. Miss Stoermer, who is widely known in banking circles throughout the United States, was Secretary of the State Legislature in Sacramento in the past. She has been active in civic affairs in California for many years.

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What to Do About Our Fiscal Crisis

continues to pile up deficits, then it is on the road to bankruptcy."

The tragedy in a six-billion deficit this fiscal year and the anticipated deficit of four or five billions next year is that deficits are becoming, as Dr. Nourse has said, "a way of life."

And part and parcel of the fiction that deficits are not important is the idea that the debt and the deficits somehow will take care of themselves. The President in a recent message to Congress implied that the country will some day grow up to the budget, that the national income will increase enough to raise tax yields and bring receipts into balance with expenditures.

Expansion through a policy based on deficits is not growth; it's monetary inflation. And inflation, as has been demonstrated since the war, blows up the Federal budget as fast as it blows up tax yields. On that basis, there never will be a balanced budget.

Even more ominous, however, is the present admission that inflation has been adopted as a fiscal policy by the Federal Government. The latest group of planners in Washington call it a "managed inflation," which is somewhat like speaking of a "managed atomic bomb."

The adoption of inflation as a fiscal policy has been accompanied by a complete reversal of the Administration position in the past year. At this time a year ago Congress was weighing Mr. Truman's demands for great powers to fight inflation. Although deflation was already pecking at the economy, the signs had not yet been read—especially by government experts. Instead, the President appealed in his budget message for authoritarian power, unprecedented in peacetime, to combat the demon inflation. He also urged a tremendous tax increase of $4 billion.

Six months later, the situation altered drastically. In the interim, our capitalistic system had been demonstrating its resiliency. The inflation was halted before it reached a disastrous peak—not by the government but by operation of classic economic laws.

Then, in the face of political pressure and coming elections, the Administration did a complete turnabout and asked for more powers to combat deflation, simultaneously calling for an orgy of spending which is still developing.

The government is, in effect, trying to put a floor under the highest point to which inflation has ever driven the nation. Because of political commitments and promises, the Administration can't afford an adjustment of prices to the point where they could do the wage-earner some real good. It can't afford to permit a temporary halt in the upward wage spiral until the economy can support a real wage increase in terms of purchasing power.

I am reminded of what Dr. Vannevar Bush said—and I quote: "A people bent on a soft security, surrendering their birthright of individual self-reliance for favors, voting themselves into Eden from a supposedly inexhaustible public purse, supporting everyone by soaking a fast disappearing rich, scrambling for subsidy, learning the arts of political log-rolling and forgetting the rugged virtues of the pioneer. . . ."

Under the circumstances, it is a measure of our national strength that so many Americans today turn with disgust from government by handout financed by "managed inflation."

Solution in Reduced Spending

It should be evident that neither increased taxes nor deficit financing will solve our fiscal problem. The solution is reduced spending, through reduced government functions. And it must be accompanied by a changed fiscal outlook **at the top**—a resumption of the idea that Federal fiscal policies should be designed to permit the American economy to grow, to add to the unprecedented standard of living we have already achieved. This definitely does not include replenishing an enervating inflation with what Dr. Nourse has called "monetary and fiscal tricks" that "have no power of magic but are a slippery road to misery."

With understanding that the ultimate key to the tax problem also unlocks our entire fiscal problem, we can go on to consider several individual tax policies which impair proper functioning of the enterprise system. I shall discuss only depreciation and the double taxation of dividends, two of the most important of all suggested tax reforms.

Liberalization of the depreciation allowance is a completely desirable reform in tax policy. In the tremendous expansion during and after the war, corporations have had to acquire and pay for new plants and equipment at prices far above pre-war costs. At the same time, they have had to depreciate old equipment at low rates on a prewar base. To accomplish this, they have been forced to retain an ever larger share of current earnings, to dip into their reserves and surpluses, and in many cases to borrow heavily from banks and insurance companies.

There is general agreement that the present method of dealing with depreciation is unsatisfactory. Treasury policies on depreciation are a direct handicap to new risk capital. The tools of industry are wearing out at a greater rate than they are being replaced because corporations must follow archaic and restrictive depreciation schedules. Corporations tend to keep their older facilities in operation instead of modernizing them, since they cannot afford to discard older tools till they are completely depreciated.

I believe there is a simple solution: corporations should be permitted to set their own depreciation rates, with two limitations: first, the rates should be no higher than 20%, and second, corporations should stick to their schedules once these are established. If such a far-sighted policy is adopted, I will guarantee that the building expansion and renovation of plant in this country will be on a scale never before equaled—and the simple fact of the matter is that it will not cost the Treasury one penny in revenue.

The one drawback to such a policy would be its **immediate** cost. Every billion dollars of extra depreciation means a temporary loss of $380 million in revenues. This could be overcome by adopting the policy gradually over a period of years. But depreciation reform should be high on the list in any sound program of tax revision.

Double Taxation of Dividends

Even higher on the list should be the elimination of the double tax on corporate dividends. Perhaps because it is so basic, the problem of double dividend taxation is more difficult than most. Three bills designed to mitigate double taxation were introduced in the first session of the 81st Congress. One would allow a credit against income tax of 20% of the amount received as dividends from a domestic corporation, subject to certain limitations. Another would exclude dividends from the definition of gross income. The third would allow a credit of 10% of dividends received.

No action has been taken thus far **on any of these bills.**

Obviously it is unfair that corporation earnings distributed in dividends be taxed once to the corporation that earns the money and then to the individual stockholders who receive distributions.

But as in the case of depreciation allowances the cost of such a reform is held to be a handicap. For instance, one of the proposals to mitigate double taxation of dividends would cost about $1 billion in fiscal 1950. This is a sizable sum, in view of present budget deficits.

Nevertheless, the first steps toward removal of the double taxation on dividends should be taken without further delay. The initial loss in revenues would be made up many times over because of the great impetus such a change would give to business. More risk capital would become available at once. Many corporations would be freed of the necessity of financing their expansion in the banks. The morale of individual investors would receive a wonderful boost.

Incentive to Risk Capital Will Increase Revenues

In other words, incentive would be returning to the economy, and incentive, so important in the formation of risk capital, must be restored to our economy or we will go the way England has gone.

I have already mentioned the economic stagnation resulting in Britain from a tax burden of 40% of the national income. There is no magic in a specific figure of 40%, or 25 or 50. I am sure we would have maintained the strength of our economy during World War II even if the tax burden had risen to 70% or even 90%, because our incentive was a combination of patriotism and self-preservation.

When it is said that England is stagnating under a tax burden of 40%, the background of that tax burden is an all-important consideration. Hand-in-hand with its huge tax burden, Britain has been subjected to a steady undermining of incentive, which is another way of saying individual freedom to make one's own way.

My major objection to Socialism aside from the fact that it has never succeeded in any country that tried it, is its failure to preserve individual liberty, which is our most cherished possession. The foundation of Socialism in Britain is that government knows best. As the British Labor Party platform puts it: "Government must accept responsibility for economic planning for the nation as a whole." Government, however, is composed of men, and men do not become infallible by joining up with government.

But the planners of Downing Street frequently discount the individual completely. Serious inroads have been made in what Professor John Jewkes calls, in his book "Ordeal by Planning," the three economic freedoms. These are freedom in the choice of occupation, freedom in the disposal of income, and freedom to acquire and to hold property. All three of these relate directly to incentive.

Freedom in the choice of occupation means the right to make the financial sacrifices necessary to order one's working life as one wishes. It means the right to choose between work and leisure, the right to choose what work shall be done, when, where and for whom.

Socialist Compulsion of Labor

Unfortunately for the British people, the "plan" of the British government does not have room for individual decisions about occupation. During the war, the British had conscription of labor—we almost had it here. After the war, in the British democratic tradition, labor conscription was abruptly ended. But after the Labor Party won the first postwar elections and took control of the government, here is what happened to the workingman:

In February, 1946, Sir Stafford Cripps said: "Our objective is to carry through a planned economy without compulsion of labor."

But he was talking before the "plan" was in action. A year later he was less sure, and more long-winded; I quote:

"We are attempting to make a success of democratic planning and, save for emergency measures such as are necessitated by war, **or may be necessitated by some urgent economic crisis,** we have not decided to employ, **as a normal matter,** methods of direction or compulsion of manpower outside the necessities of defense."

On Aug. 7, 1947, the turnabout was complete, and Sir Stafford told the House of Commons, weakly:

"It has been decided to stop, by negative control, further people from going into the less necessary industries."

It became the law of Britain that, with minor exceptions, no man between the ages of 18 and 50 years and no woman between the ages of 18 and 40 years could change his or her occupation at will. Every such change had to be registered at the Employment Exchange, and the Minister of Labor had the power to direct workers changing their jobs to the employment he considered best in the national interest.

Attempts were made to minimize the significance of what had happened. The power was to be employed "to a limited extent." The control was to be "negative" and "marginal."

But the barriers were down. Although the original understanding was that workers would not be moved from their own districts, it was soon announced that single men and women and married men "in special cases" could be sent away from home.

That is what Socialism in Great Britain is doing to the freedom of the individual—freedom which in itself is the greatest incentive that ever lifted mankind.

As Professor Jewkes points out: "The modern planning movement sets out, with good will and noble intentions, to control things and invariably ends up by controlling men. . . ."

The sum total of all these controls—these limitations on the incentive of the individual to live his own life in his own way, far beyond what we here consider the public interest—this is the most important failure of Socialism as it is practiced in Britain, and as it would be practiced here if some people had their way.

Is American Economy Threatened?

Is there, then, a direct threat to the American economy, which has turned over $75 billion since the end of the war to help Britain and other foreign nations?

It is my conviction that there is a direct threat. Not in the economic philosophy of Communism or Socialism as a whole. It needs no Gallup Poll to demonstrate that most Americans are against Socialism and Communism as such; they would never accept it—**as so named.**

But we do accept—we are accepting — the equally fallacious notion that the government must spoon-feed every citizen in conformance to a distorted interpretation of our Constitution's "general welfare" clause. Many Americans accept Big Government, its handouts, and the planned life that are some of the ingredients of Socialism, without realizing what they are getting into.

I believe that a new tide may be rising. Actually, it is scarcely more than a ripple as yet. Recently there was a change in the current in New Zealand. Another in Australia. We shall see next month whether the fears of the Labor Party in Britain are justified.

I would not have said this six months ago, but now I am convinced that Americans also are **beginning** to see that a handout state financed by inflation and deficits can lead only to complete regimentation and bankruptcy. We are beginning to realize that we shall not preserve our individual freedom by transferring to government decisions which we should be making ourselves. We should invite and encourage this happy development with our every resource.

If it is true, as I believe, that the "wave of the future" need not be Socialism or some other negation of the individual spirit—

If it is true, as I believe, that the desire to live one's own life and make one's own decisions is still an integral part of the American personality—

If it is true, as I believe, that Americans stand ready to reinvigorate our economy by the application of sound principles—

If these things are true, then it is up to businessmen to carry out the difficult task of public education that they are so ably equipped to do—to demonstrate by so doing their faith in our republic and their confidence in the essential thrift, integrity and intelligence of the American people.

On decisions made by Americans in the next few months rests the future of our nation for generations. And what those decisions are may be determined by the action—or lack of it—in the business community.

What Lincoln Would Say Today

I'd like to sum up these remarks with words attributed to that noble, but underprivileged railsplitter, Abraham Lincoln. Whether Lincoln spoke these words or not, I am enough of a believer in him to think that were he here tonight he would say:

"You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage-earner by pulling down the wage-payer. You cannot further the brotherhood of man by encouraging class hatred. You cannot help the poor by destroying the rich. You cannot establish sound security on borrowed money. You cannot keep out of trouble by spending more than you earn. You cannot build character and courage by taking away man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves."

My daily prayer is that I may live to see our America again guided by those simple but honest motives which once came to our rescue in the person of Lincoln.

Carl Hassold Dies

Carl F. R. Hassold, widely known investment broker and senior partner of Bioren & Co., 1508 Walnut St., Philadelphia, Pa., died unexpectedly Friday at Melbourne Beach, Fla., where he had been vacationing. He was 52.

Mr. Hassold first became connected with Bioren & Co. in 1917 and rapidly rose in the investment firm, becoming a partner in 1927 and senior partner three years ago.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Announcement is made that effective Feb. 1 the name of the **Pan American Trust Company of New York** has become the **American Trust Company.** Reference to the proposed change in name was made in our issue of Jan. 20, page 435.

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The Corn Exchange Bank Trust Company of New York announces the promotion of George W. Bunce, C. Bernard Lindstrom, York Kilcea, John A. Murphy and Richard L. Salzer to Assistant Vice-Presidents.

Plans for a bank building on the northeast corner of East 65th Street and Second Avenue for occupancy by a new branch of the **Corn Exchange Bank Trust Company of New York** were filed on Jan. 25 with the Department of Housing and Buildings by the New York Life Insurance Company. The structure is designed as the first unit of a neighborhood commercial center which will be developed by the New York Life on the block frontage of the east side of Second Avenue between 65th and 66th Streets. The site faces Manhattan House, a 20-story apartment building now being constructed by the insurance company on the entire block from Second to Third Avenue. Plans for the new bank building were prepared by Fellhaimer & Wagner, with the approval of John R. McWilliam, Executive Vice-President of the Corn Exchange Bank Trust Company, and Otto L. Nelson, Jr., Vice-President in charge of the New York Life's Housing Department.

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Irving Trust Company of New York has announced the following promotions: Douglas E. McNamara, from Assistant Vice-President to Vice-President; Michael Sieniawski, to Assistant Vice-President; Frederick W. Baker, Eugene D. Dixon, J. Franklin Jones and Edwin A. Schoenborn, to posts of Assistant Secretary.

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Clinton Trust Company of New York formally opened on Jan 30 a new branch office in the recently completed Union Motor Truck Terminal erected by the Port of New York Authority on the lower west side. Situated on Spring Street near Greenwich, the new office will make available for the first time to the trucking, printing, food and drug companies in that area complete facilities for all types of commercial banking operations. The new branch is under the supervision of Theodore R. Schwarz, President, with Nelson H. Cleverley, Assistant Vice-President, acting as Manager, and Fred C. Hertzer, Assistant Secretary, serving as chief clerk. The bank's main office is located at 852 Tenth Avenue and another branch in the McGraw-Hill Building.

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Television's auspicious programming venture Crusade in Europe, the history of World War II in Europe, based on Gen. Dwight D. Eisenhower's interpretive report by the same title, is being sponsored by **The Bowery Savings Bank of New York** over WJZ-TV. Henry Bruere, Chairman of The Bowery, and Robert E. Kintner, President of American Broadcasting Company, appeared on the first program, Jan. 22. The series will continue on WJZ-TV Sunday evenings at 7:30. Crusade in Europe opens with the signing of the Munich Pact and concludes with the post-war period, depicting Gen. Eisenhower's observations of the Allied Military Government and his visit to Russia. The Bowery Savings Bank signed a 13-week contract, with an option covering the remaining 13 weeks of the full 26-week Crusade in Europe series.

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A redesigned, refurbished and relocated display of the offerings of 79 Long Island home builders, created at a cost of more than $10,000, was opened to the public in the main office of **The Dime Savings Bank of Brooklyn, N. Y.,** on Jan. 30. George C. Johnson, President of the bank, in his announcement stated that the exhibition is jointly sponsored by the Long Island Home Builders Institute and The Dime Savings Bank; it is located on the first floor of the bank's main office at DeKalb Avenue and Fulton Street, Brooklyn, and occupies the 5,238 square feet on the first floor formerly used by the bank's mortgage accounting department. The exhibit pictures and describes the latest offerings of builders and home equipment and materials manufacturers. It is open daily from 9 a.m. to 3 p.m. and until 7 p.m. Thursdays.

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The capital of the **Oneida Valley National Bank of Oneida, N. Y.,** has been increased to the extent of $250,000, raising it from $250,000 to $500,000. As indicated in the Dec. 19 Bulletin of the Office of the Comptroller of the Currency, the enlarged capital (effective Dec. 14) was brought about through a stock dividend of $150,000 and the sale of $100,000 of new stock.

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At their annual meeting on Jan. 18 the stockholders of the **Security Trust Company of Rochester, N. Y.,** approved a proposal of the directors to increase the number of outstanding common shares from 96,000 to 98,000, par $25. In accordance with the plans of the directors, the latter on Jan. 19 declared a stock dividend of one share of common stock for each 48 shares held, it is learned from the Rochester "Times Union," which states that distribution will be made on Feb. 1 to stockholders of record Jan. 24. It is added that upon completion of the distribution of the stock the bank will have a capital of $2,450,000 and surplus of a like amount.

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James Forrestal, Vice-President of General Aniline & Film Corp., in charge of Ansco and Ozalid Divisions, has been elected a director of the **Marine Midland Trust Company of Binghamton, N. Y.**

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At their annual meeting on Jan. 10 the stockholders of the **First National Bank of Glens Falls, N. Y.,** ratified a proposal by the directors that the bank's capital be increased from $500,000 to $1,000,000 through the transfer of $500,000 from undivided profits, and a stock dividend of 100%.

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The Canal National Bank of Portland, Maine, increased its capital Jan. 11 from $750,000 to $1,000,000 through a stock dividend of $250,000.

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The First National Bank & Trust Company of Paterson, N. J., increased its semi-annual dividend payable Jan. 1 from $1 to $1.50 per share on 120,000 shares outstanding (par $25). The declaration made a total of $2.50 paid out of 1949 earnings compared with $2. The Chairman of the Board is F. Raymond Peterson, President of the American Bankers Association. Demand deposits in it is announced increased $25,450,786 to $58,744,890, time deposits went up $16,204,625 to $82,207,437 and U. S. Government deposits increased $573,006 to $1,696,163 as compared with 1948. Much of these increases was due to the purchase on June 10, last, of deposits of the Clifton Trust Company and the First National Bank of Clifton, N. J., which gave the First National seven separate offices.

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Alfred T. Gibbs was elected Chairman of the board of directors of the **First National Bank & Trust Co. of Montclair, N. J.,** on Jan. 10. Mr. Gibbs advances from the post of President, in which office he has been succeeded by Albert W. Ballentine, heretofore Vice-President and Trust Officer. Terrence J. McHugh, Vice-President, says the Newark "Evening News," was named Executive Vice-President and Ales Weimar, Assistant Vice-President, was given the additional position of trust office.

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Lawrence D. Barney, President of Hoffman-La Roche, Inc., was elected a director of the **Montclair Trust Co., Montclair, N. J.,** on Jan. 25.

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The directors of the **Riverside Trust Company, of Riverside, N. J.,** at their organization meeting, Jan. 24, elected Alex P. Bright to the newly created office of Chairman of the board. Mr. Bright has been a director for 31 years and Vice-President for 14 years. Charles B. Veghte, Executive Vice-President for the past 11 years, was elected President to succeed Howard G. Pancoast, deceased. Mr. Veghte came to the Riverside Trust Company from the Trenton Trust Company, Trenton, N. J. For the past 53 years he has been in the banking business in New Jersey and New York City. For 15 years he was connected with the National Bank of Commerce in New York and served as Chief Examiner in the Department of Banking & Insurance in New Jersey for 11 years. He was President of the New Brunswick Trust Company, N. J., for eight years. He was also formerly with the State Trust Company, Plainfield, N. J., and the National Bank of West New York, N. J. He is New Jersey director and a member of the Executive Council of the Independent Bankers Association. J. Taylor Neal, Secretary of the Riverside Building & Loan Association and a director for the past 21 years was elected Vice-President of the Riverside Trust Co. to succeed Mr. Bright. Victor Ritchard, Vice-President of the Keystone Watch Case Co. of Riverside was appointed a director of the trust company to succeed Mr. Pancoast.

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The directors of **Land Title Bank and Trust Company of Philadelphia** announce the election of William S. Johnson as Senior Vice-President. The company also announces that S. Wyman Rolph, newly elected President of Electric Storage Battery Co., and Harold W. Brightman, President of Lit Brothers were elected directors of Land Title Bank and Trust Co. at the annual stockholders' meeting on Jan. 23. Mr. Rolph was named to succeed R. C. Norberg, now Chairman of the board of Electric Storage Battery Co. and Mr. Brightman replaces the late James S. Rogers. The directors also recommended an increase in the capital stock from 150,000 to 160,000 shares. A special meeting of stockholders will be held on April 3 to act on the proposal. At the same time the stockholders will act upon a change of location from the present office at 517 Chestnut Street to 5th and Chestnut Streets. In the case of the proposed capital increase, calling for an additional 10,000 shares, par $25, the directors, with the stockholders' approval, will transfer $250,000 for undivided profits to capital account of the bank, and declare a stock dividend of one share for each 15 shares now outstanding. It is expected to continue the present dividend rate of $2 per share following the stock dividend.

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The stockholders of the **National Bank of Germantown & Trust Co. of Philadelphia,** at their annual meeting on Jan. 23 elected as a Vice-President M. H. Callender, who had been Cashier for the past three years. The Philadelphia "Inquirer" reports that Mr. Callender will also continue in the office of Cashier.

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Promotion of Herbert F. Huch to the position of Manager of the Fidelity and Deposit Company's bonding department in the offices of Conkling, Price and Webb, Chicago general agents, has been announced by Vice-President Herbert L. Dunn, of the **Fidelity and Deposit Co. of Maryland at Baltimore.** Mr. Huch succeeds Alexander P. Clark, Jr., who died last October; has been a member of the F. & D.'s field organization since December, 1947, and has had nearly 17 years of experience in the bonding business.

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The First National Bank of Spencer, West Virginia, has increased its capital from $50,000 to $150,000; a stock dividend of $50,000 and the sale of $50,000 of new stock served to bring the capital up to the enlarged amount, which became effective as of Dec. 13.

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In the annual report presented Jan. 10 to the shareholders of the **Central National Bank of Cleveland,** presented by John C. McHannan, Chairman, and Loring L. Gelbach, President, it was stated that during 1949 retirement was made of the largest single amount of preferred stock since this form of capital was issued 15 years ago, and distribution was made at the year-end of a stock dividend of 10% on the common stock. The report in part says:

"We retired $3,000,000 of preferred stock Nov. 17, and an additional $600,000 on Dec. 30, making a total of $5,000,000 retired in a little over two years. This item of preferred stock now stands in our capital structure at $3,400,000. In December the reduction of $600,000 in preferred stock was authorized and a dividend of 10% payable in common stock was declared; and distribution of this stock already has been accomplished. The 10% dividend payable in common stock, which was paid on Dec. 30, 1949, required the transfer of $600,000 from undivided profits to the common stock account, thereby increasing the common stock from $6,000,000 to $6,600,000. Cash dividends totaling $360,000, equivalent to $1.20 per share, were paid on the common stock during 1949."

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Appointment of John N. Daley, former City Controller of Detroit, Mich., as a Vice-President of the **City Bank of Detroit,** was announced on Jan. 21 by Joseph F. Verhelle, President. Mr. Daley's banking experience covers a period of more than 30 years. After serving with various institutions, he was named a Vice-President of the Guardian Detroit Bank in 1928. From 1932 until 1936, Mr. Daley served with the State Banking Department. In 1936, he was named Controller for the city of Detroit, serving in that capacity for four years. In 1940, he joined the Wabeek State Bank as a Vice-President and served until 1948, when he resigned to again become City Controller, continuing in that position until Dec. 31, 1949. During his eight years as Vice-President of the Wabeek State Bank, Mr. Daley was selected by Gov. Harry M. Kelly in 1943 as a member of the Michigan Unemployment Compensation Commission; he served on the Commission for two years, in addition to carrying on his official duties with the bank.

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At the annual meeting of the **Manufacturers National Bank of Detroit, Mich.,** Henry Ford II, President of the Ford Motor Company, and James W. Parker, President and General Manager of the Detroit Edison Co., were named directors of the bank.

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Harry J. Klingler, Vice-President of General Motors Corp., and General Manager of Pontiac Motor Division, was added to the board of directors of **Detroit Trust Co. of Detroit, Mich.,** at the latter's annual meeting on Jan. 11, according to the Detroit "Free Press" from which we also quote.

"Directors later appointed George W. Williams and Edwin S. Snyder new Vice-Presidents. Both have served with Detroit Trust for over 24 years. In addition, John Clarence Grix and Erwin Springman were promoted to Assistant Vice-President and William J. Stepek to Assistant Secretary."

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Earl H. Cress, President of the **Ann Arbor Trust Company of Ann Arbor, Mich.,** has announced that at the annual meeting of the stockholders and directors, on Jan. 11, all officers and members of the Board of Directors were reelected. He also announced that Daniel G. Auer has been elected as Assistant Vice-President, in charge of the Mortgage Loan Department. Mr. Auer became associated with the trust company in September, 1947, and has since been identified with its mortgage loan department. Mr. Cress also announced that the trust company, which was founded in 1925, is now celebrating its 25th Anniversary year and special note will be made of the occasion in the activities of the trust company during the next year.

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Ralph H. Platts, President of the Standard of Detroit Group of Insurance Companies was elected a Director of the **State Bank of Sandusky at Sandusky, Mich.,** at the annual meeting Jan. 10.

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Inauguration of the post of Senior Vice-President of the **First National Bank in St. Louis** and the election thereto of Meredith C. Jones was announced by the directors of the bank on Jan. 10 it was noted in the St. Louis "Globe Democrat" which stated:

"Mr. Jones has been Vice-President in charge of business development activities and national accounts at the bank since joining it in September, 1945, and will continue in that capacity. Previously he was Vice-President of Bitting, Jones & Co., St. Louis investment bankers and at one time was regional director of the Federal Housing Administration here."

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A new Vice-Persident, Charles G. Young, Jr., joined the staff of **City National Bank & Trust Company, Kansas City, Mo.,** on Feb. 1, to take charge of the bank's Trust Department. Mr. Young, who is 33 years old, leaves the position as Counsel for the Federal Reserve Bank in St. Louis to join City National. He has been a member of two prominent law firms in Kansas City, and had early banking experience in the Bank of Kirksville, Mo. **Mr.** Young's father, now decreased, was active either as a stockholder director or officer in several banks for the major portion of his business life. He organized and served until his death as Cashier of the Bank of Kirksville, Mo. Three new directors were elected at the Jan. 10 meeting of the directors of the City National Bank & Trust Company; they are: Lawrence P. Engel, M.D.; Howard Flagg, Past Persident and now Director and Chairman of the Finance Committee of Employers Reinsurance Corp., and Arthur L. Mullergren, Chairman of the Board, Western Light & Telephone Co., and President of the American Service Company.

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A $30,000 addition to the capital of the **Owensboro National Bank of Owensboro, Ky.** as a result of the sale of new stock of that amount, has increased the capital, effective Dec. 13, from $150,000 to $180,000.

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Anderson Borthwick, who began his career at the **First National Trust & Savings Bank of San Diego, Calif.** 35 years ago, was elected President at a meeting of the directors on Jan. 25. He succeeds F. J. Belcher Jr., who will continue as Chairman of the Board. Mr. Belcher had been President since 1919, with the exception of three years when George H. Schmidt assumed the office. At the death of Mr. Schmidt, Mr. Belcher resumed his duties as the bank's top executive officer. Mr. Borthwick was recently appointed to the Executive Council of the National Bank Division, American Bankers Association. He is a member of the Executive Council of the California Bankers Association. Mr. Belcher, who will continue as Board Chairman, joined the First National Bank in 1907 as Cashier. As past President of the California Bankers Association, Mr. Belcher it is stated was instrumental in promulgating various banking ideas which became forerunners of modern banking practices.

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J. Philip Nathan, previously Cashier of the **Anglo California National Bank of San Francisco** has been promoted to Vice-Presidency and Controller; William A. Henderson, who has been an Assistant Vice-President, has been elevated to Cashier; William H. Johnson has been appointed a Vice-President; Mervyn R. Thompson has been named an Assistant Vice-President; and William P. Murray, Jr. and William C. Westland, both of the head office, have been made Assistant Cashiers, according to an announcement by Allard A. Calkins, President. Mr. Nathan has been connected with Anglo Bank for more than 28 years. Mr. Henderson has been a member of the Anglo staff since 1918. Mr. Westland also entered the Anglo Bank in 1918.

Manley, Bennett & Co. Is Forming in Detroit

DETROIT, MICH. — Manley, Bennett & Co., members of the New York and Detroit Stock Exchanges, is being formed Feb. 1. Partners will be Milton A. Manley and Edward T. Bennett, Jr., members of the Detroit Stock Exchange, and Carroll V. Geran, member of the New York Exchange. Messrs. Manley and Bennett were formerly partners in M. A. Manley & Co. Mr. Geran for many years has been active as an individual floor broker.

Frank Dahlstrom Opens

BOISE, IDAHO — Frank Dahlstrom is engaging in the securities business from offices in the Sun Building. Mr. Dahlstrom, who has been in the investment business in Boise for many years, was formerly President of the Northwest Securities Corp.

Continued from page 4

Pointers for Securities Salesmen In Life Insurance Selling

tions that he had gone to concerning life insurance, and then, about three minutes before he quit, he told us about one business life insurance case. Everybody applauded him, which I thought was almost completely out of politeness alone, and, by nature wishing to be that way myself, I applauded too. I thought "Well, I have just wasted a whole afternoon. I didn't come to hear all these things, I came to hear what he had to say about his business."

So, gentlemen, if some of this material that I will give to you is afield, you will forgive me, but I still think I would rather sin in that respect and tell you what we do in Metropolitan Life and what our salesmen do, and why they do it, even though it may not be as interesting to you as perhaps you hoped it might be.

I want first to tell you something about an agent, because that is the beginning of our operation. Our average agent is 29 years of age, and is married, and has one child. Majority of them rent, while others are buying or own their homes. All of them have at least finished high school, and some of them have graduated from college. In many instances, of course, his career was interrupted by the war, and so when he came back he didn't finish college. He is in excellent health because anyone who comes into our business must pass an A-1 physical examination. That is because of our disability, accident and health and retirement program. The benefits of the company's plans are very comprehensive and give the employee broad coverage and complete peace of mind.

He has passed some very strict retail credit examinations. I suspect that is because he handles a lot of money. We find some amazing things, sometimes, from those reports, so we feel that they are important to have, sometimes.

Psychology Tests for Salesmen

Then too, our psychologist, Doctor Ferguson, gives him a series of psychological tests. I don't know if you would be interested in them or not. Perhaps, in an objective way you would. We are keenly conscious of the fact that sometimes people wander into a business in spite of us and them. Sometimes we are prejudiced for a man, without realizing that he has no sales aptitude. So we give them a series of tests, which I won't go into detail about, but in a broad sense these tests determine whether he can do well in our training courses. Does he have the scholastic ability, so-to-speak, to pass our training work in life insurance which, as you know, can be pretty much involved and technical.

Will he do well in the mechanics of our business which, basically, has to do with a territory, what we call a "debit," and whether he becomes a vice-president or not he still thinks in those terms, because there are 17,000 agents for a vice-president. Can he do well there?

The third test is a—well, it is a regular I Q. We call it a Life Insurance Aptitude Index Test, which is no more than to say: Does he have any aptitude for the life insurance business.

Our fourth and final test is a persistency test. Will he stay with Metropolitan Life, or is he a vagrant, an occupational vagrant that moves back and forth in different industries.

Once we have had him pass these tests, our manager and assistant manager, of course, have interviewed him several times, and his papers are sent in to the home office, where the superintendent of agencies looks them over very carefully for final approval.

He then goes to school for a period of two weeks and there we take up a lot of things with him, some of which I thought you might be interested in because I don't know much about your investment background, but probably you must also be put through a lot of paces. Among other things, we like to get the first crack at the man. We feel that he should not be sent out to the public with a rate book, and a pat on the back, and then go out to talk about life insurance.

We think that he should know something about what he is talking about and so, in this two-weeks' schooling, we first teach him what life insurance is, the historical background of it, the subject of mortality tables, how money is invested, and the calculation of premiums.

For example, somebody might say to a man, sometime, "Why do you charge $35 a thousand, instead of $65 or $15?" He should know the answer. We take up the types of policies which may seem very banal to you. But the Metropolitan has 75 different policies, so it is important that the agent know something about them. As I have said, the Metropolitan is not a strictly ordinary company, and so we must tell the agent something about group insurance, accident and health insurance, weekly premium insurance, and something about ordinary insurance. Then too, there are a lot of other things that are very vital and must be covered.

We take up the subject of why people buy life insurance, that is important because it is the way we live. If you write $10,000,000 worth of insurance a day you must know why men buy. If you don't know the "why," men will stop buying the insurance (and heaven knows what would happen to us. We might have to work for a living).

Motives for Buying Life Insurance

The agent is taught that people are fundamentally the same, and I take a moment to mention this because I think it is very important in the hook-up between your business and ours. We go to great pains to point out that it doesn't make a bit of difference whether it is Joe Ogulescu, who is a Polish coal miner, or whether it is one of us, he is motivated by exactly the same functions.

He thinks exactly the same. He has the same regard for his wife, if he has a regard for her. He has the same regard for his children. He has the same fear that he is not going to be able to retire. He has the same thoughts about casualty coverage and of protecting himself against illnesses and accidents.

It doesn't make any difference who he is, he may have a different name and be a dumb Dutchman like me or a smart Irishman like you, he still has exactly the same impulses.

Once in a while we find a man who doesn't, it seems, and when that happens, we talk to him about retirement, which is a selfish sort of proposition, but for every one of that type we find 99 of the other kind, and so all we do in transposing from the little man to the big man is just change the figures, just like Truman does. He just adds 9 zeros after our figures, and it's the same old deal. He talks in millions, and we talk in thousands, but it's the same proposition.

It doesn't make any difference what kind of a house the man lives in. Frankly, it doesn't make a lot of difference, usually, whether he has one or five children, he thinks the same way and the first thing he thinks about is protecting his wife and his children and getting old, and so we beam our whole operation that way.

He thinks of protecting the mortgage on his home. He lives there, so of course he would. And it doesn't make any difference if the mortgage is $5,000, or $25,000, or $55,000.

If he is a partner in the operation of a business, he has to be shown that when he dies, for instance, that is the end to the business. Whether he likes it or not, the business has to be liquidated and, therefore, as a matter of self-protection he had better think about getting a partnership agreement if he doesn't have one, and think about getting a buying and selling agreement, and taking life insurance to make it easy to transfer the funds from the partner to him, or from him to the partner, to leave the surviving man in control. No, it doesn't make any difference whether it is a popcorn stand that also shines shoes with a total value of $5,000, or one of these fine business establishments down here in the Wall Street section valued at $5,000,000, the operation is still exactly the same and each man is impressed by exactly the same sort of arguments. He is influenced by the same sort of—if you will—sales literature, or visual aids presentations.

We teach the agent about the fundamentals of selling. They are, I think, as fundamental for you as they are for us. I read Mr. Sutton's book and I can buy that, lock, stock and barrel. He talks to you about the same things, and those things are basic. We don't always get as much involved, perhaps, as we might, but we do do this: We point out to a man that after all there are only certain fundamentals. He has to have a prospect recognize that he has a problem. You can call it by other words, if you want to, but it must be gotten across to him. The prospect must be made to realize that he has a problem. Then, he must want to do something about it. His desires must be intensified so that he will want to take action on the problem which, either he already recognizes or the salesman, in his artful way, has helped him to recognize.

Life Insurance as a Solution of a Problem

The third point, of course, is that we offer life insurance as a solution to that problem.

Then, finally, we do just as you do, and as any other salesman does who is worth his salt, we get him to take action—now. We get him to "do something about the problem." In other words, buy now.

When this new agent has completed the two weeks in the Agency Training Center, he goes back into the field and gets a series of about 13 to 14 weeks of training by an assistant manager. The assistant manager is a man who has, himself, taken a series of courses, 14 weeks, his first year, and a series of refresher courses after that. He takes the salesman almost literally by the hand and says, "Now, son, you have all this background and so forth, now let's go out to see the people, and talk to them." He says, "Now, all of this stuff we have been talking about we will now use. You watch me, as I do it," and when he is finished with the process, or has done it eight or ten or twelve or fifteen times, he says, "Now, Joe, it's your ball, you do it."

Only, Joe, if he is the usual alert, young, 29-year-old war veteran with a baby and a house and a car and a mortgage and a great ambition, quickly says, "Let me take over," and so when he does, the assistant manager says, "That's fine, I will observe you as you do it," and if he makes mistakes, he is told, "Go right ahead and do the best you can, I will stay with you until you can do that little function." So, we start him out as you would expect we start him out, on simple things, and when he has mastered that, we say, "You're all right. You can do that, Joe. Fine."

You may say that this is all baby stuff, and maybe it is, yet, the surprising thing is that we can take almost anybody—this average agent—and there's one thing we can do. If he will give us his time, thought and energy, and leave himself pliable, we will teach him to make at least $5,000 his first year. That isn't a lot, but we are sure of that, and if he is a good guy, a top flighter, he may make six, or eight or ten. Yes, gentlemen, he can learn to do that with us, if he takes these fundamental steps.

Training Is Fundamental in Salesmanship

Now, of course, as we get on, we find, to our happy amazement, that the process is exactly the same. Pretty soon, the agent gains more confidence, and so, instead of talking in terms of selling $5,000 and $10,000, he talks in terms of $50,000 and $90,000, but it is still exactly the same story, and that, I think, is the significant point about our operation, or about selling generally: it doesn't make a lot of difference as to the field, fundamental steps must be taken in the training of a salesman.

Now, the next thing I wanted to tell you—I told you what the agent sells, and who he sells to—well, our agency operations have an unusual process. We divide America up into these 17,000 bailiwicks and, roughly, each one of them is what we call a "debit," having about 400 families. They are our customers, some of them for 80 years, since we started, and some for only eight days, since we sold them just last week. But they are our customers. Some of them have $400 or $500 of insurance, and some have four or five hundred thousand dollars of insurance.

We teach the agent, for instance, that he must not be too snooty about the man who is just starting an insurance program. Forgive me if I am subjective for just a second, but what do you do, who deal in such big figures? Today, I have about $120,000 worth of insurance. I wish I had a million, but I still also have that little weekly premium policy that somebody sold to my mother, on me, when I was a kid, and that got me in, so the first $25,000 of insurance that I got all led from that little tiny sale, when my mother, 30 or 40 years ago—I was about one or two, then—when my mother took out that small policy on me.

So we believe that it is important to point out to the agent that approximately three-quarters of his business is from the old policy holders, and that one-quarter is from new policy holders. So far as the types of businesses are concerned, we sell two types of business. First, Package selling, and second, Needs selling. I would suspect that you, in your activities, whatever terms you use, must do a lot of that same sort of selling.

Package Selling in Life Insurance

Translated in terms of life insurance, package selling is what the term implies. We sell a five, or ten, or twenty—and we don't know why, or the buyer doesn't know why he bought just what he did, but that is what we suggested, and he bought it, or else we said, "Let's make it twenty-

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Pointers for Securities Salesmen In Life Insurance Selling

five," and he said, "No, no," and so he finally settles for ten and we take the check for an annual premium of $800; we run, and that's it.

Sometimes package selling is not quite that sort of selling. For instance, I might go into the office to see John Smith. I know he has a 15-year-old boy, and I say, "How about starting him off with this?"

He says, "Well, I've been thinking about that recently, and I'm glad you came in, what do you think?" I say, "Well, we don't know where he is going to go, or what he will do, or how much he will make, but give him a $10,000 policy as a starter. That would be very reasonable and when he grows up he will be glad that his dad did it, because he pays half as much money as he will pay at 35 for the same operation."

Then there is the man who has a $25,000 mortgage on his house, and he is worried. He has all sorts of troubles and his brother-in-law dies, and so forth, so we talk, talk, and talk, but it doesn't mean anything. Finally, we talk about the mortgage, and suddenly he says, "Okay, it's a deal," so you cover the mortgage, and it's package selling.

A lot of that goes on in the life insurance business, sometimes by choice and sometimes by the inability of the salesman to analyze the man's needs. Sometimes because, initially, the man is not sufficiently interested to let you analyze his needs, so, you play a "grab and run" game with him and say, "Well, I've got an 'in,' the next time I'll have an excuse to go back. Then I'll settle down and really do a job on him."

"Needs Selling" in Life Insurance

The other type of selling, which is basic, we call "needs selling." I don't know whether you are interested in this or not, but we think that it is an interesting thing because, frankly, we get an awful lot of money out of an awful lot of people, over an awful lot of days, in an awful lot of years, so we think it is basic. I would suspect that if there is anything analogous in our operation to your investment operation, it would be this. We go in and sit down with a man and talk to him about what his NEEDS are. We don't talk about money and we don't talk about life insurance, we don't talk about policies, and we don't talk about amounts. We simply talk about what his needs are. Take Joe McGuirk, now. He is 40, married, has three kids, and he has a mortgage. He wants to educate his children. He went through school and makes about $15,000 a year. What are his needs? It's true that the ineffective salesman keeps going in and putting in a five thousand and a ten thousand policy but he never does cover the operation. As a matter of fact, some of the selling is still that beggarly sort of selling, that you give the salesman something.

The smart life insurance man goes in and says, "What are your needs? What do you want your insurance to do? What are you worried about? What are your plans for one of the kids? You will either live or die, right? It's as simple as ABC. I don't care who you are, Vanderbilt or Wiesnieski, you will either live or die. The Maker doesn't seem to distinguish between those who have and those who have not." If Truman keeps on, we will all be those who have not, so let's not worry. "One of the things that you want to do is consider that you might die and so you want to give your wife an income, don't you? She is only 37, and whether you live or die, she will live for 27 years, so, maybe you would like to think in terms of giving her some sort of coverage for a normal life expectancy."

"Well, yes, that's a good point."

"Well, now, you have your three kids. Are you thinking about educating them?"

Well, you get a commitment about that.

"Do you have a mortgage that would have to be taken care of? Are there any emergency funds that you want to set up for your wife, other than an income every month?"

Well, it's yes or no. Either there are or else there are not. All right, then, "Is there anything else that would happen that you should provide for, if you don't live? Because, Mr. Prospect, I don't want to alarm you or anything like that, yet, I must be factual. You think that nothing is ever going to happen to 'me,' and I'm sure nothing will ever happen to 'me,' but just since I have been sitting here talking with you, just in the two minutes since we started this conversation, Metropolitan Life, alone, just our one little company"—and he doesn't know how big it is; we pay out approximately 1,500 claims a working day—that means that "— We have paid out, since I have been talking with you for two minutes, 3 death claims, and so it can happen."

Well, then we get through with those needs and then we say "Well, let's take a more pleasant picture now. At 40, the chances are three to one that you will retire, and I think that is an interesting thing to know."

We find out ahead of time, have it all looked up before we go to see the man, and "The chances are three to one that you will live until you are 65, and if you do, you will live at least eight years longer. I don't know whether or not you are a gambler. If you are, you probably want us to gamble, because we don't take any chances. Now, do you think you are one of the four that will die? There are three out of four people your age who will live to 65, and if they do, they will live for another eight years. Now, are you interested?"

"Well, yes, I think I might live."

"Well, supposing you do, how much income do you need?"

"Well, so-and-so-and-so-and-so —," and, as I say, it doesn't make any difference if the fellow makes $5,000 or what, he probably says, "Well, I don't know—," and we say, "Well, it's just a suggestion. We find that a man's needs are at least half of what his annual income is, to retire on, so you would probably need a couple hundred dollars a month."

So he says, "That makes sense. Okay," and if he makes $25,000, it's the same deal. "You need $1,000 a month." It's the same operation, doesn't make any difference. So then, we add them all up and find that he needs so much insurance to do these things, and then we finally get around, after half an hour, or 45 minutes, or 20 minutes and say, "Well, you undoubtedly own some life insurance?" He says, "Yes, I do."

We say, "What does that amount to?" So he tells us. He doesn't like for us to probe into his private affairs to start out with, but when we are going to help him, he is willing to stop and look it up. We simply ask, "How much is it?" and we get the information just as easily as ABC.

We say, "Well, you need $62,000, and you have $61,000, so that is your problem," and then, "We will work out the details for you, let you know how it would be, then we will get together with you again."

Now, some of my people would be horrified to hear me make that presentation, because it is not nearly as good and smooth as it should be and, of course, we do vary tone and inflections, and so forth. We are at liberty with our prospect, so to speak, socially, and regardless of the manner and method in which we make the presentation, basically the operation is always the same.

Instruction How to See People

Now, I have been talking for half an hour and I'll take about ten or twelve minutes more to tell you how we actually see people. I thought you would be interested in that.

There are some basic things, there too. I have a lot of forms and papers here, but it won't take long. I'll start out with the more simple sort of appeal to a policy holder and—mark you—we are interested in the simple policy holder, too. Like the agent, himself, he has no money when he comes with us. We probably took him from a job where he is only making $200 or $250 a month, but that isn't too bad, I mean, for some of us, anyhow. I was making only $19 a week, and I was a big college graduate with a diploma, *magna cum laude*, Princeton University, and all that. Nobody wanted me but somebody said, "Well, this fellow might do well."

And so I think in the same terms. When we insure people, we don't care how little or big they may be. With the very small policy holder we have what we call the policy holder review service. This is a little book, and this is a study guide (indicates).

We tell the salesman exactly what to say. We tell him, of course, but he will vary a word here and there and he will put the third paragraph where the first paragraph goes, and that sort of thing, because we will tell him to put his own personality into it. We usually find that as soon as we declare ourselves and insist that he put his own personality into the thing, he always ends up by saying about 95% of what we want him to say. Nevertheless, he feels enthusiastic, because he has put his own personality into the thing, so we are both happy about it.

Basically, it is the same story. We usually send a pre-approach letter: "Have you taken advantage of the policy review service offered by the Metropolitan? There are several important questions about your life insurance which should be checked from time to time.

"For example, are your family's circumstances the same now as they were when you bought your insurance? In other words, have you any babies or dependents? Are the beneficiaries named in your policies, the beneficiaries you now desire?"

Every once in a while we find that there is a man who has divorced his wife six years ago and forgot to change the beneficiary on his life insurance policy.

"Are you now familiar with the benefits of your policies as you were when you purchased them? I have asked one of our representatives to call within the next few days to review these questions for you. Also, he will provide you with a complete record of your life insurance policies. In giving you this service, it would be helpful when he calls if you will please arrange to have all of your policies readily available."

Then, we go in and say what is just as simple as the day is long, yes, some variations, of course but the same basic steps are followed with the most important person as with the more humble person. Sometimes we meet the man and sometimes we meet his wife, so, we just change the presentation accordingly. Usually, it is the lady that we meet, because we go to make a specific appointment to make sure that they have received the letter, and make the appointment.

"Do you have an up-to-date record of all your insurance? If not, I will be glad to give it to you. Of course, you will want to be sure that all of your policies are in order. For example, changes in the family may have taken place."

You recall the pre-approach letter? Let's get back to that letter for a moment. If she has it she will check it for you. If she threw it away, she now begins to think that it is kind of important, because you are now talking about what it contained. In either event, the agent wants to get that same idea over to her now.

"You want to be certain that the right beneficiaries are named. You want to be certain that all policy details are in order, so we will always be in a position to give you prompt and efficient service. After I have completed this record of your insurance, which you can keep with all your policies, you will then have a complete list of the amount and kind of life insurance covered by every member of the family."

We then show her this (indicates), and there are a lot of questions that are on here, most of which are included in this pre-approach letter. When we get down to conducting the interview, we just rehearse that with the prospect.

We say, "We sent you a letter, and came over. Mrs. Prospect said that you would be home. We want to talk to you about a service which we try to render to our policy holders. May we sit down at a table and talk about it?" That's all.

If we go to his office, and many times he is there in the evening, especially if he is a small manufacturer, we sit down and take the policies of every member of the family and enter the pertinent facts about all policies. When this information is all together and he sees it entered in these little books (indicates), that makes it very easy to analyze each policy on an individual basis and he can see what life insurance he owns. While the business is his main objective, he still has his wife and baby. We don't always sell the father, but if we find out that there is inadequate insurance on the wife and children, maybe we make a sale and $50 or $60 in commission for this hour of work, and that does help a little to make the service worthwhile to the prospect and to the agent. Even though this is a service to the policy holder, we think it should also pay.

Approaching the Higher Type Insurance Buyer

To the next higher type of life insurance policy holder, we do substantially the same thing. We send a pre-approach letter, and send him a little fly-leaf. We find that about two-thirds of the people read these, and that is surprising, isn't it? So, the prospect reads this, and it says, for example:

"Who will get your life insurance money? Will your family continue to receive monthly checks geared to their requirements? Has your life insurance been adjusted to meet your present-day needs? They have probably changed a lot in the last few years. Will the life insurance provide a retirement income for you, later on? We have a plan that will enable you to record the answers to these and other questions.

"Briefly, it is a method whereby our representative, together with you, will review your life insurance policies and then with his guidance you will be able to fit the life insurance you own to your individual needs."

Our representative will call soon, and when he goes in he makes reference to this little leaflet. Also, we use these visual aids in everything we do. We're sold on that. Some people say that visual aids are a lot of nonsense. I don't know the figures on that, but they say 80% of what a man knows, he knows through the eye, and so we operate on that.

Likewise, it makes it a lot easier for the prospect, and also for the agent, and so we hand this (indicates) to the man and the agent keeps a little replica. It says that the purpose of this is to help you to keep your plan up to date.

"Probably, you have had your insurance for some time, perhaps for many years. In order to render the service to which you are entitled, the company should know what arrangements you made when you bought your insurance and whether those are now satisfactory to you."

We ask about their beneficiaries, and about their families, and about any new dependents, whether they have made any special provisions for their mortgages in their policies, or for the children's educational funds. In other words, we go back to the same old practice of trying to get the man to talk about himself and his problems, because if they are his problems, then he will want to solve them, and since we are life insurance people, naturally, we believe the answer to his problem is life insurance.

Some of the things are most important, or at least more important than others. For instance, there are really just two key questions and, by and large, the other ten are fill.

The two key questions are: "Have you taken advantage of your right to have your insurance paid as a monthly income?" He says, "I have a lot of insurance. I've got $50,000 worth." He is a man who makes, maybe $15,000 a year, and he says that $50,000 sounds good. Right away the agent is saying to himself, "Well, isn't that fine. What does that mean, $50,000. Suppose his wife lives on for 20 years, that's $200 a month." Then the agent puts this question: "Well, that's fine, but do you suppose your wife could live on $200 a month? Could she?" He says, "What?" "Well, that is about what your insurance would pay, just as a quickie, Mr. Prospect."

"Well, no, she couldn't live on that."

"Well, then maybe we ought to work this thing out." You can be assured that the man will listen because it is his insurance, and his wife.

Social Security Service

Another thing we say to a lot of people—and there are 72,000,000 people covered by Social Security —"Are you covered under the revised Social Security Act? If so, do you know how much you and your wife will receive as income from that?"

It's most amazing to find that after Social Security has been in force for 12 years, we hear very intelligent people, even people like some of you, who have the most fanciful ideas about what Social Security will provide. It's really an amazing thing. I am always agog at the very intelligent people who have substantial incomes of $10,000, $12,000, or $15,000 a year and are contributing to Social Security but who have absolutely no conception of what it is.

For instance, we have used the Social Security approach, and now I speak from personal experience, for some ten years and you would think, goodness knows, that we would get around in ten years, wouldn't you, with that information? Well, we have not and probably never will. I used to be in Allentown, for instance, and I knew that I would do around

$5,000,000 a year through the use of Social Security service as a major contributing factor—that is quite a lot of life insurance to write in one particular agency.

Well, on the same basis as I have described up to now — and you will notice we are working up a little, and I am working short of time, here—(indicates) we send them a little pamphlet, or leaflet: "Do you know these answers? Can you answer these questions about your Social Security?"

The average fellow is interested. He knows that he pays something, so we ask him some questions which will be interesting to him and, along with that, we send the pre-approach letter: "Have you made arrangements to obtain the maximum benefits from Social Security?" and he goes through the letter and reads the leaflet, and then we go in and talk with him.

When we do that, again, we have a regular routine, a set routine or pattern, if you will, in which we say we would like to ask certain questions, and certain key questions are important. There is quite a lot of difference in the way you would ask even the same question, we admit that, even when you have a routine, or system, or pattern that a man should use, so we have this suggested presentation and this is a little booklet telling the agent what questions to ask, and why to ask them.

Here is a little visual aid, and it tells how to read it, why he should read it and the way he should read it. The surprising thing is that, as much as you might grin about it, it will actually sell you, too.

We tried that, all over America, every agent, and every income, and found that it sells them, and that only re-emphasizes the point that it doesn't make any difference who the man is, he is the same fellow.

Every man, for instance, is worried about this: "Give your wife money to pay for your final expenses" and he looks at this picture, and it shows the lawyer and the undertaker, the mortician, the hospital, the doctor, the taxes, and that is not too far afield from you or me or anybody else, so he listens.

Visual Aids Used Extensively

Well, as I say, we use visual aids extensively. We say that we will render a service, and so we sit down with the man. This (indicates) is one of a dozen forms that we use, and we take the man's Social Security and really explain that to him. It's the first time he ever really knew about it so completely. Then, of course, since we are in the life insurance business, it's very simple. We say, "This is what Uncle Sam is going to give you. You may have to provide for your family, too," and he says, by now, "Yes, I will."

"Well, will you tell me a little bit about that?" "Well, sure." We spend half an hour and, I mean, out of common decency and courtesy, he will give us a little bit, now, so we tell him: "Well, it would be nice if that were arranged like your Social Security is arranged. It's not a bad idea to give you a maximum income until your kids are at least through high school. Suppose we arrange your life insurance that way." We get the life insurance and set up a program and then we say, "Well, is that enough? That is what your program is. Is that enough?" and he says, "Well, I don't know," and we say, "Well, we would be remiss if we presented a problem to you without an answer. Why don't we figure it out." To do this, we use this (indicates) which happens to be one of those dozens of forms that we might use; a "Blueprint for My House of Protection." What do you need? So, we sit down and work it out with the man and he ends up by needing X-amount. He only has half of X, or ⅔ of X, and so, you are right—We give him the rest of X, whether it is $1,000, $5,000, or $20 000, it's the same deal.

Making a "Set Up" for Policy Holders

Sometimes, we get into this setup with policyholders. Here, we find there are probably 5% in the community of people who maybe have $25,000-up. It is surprising, isn't it, the people who have $25,-000? Not very many people. Not too many who have enough income to take too much, and so we send a pre-approach letter, for sure, and also a little pamphlet, then, we walk in and show him this.

This (indicating) is called, "My Insurance Plan." We say, "Mr. Prospect, that is your insurance plan." We explain that it is an inventory of all of his insurance, and he laughs and says that that has been done a hundred times. We say, "Yes, but by somebody else, this is 'My Insurance Plan,' and we will help you. You will do a little writing. You will do all the work. You will analyze your policies and it will amaze you what you have." We say that we know this has been done before, but it's down in the third right-hand drawer of your desk, isn't it? You have no idea of what it is. Every so often somebody comes in and grabs your policies, and perhaps they don't even bring them back for six months. "Now, this service will include a lot of things. It will give you the essential information, the type of policies that you have, when they are due, who are the beneficiaries, how they are settled, and how much retirement value each one gives, at 55, at 60, and 65. When we are all through you will probably want to leave an insurance will, and so we have made provision for that, too. Then we have a calendar, here, so that your secretary can put it down on her calendar and you will know when your life insurance premiums are due."

Essentially, that is the same operation that every company has. For different policy holders, we sometimes get real leather binders, fatter and prettier presentations, but the operation is exactly the same.

When I came to the home office, two years ago, I spent nine months visiting other life insurance companies, and other selling institutions, and had the most amazing experience I ever had in my life. I visited 40 other life insurance companies and we do have a very cordial relationship, but I picked up about 40 of these, and so help me, there isn't very much difference between ours and the other 39. It's the same principle everywhere.

Selling Accident and Health Insurance

Selling accident and health insurance is exactly the same proposition. The agent usually mails a pre-approach letter, but, many times he just walks in, and shows the prospect a chart. You will notice that this is a very simple one and it doesn't tell the prospect too much, just a few of the essentials. We let the man read it. We put it inside of one of these pamphlets and when the agent opens it up he drops it on the prospect's desk. It doesn't make any difference whether it is a mahogany desk or an oak desk, just drop it down, and then he will look at it.

The chart is described as a plan for a man who has never had an accident. That's an interesting thought. A lot of people will say, "I'm 42 years old and never had an accident in my life. What do I want with that?" So he reads it and the agent stands there and waits for him to read it. As soon as he asks a question the agent gives an answer. The cash-in is that sort of selling, a one-shot deal where either we hit him or we don't. With life insurance, there isn't any competition whatever. Life insurance is wonderful, and I don't care what the name is, it's still wonderful. If you look a little skeptical, I'll give you four reasons.

Casualty is a different sort of an operation. They don't seem to have the same rules, mainly because it is a one-year contract.

Life insurance goes on for your life while this type of insurance is renewed each year. The only difficulty we run into is that they already—if they amount to anything, of course—they have some other casualty insurance. In this event we just point out why our policy provisions are better than the other fellow's.

Ours, for instance, are the types of policies that cost a little more money than a lot of the other policies do in the casualty field, but there is no fine print. There is none of this contributory negligence business none of this, "Were you drinking?" Ninety-eight per cent of our claims are paid the day they reach the home office. It is that sort of business. We do all of the checking ahead of time. We make sure that the prospect is the sort of risk we want before we ever walk in and see him, and we know that he is the sort of man who hopes he never does have an accident but if it ever happens, and somebody comes in with some flowers to visit him and says, "Too bad you don't have any insurance, an accident policy," and he remembers and says, "Why, I do." This type of insurance does cost more money with our company than a lot of the little companies, who have the long lists, you know. So in our selling we have to point out those advantages in our particular type of operation.

Doing Business in Subsidiary Services

We also have to do business with everybody in America and not just with the people who buy ordinary life insurance. or casualty insurance. For instance, we say to our agent, "We would like for you to get 20 new families in the next three, four, or five weeks on the books of the Metropolitan Life. Would you be interested?" "Now, every time you knock on a door for an interview, it will pay you $3.65. Now, if you have a lot of money, all right, but if you want to take an hour off this afternoon and knock on five doors and make $18.30, you know—well, if you're busy today, maybe tomorrow—." The average agent will say, "Yes, sure," and so we say, "Well, it's like everything else, Joe, there is a certain system to doing it. and we will teach you the system, here it is. You study it and when you are through we will go out and try it with you. The first thing you do is to show the housewife, when she opens the door, this little book, 'Are you using Metropolitan's Good Hints for Good Health?'" If you get up early enough, in the investment field, maybe you hear some of our radio programs. They go on at about 8 o'clock. Well, this health book is a pretty little thing, you know, and you show it to her. She takes it, looks at it, and it's just as simple as A. B. C.

The agent says, "Well, the Metropolitan Life has a great number of health booklets. We leave them with all of our policyholders; in this community, I have 400 such families, but you aren't one of them and I thought you might be interested." Then we present one of these little booklets, of which there are a number on various subjects, and we find that people like them.

We do a lot of what we call package selling. Sometimes we walk into a business or professional man's office and just hand him something like this which says, "Perhaps you are the man," and that's all. We just put it down on a large desk or a small one, and he looks at it. He wants to know what it is, and we say, "Well, perhaps you would like to read it with me."

It's as simple as that, and if you can get him to read it, without saying anything, that's all the better. Usually, he does, and it says that "a man in a select occupation, a man of high personal reputation, a man with an alert family history, a man in top physical condition — are you that man?" Then we go on to explain.

You see, we have a policy called the special whole life policy, and there is over $7,000,000,000 of this plan of insurance in force in that one particular policy. If we took all the rest of our regular insurance including all of our weekly premium, monthly premium, group insurance, accident and health insurance, and threw it out of the window, then take the amount of insurance in force in this one policy out of 75, that one company, if they just made a business of that one particular policy, would still be in the top ten of all the 500 other life insurance companies.

Using Simple Procedures

So he will listen to you. Well, we have a lot of what we call package selling and with that, in each instance, we have a very simple introduction. We go through with simple procedures.

Here is one, particularly effective: "Build Your House of Protection." We go through these pictures with the man, and that sells itself. You sell the prospect if you just take each of these pictures and study them with him. When we get through we get to the same analysis, "Wouldn't you like to do something for your family?"

Business Insurance

Finally, business insurance. That, as you probably know, is the greatest in the field of life insurance, since the advent of the first World War. Here again, we have the same old story. We have a pre-approach letter—and it isn't too involved, this (indicates), on how to make the presentation. We have a series of booklets which the agent studies, to tell about buying and selling agreements and so forth. There again it doesn't make any difference whether we know the man or not, it's very easy to find out about the man, if it looks like a pretty good-sized business. We use Retail Credit, and Dun and Bradstreet as sources for information about the prospect and, with this knowledge, we can just drop into an office and say, "Mr. Businessman, here is a booklet that has to do with your business. Would you like to go over it?" If he says, "I'm in a hurry," and seems very impatient, okay, try to make an appointment. If not, then we run through it. It's quite attractive and goes like this: "Your business is a going concern. Your business provides security and opportunity for the present and the future; with all of the partners in the business, you have a smooth-running and efficient organization.

"But suppose a partner is taken out of the picture. What happens to the business then?" And so we go through with all the alternatives. He always says one of two things:

"I have a partnership agreement," or "I don't have," so we tell him why he ought to have one. If he says, "I have a buyer and seller agreement," or "I don't" we tell him about that, and that leads to our talk about valuing his business. We tell him that the simplest way is to take a minimum of income from his coffers to protect his interest, through life insurance, because the cost is approximately 5% a year, instead of 100% a year. He will usually say, "Well, maybe you have something there."

"You Don't Always Sell"

Now, naturally, we don't sell all of them all the time. The law of averages, however, works out, and that, I think, is an interesting thing about our business.

The law of averages always works out. For instance, on this business of Social Security, which covers the average man up to about $15,000 of income, they are interested in it, and are about 98% of America. I can say to my people, because I have done it myself and I know that, out of every ten people that you call on you are going to sell six of them, and those six will buy $500 worth of insurance. That isn't much but still and all that is about $10 or $12 per $1,000 commission, and you will sell six out of ten, so you know absolutely that that will make $35 or $40 for every night that is used, if calls are selected and made on two family heads. It doesn't matter if it's in Altoona, Mobile or up in Detroit, the law of averages has to work out.

Walston, Hoffman Co. Opens New Branch

Walston, Hoffman & Goodwin, members of the New York Stock Exchange and other leading Exchanges throughout the country, have just opened a new office in the Waldorf-Astoria, effective Feb. 1.

This represents another important step in the far-reaching expansion program of this well known West Coast investment firm since the war. Starting in 1932 in San Francisco, phenomenal growth of the firm's business led to the establishment of 16 additional offices in California by 1945.

In late 1948 the firm entered the eastern territory for the first time with the establishment of an office in New York at 35 Wall Street. In a little over a year six additional offices have been opened in key centers in the east. The firm conducts a general investment business including securities underwriting.

George B. Seager is Manager of the Waldorf office which is equipped with all modern facilities and located in the main lobby of the hotel. Associated with Mr. Seager in the management are Miss Muriel Audrey Bailey and Eric A. Moederle.

Mr. Seager was with The First Boston Corporation as a Vice-President from 1922 to 1940 and later was a Vice-President and a director of Blair & Co.. Inc. He joined Walston, Hoffman & Goodwin in January, 1949. Miss Bailey was a general partner in the former New York Stock Exchange firm of Belden & Co. from 1940 to 1946. Mr. Moederle, previously with J. R. Williston & Co. as Manager of the firm's foreign department, has extensive banking contacts abroad, principally in Italy and Switzerland.

The principal offices of the firm are in San Francisco, Los Angeles, New York and Philadelphia. In the eastward expansion, offices were opened during the past year in Pittsburgh and Harrisburg, Pennsylvania; Hagerstown, Maryland, and East Orange, New Jersey.

Midwest Exchange Member

R. S. Dickson & Co. Inc., Charlotte, N. C., announce that the firm has become a member of the Midwest Stock Exchange, Chicago. Facilities of the firm are now available for the execution of orders in listed and unlisted securities.

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What's Ahead for Business— "Milk" or "Alcohol"?

finances about half of all of this type of construction, indicate that they look for a considerable decline in the latter half of 1950.

Farm Income in Downtrend

Forecasters of farm income whom I formed the habit of trusting tell me that farm income in 1950—a matter of the most vital concern to you—will be down about 10% from 1949. As you well know, they expect this to result partly from somewhat lower prices, and partly from restriction on production imposed by the Federal Government in an effort to prevent its policy of supporting certain farm prices from putting an insupportable burden on the Federal Treasury.

It is far too early to tell what will happen, but as the year goes on newly created pension funds may make a sizable dent in the amount of money immediately available for expenditure. If reserve funds are created, the money will be put aside, to be paid out as the people covered by the pension plan get old enough to claim it. In the meantime, the flow of money to consumers will be diverted.

This, I hasten to add, is not an argument against pensions. It is, however, a notation that if we do not adjust the pension load carefully it can have a decidedly upsetting effect on business. I have seen it carefully estimated that the increased liability for pensions in 1950 will amount to somewhere in the neighborhood of $1.5 billion. How well or badly that load is adjusted can make a real difference in our business prospects.

So, too, can the devaluation of the money of almost all of the rest of the world in relation to the dollar which was touched off when the value of the British pound sterling was cut about 30%, in relation to the dollar, last September. This cut accounts, in part, for the prospect that our dollar volume of exports will be about 10% less than it was last year, with most of the drop due to come in the second half of the year.

The devaluation of foreign currencies in relation to the dollar also contributes to the prospect of somewhat more lively foreign competition in our markets as industrial recovery abroad gains momentum. I do not anticipate any formidable development along these lines in 1950 although imports, unlike exports, may be about as large as they were last year. And even if I did I would not be alarmed. For if we do have anything like a comfortable degree of economic recovery in the free world we must manage to import a larger volume of goods and services. Nonetheless the process of doing it can be temporarily disturbing to some segments of domestic production.

The Volatile Textile Industry

Those closely conversant with the remarkably volatile textile industry tell me that it is quite possible that parts of it, particularly those producing rayon and cotton, will be back in the doldrums by summer. They were last summer. Since then they have been putting on a tremendous burst of production that gives promise of either swamping the market or backfiring on the producers.

It takes no imagination to see how a pile-up of unfavorable developments of the sort I have mentioned in the second half of the year—considerable declines in automobile production, steel production and some kinds of textile production, a let down in home building and substantially lower incomes for farmers and exporters—would produce a much less attractive economic panorama than that which we have immediately before us.

At the same time it takes some imagination to foresee developments on the expansive side which would offset, or more than offset those I have noted.

The development that is most frequently mentioned is exercised in the power of the Federal purse and the mention is frequently made in deplorably cynical terms. It is observed that this is an election year. Consequently the party in power can be counted upon to pour enough money into the economic machine to keep it running in high gear until the votes are counted. Even if there were such venality in the seats of power (if there were I am sure it would not be either recognized or identified as such) there would still remain the problem of making the treatment work. It would take an injection of quite a few billions of dollars. Also it would take considerably more skillful timing than it is customary to expect from our ponderous Federal legislative and administrative machinery.

A far more salubrious and in fact the most beneficial possible offset for business contraction of the sort I have mentioned would be an increase in expenditures for new industrial plant and equipment. In contrary to what I take to be the preponderance of the opinion on the subject, I conceive that to be a possibility.

New Plant Expenditures to Decline 13%

Our McGraw-Hill survey of business plans for the purchase of new plants and equipment in 1950 which has just been made public shows a drop of 13% in the volume of expenditure planned for 1950 as compared with that actually made in 1949. At first glance that appears a bad omen for business in 1950 for capital expenditures play a particularly potent role in shaping the course of business generally. In fact many business forecasters watch little else. They feel that if they can gauge the course of business investment for new plant and equipment, they will also have the gauge of business generally.

However, in appraising the significance of the 13% decline in expenditures in new industrial plant and equipment planned for 1950, it should be noted that the current rate of expenditures, as ascertained by the Commerce Department and Securities and Exchange Commission, already is down about 15% from the level of last year. That suggests that as now planned these expenditures will not decline further this year and there is the possibility that general business might be so good in the first half of the year as to stimulate some expansion. As I shall indicate later, however, the level of investment in new plant and equipment will be far lower than it should be for the good or even safety of the country. But it does not promise to drag the country down during the year by a sharp decline.

Of course if the sort of economics many of you were taught in school prevailed, the prospect of lower farm income along with lower production of a variety of industrial products would not be particularly disturbing. The prices of the industrial products would be lower, the farmers would buy just as much as ever and everyone would live happily ever after. The trouble is that many industrial costs, including wages and the prices of some materials are quite firmly fixed. Bringing them into balance is a torturous process. Even so, lower prices will help in numerous cases to ease the adjustments in production which lie ahead.

After Labor Day—Consult Aristotle

It is a certainty that between now and Labor Day there will be many economic developments which no one now anticipates. The ancient philosopher Aristotle put it in a most disconcerting way for forecasters when he remarked, "It is part of probability that the improbable will happen." If most of the things that happen unexpectedly are beneficial to business, the whole year will be one of high prosperity. So far as one can tell at this juncture, however, there will be some falling off of business in the second half of the year. In terms of the Federal Reserve Board Index of Industrial Production I have put down as a range for the second half 165-170 and I would not be surprised to see unemployment approach five million toward the end of the year.

It is possible, of course, that our economy will develop so much impetus in the months immediately ahead that its momentum will carry it right through the year without a let-down. But even if the less charming possibility I have outlined eventuates the later part of the year, 1950 as a whole seems virtually certain to go down in the record books as a year of great general prosperity.

Alcohol or Milk Diet?

That does not dispose of the question of whether we are primarily on an alcohol or milk diet—the question of whether we are building firmly for a long period of prosperity or whether in 1950 we will be building for a bust and hangover.

Although I have lately seen an encouraging sign or two to the contrary, it is my cheerless impression that our general drift (it is hardly a direction) is toward a spree, and the attendant hangover. It could be a long spree—one lasting years. Our country has a tremendous strength. It can absorb a tremendous amount of stimulant before it slides under the table. But, as I see it, that is the general direction, i. e., under the table, in which we remain headed right now.

What many would regard as the most obvious evidence that we are off on a toot is provided by the present and prospective state of the Federal budget. Although the year ending June 30, next, will have been a year of great prosperity, the Federal Government will have failed by about $5½ billion to pay its bills. And the President proposes that during the coming year we do little or no better. If during the piping times of prosperity our Federal Government doesn't even propose to try to break even, what in the way of ruinous fiscal self-indulgence is to be expected when the general economic going gets rough, as well it may? We may be sure that both Democrats and Republicans will keep this awesome question echoing through the halls of Congress throughout this session. But I fear that we may be about equally sure that neither party will do anything about it.

Of itself, however, I do not regard the Federal deficit, present or projected for next year, as a sure sign that we are on the road to economic perdition. At present we have a national debt of about $257 billion. The addition of $10 or $12 billion more doesn't seem to me the difference between economic triumph and disaster, particularly when considerably more than that amount can be classified war, or at least cold war expenditure.

Long-Term Solvency

In fact, I would not be alarmed by an even larger deficit if it were accompanied by a well-designed program to get the country headed for solvency on the long pull. In fact, I think that such a program would include tax reductions which would create a larger deficit for the present. It is because I cannot see any convincing program to work our way out of it that the resort to deficit financing seems to me alarming.

The way to work out of it, of course, is to concentrate on increasing our productivity as a nation—getting more production per man-hour—so that we can earn what we are spending. That involves first and foremost getting more and better industrial machinery and then using it more effectively. So far as I can determine, you people who work in and with agriculture have done a relatively good if spotty job in this regard.

For the country as a whole, however, that is definitely not the case. In fact, we are confronted by the staggering fact that industrial productivity in the United States is little if any higher today than it was in 1941. It apparently improved a little last year. But so far as one can tell with the crude figures available, the improvement doesn't upset the proposition that for almost a decade the nation has made almost no gain in productivity.

One of the important reasons for this is that a large part of our industrial plant is run down and obsolete. Very little was done to improve it during the long depression of the '30s. Then the war prevented much, if any improvement. Since the war, American business has done a tremendous job of industrial plant expansion and improvement and has invested over $87 billion in the process. However, it has nowhere near met the needs of modernization, nor is it making progress in this direction at more than a snail's pace. In fact, at the rate of investment planned for 1950 it would take about forty years to get our present manufacturing plant and equipment in first-class condition let alone deal adequately with needed additions.

As I read the Economic Report the President recently sent to Congress, I thought for a moment that our national administration had decided to take an effective lead in dealing with the problem of providing the country with first-rate industrial tools. The President spoke new and cogent words about the great importance of business investment. "One of the most important of these dynamic forces [which we must tap]," he said, "is the process of business investment, by which productive capacity is enlarged and improved." That and one or two similar observations gave me a moment of hope that we might avoid a bust and hangover by building firmly in the first place.

But that hope was promptly obliterated by the observation that "there are, in general, ample funds available to businessmen who want to expand and build new plants, to replace obsolete equipment, or to extend their operations to new areas." From this observation the President naturally reached the conclusion that no general steps are required to provide enough and good enough industrial tools.

So far as I can tell, however, ample funds are not available to businessmen who want to build new plants and buy new equipment. There is still an acute shortage of capital committed to taking the risks attendant upon business operations.

Perhaps the best evidence of this shortage lies in the performance of our stock markets. We are currently having what some quaintly call a stock market boom. But the average price of all stocks listed on the New York Stock Exchange is now about 25% below where it was in 1924 before the '20s boom had even started. All the money which corporations have invested since then in plant and equipment has added nothing to the market price of their stocks. In fact, at the prices currently quoted for their stocks, there are close to 200 companies selling on the New York stock exchanges for less than their current assets. In other words, their plant and equipment, in which billions of dollars was invested, is counted as worth nothing.

To overcome this shortage of capital in good season it seems to me necessary to reduce the burden of income taxation both on business enterprise and on individuals who have enough means to take the risks which attend business enterprise. A time could come before many years when the new rich or nearly rich in the ranks of farmers and industrial workers will not only be able, as they are at present, but willing to supply a large part of the capital needed for relatively risky business ventures.

In this connection, I am not impressed by the observation, so frequently made, that the great mass of Americans have become security-minded and don't want to take any risks with their money. As I observe the tremendous business being done at the race track betting booths, at the bingo games (frequently under the auspices of churches) and similar gambling enterprises, I tend to reach just the opposite conclusion. It is that the great mass of people not only still have a tremendous appetite to take a financial chance, but some considerable taste for getting skinned.

As survey after survey have demonstrated, however, direct investment in American industry is something which still make a relatively limited appeal. I have suggested that the appeal might be increased by creating a $2 window at which bets could be placed on American corporations somewhat in the manner that bets are placed on the ponies. But the idea has not caught hold. In the meantime, the only reasonably sure way I know to get an adequate volume of expenditures for new industrial plant and equipment is to lower the amount of money the Federal Government is taking in corporate and individual income taxes.

There are those, of course, who think that the Federal Government can provide any money needed for new industrial equipment. I am reasonably confident, however, that such an arrangement would give the kiss of death to the business of getting our industrial plant in good condition. For every dollar of Federal investment in industrial facilities I believe that at least ten privately owned dollars would take to the cyclone cellars and leave us confronted by the prospect of having the Federal Government as a major and perhaps even the principal supplier of industrial equipment. What that would do to the Federal Budget, and ultimately to our personal liberties, I leave to your imagination.

I trust that I have made it clear that, as a nation, we are doing anything but a distinguished job in getting our industrial plant and equipment in first-class condition. I also hope that I have made it clear that this is by all odds the easiest and the most effective way to increase our national income.

More and Better Pensions

Instead of concentrating on how we are going to earn a greatly increased national income, I find much more concentration on how we are going to spend it. The major emphasis seems to be on things such as more and better pensions and social services generally. And it comes at a time when our very national survival depends on continuing to spend large sums of money for foreign aid.

I personally think that there are many ways in which our social services, and particularly our educational services, should be improved. I think we will have a much better and stronger country if, wherever possible, it is done privately and locally instead of rushing off to Washington. But that does not affect the basic desirability of doing much more to improve our educational system and our social services. At the same time, when I discovered that we are much larger consumers of alcoholic beverages than we are of milk I also discovered that for every dollar we spend for education we spend about $2.30 for alcoholic beverages. That hardly suggests that we are overdoing it in the educational line.

Also, I am quite sure that President Truman was right in that portion of his economic report to Congress where he said that "within five years we can achieve an annual output in excess of $300 billion. The gain in national income would be equal to an average of nearly $1,000 for every family in the United States." We have the resources, we have the working force, we have the technical skill to reach that goal, with something to spare.

But we are not going to do so by spending the income before it is produced. That way lies bigger and bigger deficits, followed by an intoxicating inflationary spree, and then the awful morning after. That, however, is the general direction in which I fear we are now headed, or are drifting.

During the coming year, I am sure we shall see an intensification of the political wooing of the farmers. Great labor organizations have lately been resolving to cultivate the affections of the farmer with particular zeal. For example, at its 11th Constitutional convention a couple of months ago, the CIO resolved "to continue to expand its efforts to weld an unbreakable bond between the farmer and the workers of America." Business organizations are, I am sure, hoping to form an equally unbreakable union with the farmers.

But many of you will be in particularly strategic spots both to watch and effect this competitive courtship. Personally, I would be about as happy if it fails all around and the farmers continue their traditionally independent position. But if you must take sides, I submit that your welfare and that of the nation will be best served, and in fact only served, by joining the group which gives the greatest assurance of producing a larger national income before trying to spend it.

Summary

In summary—I am sure that in the months of 1950 immediately ahead we shall have a high level of general prosperity. In the latter half of the year I suspect that our general prosperity will be somewhat less. But I am confident that the year 1950 as a whole will go down as a generally prosperous year. However, unless we rapidly mend our ways and get more nearly on the general economic equivalent of a milk diet, we are off on an economic spree and headed for a painful hangover.

The basic reason for this is that we are concentrating on the pleasures of spending more income rather the problems of producing more income. Of these, the most important is the problem of getting better industrial plant and equipment. I have concentrated on this problem, to the inevitable neglect of many other aspects of our economic future. I have done this because, relative to its importance, I believe it the most neglected of our national problems. Our success in handling it will have a decisive bearing on our national welfare. Most of you are in a position to do some effective educational work about it. For your sake and for the sake of our country, I devoutly hope you will do it.

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The State of Trade and Industry

slowed down. They realize that the situation will get progressively worse if the stoppage lasts.

Steel users in the Midwest, where pressure for delivery is strongest, are pushing production hard. They want as much flat-rolled steel as they can get. In general they report that mills are two to five weeks behind on deliveries. This pushing of current production does not mean that manufacturers are desperately trying to satisfy a terrific demand for their products. Rather it seems more like an effort to grab off business while the grabbing is good.

Plate is an example. Plate demand is good, but the plate fabricator who complains that he can't get delivery in less than five weeks cools off when he talks second quarter business—he wants plate now to get orders by promising quick delivery. This seems to be true in the automotive and appliance fields too, the trade authority observes. Appliance makers are putting out their products at a tremendous rate and at the same time planning great sales promotion projects for the near future. Conversion deals are still being arranged by some auto companies for the second quarter but belief is that they are hedges, not proof that auto demand will be as strong then as it is now.

The Chrysler strike will make no immediate difference in the steel supply situation in Detroit. Chrysler suppliers have been told to take in steel according to earlier schedules. Automakers still say they are optimistic but indications are that production will be shut off the minute the industry is convinced that dealer stocks are out of hand, "The Iron Age concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 93.1% of theoretical capacity for the week beginning Jan. 30, 1950. This is a decline of 0.8 of a point from last week's rate of 93.9%.

This week's operating rate is equivalent to 1,774,700 net tons of steel ingots and castings for the entire industry compared to 1,790,000 net tons one week ago. A month ago the rate was 92.9% and production amounted to 1,771,600 tons; a year ago it stood at 100.9% and 1,860,100 tons and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT RECEDES MODERATELY FROM THE HIGH RECORD OF WEEK AGO

The amount of electrical energy distributed by the electric light and power industry for the week ended Jan. 28 was estimated at 5,971,662,000 kwh., according to the Edison Electric Institute.

This figure represents a modest decline from the new all-time high record in the industry's history established in the previous week.

It was 69,496,000 kwh. under the figure reported for the previous week; 161,628,000 kwh., or 2.8% higher than the total output for the week ended Jan. 29, 1949, and 542,460,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS FALL 1.9% BELOW PREVIOUS WEEK

Loadings of revenue freight for the week ended Jan. 21, 1950, totaled 618,950 cars, according to the Association of American Railroads. This was a decrease of 12,068 cars, or 1.9% below the preceding week this year.

It represented a decrease of 90,887 cars, or 12.8% below the corresponding week in 1949, and 152,189 cars, or 19.7% below the similar period in 1948.

AUTO OUTPUT ADVERSELY AFFECTED LAST WEEK BY CHRYSLER STRIKE

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada is estimated at 139,500 units compared with the previous week's total of 158,432 (revised) units.

The Chrysler strike accounted for 18,500 of the week's 19,000 unit decline, the report stated.

The total output for the current week was made up of 109,859 cars and 21,881 trucks built in the United States and 5,780 cars and 1,980 trucks built in Canada.

The week's total compares with 116,471 units built in the U. S. and Canada in the like 1949 week.

Preliminary estimates show that 584,800 vehicles, including 488,900 cars and 95,000 trucks will be built this month, "Ward's" said.

BUSINESS FAILURES HOLD AT HIGH LEVEL

Commercial and industrial failures in the week ended Jan. 26 totaled 232, one more than in the preceding week, Dun & Bradstreet, Inc., reports. Remaining at the highest level since 1942, casualties exceeded considerably the 136 and 91 concerns which failed in the comparable weeks of 1949 and 1948. Despite this increase, failures continued to be noticeably below the 385 in the similar week of prewar 1939.

Casualties involving liabilities of $5,000 or more dipped to 176 from 187 last week but exceeded the 110 of this size occurring a year ago. Failures with less than $5,000 in liabilities increased to 56 from 44, more than doubling the 26 in the corresponding 1949 week.

Retailing, construction, and commercial service failures rose during the week. Contrary to the general increase manufacturing and wholesaling casualties declined, but both remained appreciably higher than a year ago. Wholesale trade had the sharpest relative increase from 1949 of any industry group.

Four regions reported a rise in casualties: the East North Central, East South Central, West South Central and in the Mountain states. Declines prevailed in other areas. More concerns failed than a year ago in all regions except New England; the sharpest relative increases were in the South Central States.

FOOD PRICE INDEX RISES THREE POINTS IN LATEST WEEK

A moderate uptrend in food values carried the Dun & Bradstreet wholesale food price index for the week ended Jan. 24 to $5.78, from $5.75 the week before. The rise also caused a further narrowing in the gain over the comparable 1949 figure of $5.91, to 2.2%.

The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX HOLDS TO A NARROW RANGE

Continuing to move in a very narrow range, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 245.25 on Jan. 24, as against 244.75 a week earlier, and 264.42 on the corresponding date of last year.

There was a moderate increase in trading in grain futures on the Chicago Board of Trade in the latest week.

Futures prices declined rather sharply at mid-week as the result of selling induced by an announcement that the CCC would resell some of its surplus grains accumulated through price support operations.

The market subsequently recovered most of the losses following a statement that sale of surplus grains would be limited to countries not getting Marshall Plan aid. Cash grain markets showed considerable resistance to the downward pressure with cash wheat showing a slight net rise for the week.

The cash corn market was quite active. The movement of corn from the country was very light and the small receipts were easily absorbed by local demand. Shipping demand was spotty. Crop reports indicate a pronounced lack of surface moisture in the western and southwestern parts of the winter wheat belt.

Cotton prices in the domestic market moved upward throughout the week with spot and future quotations touching new high levels for the season.

There was a strong demand for the staple, influenced by continued activity in the cotton goods market, steady mill buying, and more active export price-fixing. Sales volume in the 10 spot markets remained at a comparatively high level.

Mill consumption of cotton during December totaled 734,000 bales, according to the Bureau of the Census. This was somewhat below trade expectations, and represented a daily average of 35,000 bales, as compared with 35,900 bales per day in November, and 29,400 in December 1948.

Loan entries expanded to a total of 145,300 bales in the week of Jan. 12, from 103,700 the previous week.

RETAIL TRADE REFLECTS A SLIGHT PICKUP IN VOLUME—WHOLESALE TRADE ALSO UP MODERATELY IN WEEK

With the continuance of January promotions, the nation's shoppers spent slightly more money in the period ended on Wednesday of last week than in the week previous. Dollar volume was slightly below the level of the corresponding period a year ago, states Dun & Bradstreet, Inc., in its latest summary of trade. While unit sales were larger, prices were somewhat lower than last year in many lines.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 1 to 5% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

South, Midwest and Pacific Coast —2 to —6; New England —2 to +2; East —1 to —5; Northwest —4 to —8; and Southwest 0 to —4.

Wholesale dollar volume continued to rise for the period ended on Wednesday of last week. Trade shows were featured in some sections of the country. The total volume of orders was slightly above that for the similar week in 1949. While the number of buyers attending many wholesale centers decreased from the previous week, it was moderately above the figure of a year ago.

Anticipation of the approaching pre-Easter season was evidenced the past week as buyers of apparel began sizable ordering of some Spring items.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 21, 1950, show no change from the like period of last year. In the preceding week a decrease of 5% was registered under the like week of 1949. For the four weeks ended Jan. 21, 1950, sales registered a decrease of 9% from the corresponding period a year ago, but for the year to date show a decline of 5%.

In New York last week department stores managed to keep their dollar volume to within 3% of a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Jan. 21, 1950, showed no change from the like period last year. In the preceding week a decrease of 9% was registered under the similar week of 1949. For the four weeks ended Jan. 21, 1950, a decrease of 10% was reported from the like week of last year. For the year to date, however, volume decreased by 6%.

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.

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Anti-Trust Suits and Investment Values

lions of words of testimony were taken. Both suits were carried to the Supreme Court which is the ultimate authority in determining the trust status under the law. Although the final decisions were against the companies, the Court's decision in the Standard Oil case established an important precedent which allayed some of the fears concerning the law up to that time. The Court held that only an unreasonable restraint of trade was forbidden and that the law should be applied "in the light of reason." This ruling was a reassuring note to American industry that the government could not run rampant in its zeal to apply the laws.

After its victory over the Oil Trust and the Tobacco Trust, the government proceeded with actions against the United States Steel Corp. and the American Can Company. In both these instances it was held, by the lower courts hearing the suits, that the companies were not in violation of the anti-trust laws. In the United States Steel case the Court held that size alone did not constitute a monopoly. Nearly five years later, the government lost its appeal on this decision, when the Supreme Court affirmed the finding of the Lower Court. In the American Can suit, the District Court found that although that combination had most certainly been formed to monopolize the tin can business, its subsequent position of controlling approximately half of the industry did not constitute a violation of the laws. The government appealed the finding to the Supreme Court, but when the issue of size was settled by the Court in the Big Steel case, the appeal was withdrawn.

The individual cases and the market action of the respective stocks are discussed in the following pages. When the suits were filed and as important developments occurred, the stocks of these companies reacted marketwise, as might be expected. The extent of the market movement varied in degree with the importance of the development, the surprise nature of the development and to the extent that the event may have been anticipated.

It is significant to point out that the fundamentally sound enterprises continued to grow and prosper, even though a separation took place, and evidence is lacking that stockholders were hurt if the stock was held throughout the entire period. It might well be contended that the enterprise might have grown and prospered even more in its original form, and the stockholder's experience enhanced more, but obviously, this must remain a matter of conjecture, as evidence to support this view is not in existence. The number of years involved in these suits before the final decision was rendered should be noted.

The Standard Oil Company (New Jersey)

The government's suit against the Standard Oil Company was filed under the Sherman Anti-Trust Act on Nov. 15, 1906, in the United States Circuit Court, Eastern District of Missouri. Standard Oil and its subsidiaries at that time produced 30% of the domestic crude oil and controlled 75% of the domestic purchasing, refining, transporting and marketing of petroleum and its products. The government charged that the group had combined and conspired to restrain and monopolize interstate commerce by purchase and control of competing oil companies, by securing preferences and rebates from railroads, by controlling pipe lines, by contracting with competitors in restraint of trade and numerous other unfair practices.

The following table traces the market action of the Standard Oil common stock for a period of 6½ years from within a few months preceding the filing of the suit to the dissolution of the trust, and up to the rather nominal market that prevailed a year and four months following distribution of the shares of the more than thirty companies, which were paid in the form of a stock dividend.

Standard Oil Company

		Market Quotation	Impact %	Index of S.O. Co. Stock	D-J Ind. Avg.	Index of D-J Ind. Avg.
Jun 30, 1906		592 - 595	---	100%	87.01	100%
Nov 15, 1906	(Anti-trust suit filed)	*596 to 525	—11.9	101 to 89	94.25	108
Dec 31, 1906		525 - 530	---	89	94.35	108
Dec 31, 1907	(Year of "money panic")	465 - 475	---	79	58.75	68
Dec 31, 1908		693 - 698	---	117	86.15	99
Nov 20, 1909	(Lower Court decision)	*690 to 645	— 6.5	117 to 109	100.02	115
Dec 31, 1909		668 - 672	---	113	99.05	114
Dec 31, 1910		625 - 635	---	106	81.36	94
May 15, 1911	(Supreme Court decision)	*675 to 685	+ 1.5	*114 to 116	82.71	95
July 29, 1911	(Dividend announcement)	*659 to 600	— 9.0	111 to 101	85.90	99
†Sep 1, 1911	(Ex-dividend date)	600 - 640	---	101	79.17	91
†Dec 30, 1911		680 - 700	---	115	81.68	94
†Dec 31, 1912		1170 -1200	---	198	87.87	101

*Fluctuation over immediate period following the event indicated.

†Simultaneously the former subsidiary companies were being quoted and traded as a package and individually.

As may be seen from the foregoing table, the impact of the filing of the suit by the Government against Standard Oil caused a drop in the market price for the stock of 71 points from 596 to 525, or a decline traceable to the filing of the suit of 11.9% within a period of several days. As the case progressed, and even though the company lost a motion to quash the service of subpoenas on nonresident defendants, the stock weathered the "Money Panic" of 1907 relatively better than the Dow-Jones industrial Average. By the time of the Circuit Court decision in 1909, three years after filing of the suit, the stock had reached new high ground of close to 700 and was about in line with the Industrial Average. The adverse finding of this Court on Nov. 20, 1909 that the combination was illegal, resulted in a 45 point, or 6.5%, break in the market for the stock from 690 to 645.

During the appeal of the lower court decision to the Supreme Court, the Standard Oil stock, in an otherwise sagging market, performed relatively better than the Industrial Average. Finally, after 11 million words of testimony in four and one half years through both Courts, Chief Justice White of the Supreme Court, on May 15, 1911, declared that Standard Oil was an "unreasonable" monopoly in restraint of trade. The Court held that Standard Oil might retain its Baltimore and New Jersey refineries, some Southern facilities, a producing affiliate and most of the foreign organizations. However, it ordered the divestment of thirty-three subsidiaries, including such companies as Atlantic Refining, Standard Oil of California, as well as the Indiana and New York companies and several pipe line companies.

While the Oil Trust was ordered broken up, an entirely new approach in anti-trust enforcement was advanced. Instead of the Government's contention that all cases of restraint of trade were illegal, Chief Justice White and his associates held that the anti-trust laws must be applied "in the light of reason" and, therefore, that only unreasonable restraint of trade was forbidden. This new concept, or the "rule of reason," had a stimulating effect on the stock market. Even though a separation was ordered, the Standard Oil shares moved up very moderately in the market, or, as may be seen in the preceding table, 10 points from 675 to 685, an increase of 1.5%.

The more buoyant tone in the stock market following the Standard Oil decision was especially pronounced in the shares of American Tobacco. The American Tobacco Company had been defending itself for nearly four years in a similar anti-trust proceeding. Investor optimism, as a result of the "rule of reason" pushed the American Tobacco shares from 450 to 500, or an advance of 11%. Similarly, the market in general was strong.

As developments in the Standard Oil separation plan became known, the stock became subject to selling pressure with rather large volume. Following the announcement by Standard Oil that it would distribute pro-rata the shares of the various companies controlled by it, selling pressure developed on the part of small holders who, under the plan, would be entiteld to only fractional shares in more than 30 companies. After the dividend announcement, the stock fell from 659 to 600, a drop of 9%. On September 1, 1911, the ex-dividend date, the stock was quoted at 600 bid to 640 asked, or in terms of bid prices, at virtually the same market level at which it was quoted some five years previous, when the suit was started.

As the earning power of the former subsidiary companies became evident and the securities became more seasoned, their value was enhanced so that the value of the shares of the old Standard Oil Company had a nominal market value, which nearly doubled in the course of a year and four months. In the following table, it may be seen that the market value for the stock of the new Standard Oil Company of New Jersey, after distribution of the subsidiary stock, increased 28% from the initial sale of 340 in September, 1911 to 435 by the end of 1912. During the same period, the market value of stocks of the various subsidiary companies that were distributed, when taken together as a package, had an indicated market appreciation of 128% from the initial sale of 324 to a level of about 740 or better. Meanwhile, the Industrial Average had shown an increase of about 10%. It must be remembered that during this period the oil industry was in a dynamic growth trend.

Standard Oil Company

		Market Quotation Old Stock	Market Quot New Stock Ex-Subsidiaries	Market Quotation for Subsidiaries
Sep 1, 1911	Ex-dividend date	600 - 640	300 - 450	Not Avail.
	Initial sales	640 to 630	340	324
Dec 30, 1911	Year end	680 - 700	360 - 375	320 - 335
Dec 31, 1912	Year end	1170 -1200	435 - 440	740 - 755

It is, I believe, significant to note that the major developments in the proceedings had a temporary impact on the market price for the stock, but over the longer term, that impact was obscured. Also, property values were not visibly destroyed. The former subsidiary companies retained their corporate identity as independent operators, and continued to function. Fundamentally, the underlying stock ownership remained the same. One may conclude that a fundamentally sound company in a basic industry can survive anti-trust action and continue to grow, but we will never know whether the growth of the company and change in the market value of the stock would have been greater or lesser if the company had been left intact.

The American Tobacco Company

The second major anti-trust victory by the Government was against the American Tobacco Company. The suit was filed in the Circuit Court, Southern District of New York on July 10, 1907, only a few months following inception of the Standard Oil case. The defendants with American Tobacco included several individuals and certain domestic and foreign affiliated companies. The Government charged that they had obtained a virtual monopoly of every phase of the tobacco industry through the purchase of competitors and through unlawful trade practices, such as local and discriminatory price cutting. On Nov. 7, 1908, the Circuit Court dismissed the Government petition as to certain defendants and held the combination illegal as to the remaining defendants. In the accompanying table, it may be seen that despite the anti-trust proceeding against the company, the stock of American Tobacco moved in the market substantially in line with the industrial Average. During the one and one-half year period from mid-1907 to the end of 1908, which period included 16 months of prosecution of the case through the lower court, American Tobacco advanced 6% and the Average increased 7%.

American Tobacco Company

		Market Quotation	Impact %	Index of Amer. Tob. Stock	D-J Ind. Avg.	Index of D-J Ind. Avg.
Jun 29, 1907		320 - 330	---	100%	80.36	100%
July 10, 1907	(Anti-trust suit filed)	290 - 300	---	91	80.64	100
Dec 31, 1907		225 - 250	---	73	58.75	73
Nov 7, 1908	(Lower Court decision)	350 - 370	---	109	87.77	109
Dec 31, 1908		340 - 350	---	106	86.15	107
Dec 31, 1909		423 - 430	---	132	99.05	123
Dec 31, 1910		415 - 422	---	130	81.36	101
May 15, 1911	("Rule of reason")	*450 to 500	+11.1	141 to 156	82.71	103
May 29, 1911	(Supreme Court decision)	*510 to 400	—21.6	159 to 125	86.40	108
July 29, 1911	(Regular div. omitted)	*395 to 364	— 7.8	123 to 114	85.90	107
Oct 1911	("Plan of disintegration")	*412 to 420	+ 1.9	129 to 131	---	---
Dec 1, 1911	(Effective date of plan)	498 - 500	---	156	80.31	100
Dec 31, 1911		521 - 528	---	163	81.68	102

*Fluctuation over immediate period following the event indicated.

The case was carried to the Supreme Court and was argued at virtually the same time as the Standard Oil case. The concept of the "rule of reason," advocated on May 15, 1911 by the High Court in its decision on the Standard Oil case, had an especially bullish effect on the market for the stock of American Tobacco. The Court's opinion was read on a Monday and before the end of the week American Tobacco common stock rose 11.1% from 450 to 500, against a 4.2% increase for the Industrial Average in a generally buoyant market. Two weeks later on May 29, 1911, the same Court held that all of the defendants in the American Tobacco case constituted an unreasonable monopoly and ordered the combination dissolved in its entirety. Optimism turned to gloom and the Tobacco shares plummeted 110 points from 510 to 400, or 21.6%.

All the difficulties were not yet over. Two months later, on July 29, 1911, American Tobacco omitted its regular dividend, apparently in a move to strengthen its financial position. This action had a secondary impact on the stock, which lost 7.8% in a decline of 31 points from 395 to 364.

The plan of reorganization was entitled, perhaps appropriately, a "Plan of Disintegration" and provided for the emergence of fourteen independent companies. Market interest in the Tobacco shares increased and by the time of the effective date of the plan on Dec. 1, 1911, the stock had moved up to about 500 against a declining trend in the Industrial Average. At the end of 1911, the plan had been in effect a month and the old American Tobacco shares were quoted at a market level 63% higher than the market quotation for the stock four and one-half years earlier in mid-1907, just before filing of the suit. The net increase in the Dow-Jones Industrial Average during that same four and one half year period was only 2%.

The United States Steel Corporation

An anti-trust suit was filed against the United States Steel Corp. and others in the District Court, District of New Jersey, on Oct. 27, 1911. It was alleged that the company had created a combination in restraint of trade by acquiring competing producing companies, and had entered into agreements with the remaining competitors to fix the market prices of iron and steel. The United States Steel group produced more than 50% of the iron and steel in the United States and controlled a large proportion of available ore, coal and other properties.

For about two years prior to filing of the suit, the United States Steel common stock declined more rapidly than the market in general, largely reflecting a lower level of general business activity especially in steel. As shown in the table below, the filing of the suit resulted in a market decline of 8½ points, or 14.5%, from 58½ to 50. As the case progressed, the stock continued the relatively poorer market performance. Finally, on June 3, 1915, the District Court refused to dissolve the combination and it dismissed the petition. The Court held that size alone did not constitute monopoly. This acquittal had no appreciable effect on the stock. Thereafter, largely as a result of American entry into the First World War, the United States Steel stock advanced more rapidly than the Industrial Average. Although the case was taken to the Supreme Court, the High Court upheld the ruling of the District Court on March 1, 1920. A petition for a re-hearing was denied by the High Court on May 3, 1920 and this finally settled the issue. In the nearly nine-year period, from June, 1911 to May, 1920 covered by the table, the United States Steel stock showed a net advance of 21% against an increase of 9% in the Dow-Jones Industrial Average. This action tends to verify the conclusion already reached that the economic and financial forces normally affecting investment values and market prices dominate in the long run.

United States Steel Corporation

	U.S. Steel Market Price	Impact %	Index of U.S. Steel Stock	D-J Ind. Avg.	Index of D-J Ind. Avg.
Jun 30, 1911	73	---	100%	85.98	100%
Oct 27, 1911 (Anti-trust suit filed)	*58½ to 50	—14.5	75 to 64	74.82	87
Dec 31, 1911	68	---	87	81.68	95
Jun 3, 1915 (Suit dismissed by Lower Ct.)	57	---	73	67.75	79
Mar 1, 1920 (Affirmed by Supreme Court)	94	---	121	92.40	107
May 3, 1920 (Rehearing denied)	94	---	121	94.03	109

*Fluctuation over immediate period following the event indicated.

The American Can Company

American Can was formed in 1901 as a consolidation of a large number of can manufacturers. An anti-trust suit was filed against the group on Nov. 29, 1913 in the District Court, District of Indiana. The Government charged that it was a combination in restraint of trade through the acquisition of competing plants which produced about 90% of the tin cans then manufactured and sold in the United States. On Feb. 23, 1916, the District Court held that the American Can combination had been formed to monopolize the tin can business, but that it later produced little more than the aggregate of its competitors. As the Court refused to dissolve the combination, the Government appealed to the Supreme Court; but the case was dropped after the Court's decision in the United States Steel case on March 1, 1920.

The following table traces the market action of American Can common stock during the three-year period from June 30, 1913 to June 30, 1916. This period includes the 27-month interim between the filing of the suit and the decision of the District Court. Despite the anti-trust suit, the stock had a market performance superior to that of the Dow Jones Industrial Average.

American Can Company

	Market Price	Amer. Can Stock Index	Dow-Jones Industrial Average	Index of D-J Ind. Average
Jun 30, 1913	28	100%	74.89	100%
Nov 29, 1913 (Anti-trust suit filed)	28	100	75.94	101
Feb 23, 1916 (Suit dismissed by Lower Court)	63	225	94.35	126
Jun 30, 1916	53	189	89.58	120

[EDITOR'S NOTE: The foregoing is the first of three installments in which we are presenting Mr. Vultee's article. The second installment will appear in the "Chronicle" of Feb. 9.]

Continued from page 3

Does Seasoning Affect Utility Stock Prices?

State Electric & Gas."—From a recent market letter.

There is no known literature on seasoning so it is not possible to appraise the theoretical basis for the claim or assumption that it is a price factor. But it is obviously based on the idea that security buyers and sellers are motivated by something less than pure reason. It has been suggested (see the second quotation above) that insurance companies and other fiduciary investors either cannot or do not buy stocks on a "when issued" basis with the result that when a stock moves from "when issued" to regular way trading a relative price improvement is almost inevitable. It would appear that any fiduciary investor legally able to buy stocks would be legally able to enter into a contract to buy stocks, which is what a "when issued" or "when delivered" purchase amounts to. It may be that the contingent nature of such transactions is sufficient to deter institutional investment, with the result that a relative price rise typically occurs on the beginning of regular way trading.

But the idea of seasoning is much broader than this. It goes beyond the idea of relative price improvement on a shift to regular way trading. After all relatively few stocks go through a period of when issued or when delivered trading. The central theme of seasoning is that a period of even regular way trading will serve to improve the relative price performance of a stock. Apparently no one has attempted to estimate the period of time required for seasoning. If seasoning is a price factor, perhaps the type of market or the nature or size of the enterprise are related to the length of time required for seasoning. An obscure industrial producing an unfamiliar product might require a very long period of seasoning. On the other hand, if shares in the Ford Motor Co. were to come to market, seasoning might have no influence at all since the public is already thoroughly familiar with the company and its product.

Sometimes the stock of a company new to the market is distributed in such a way that large numbers of holders receive odd lots (less than 100 shares). It might be argued that the pressure of these odd lots on the market results in relatively unfavorable price performance during the initial trading period. The seasoning period then would represent the period required to clean up these odd lots. But not all stocks come to market in such a way as to result in odd lots. Moreover there seems to be good reason to suppose that at least as many holders of odd lots would choose to build up holdings to a round lot as would choose to dispose of an odd lot.

We are here merely speculating as to what might be the theoretical basis for a belief that seasoning is a price factor. Our primary objective is to determine if possible whether seasoning *is* a price factor and not to philosophize as to whether or not it *ought* to be a price factor.

The stocks of operating utilities that have come to market as a result of holding company dissolutions make excellent raw material for measuring the alleged influence of seasoning on price. Here we have established enterprises that are substantially similar, rather than brand new companies without any record of operating performance. Thus we can test what we have called market seasoning as opposed to business seasoning. These operating utility stocks are new to the market but have years of operating performance behind them.

It must be emphasized that seasoning has to do with *relative* price performance not with absolute price performance. Thus if a utility stock came to market at 20, and over a period rose to 25, it would not be evidence of seasoning if the utility stocks as a group rose as much. In order to demonstrate that seasoning is a price factor it is necessary for the new stocks to out-perform the market during the seasoning period.

Selection of Stocks for Test

"Moody's" 1949 Public Utility Manual lists all electric utility companies divested by registered holding companies between Dec. 31, 1935, and Apr. 30, 1949. Utility stocks in the following categories were eliminated from this list.

(1) Stocks that came to market[1] after July, 1947, or before October, 1945.

(2) Stocks not now listed on the New York Stock Exchange.

(3) Stocks of companies where a minority interest existed prior to distribution. In such cases this minority stock made a market possible long before distribution of shares by the holding company.

(4) Stocks of companies where the distribution by the holding company represented less than 40% of the total outstanding stock, i.e. where the holding company distributed only a small portion of its holdings.

These eliminations served to reduce the list to the following nine stocks:

Company	Distribution	Date of First Quotation
Birmingham Electric Co.	Aug. 1946	Oct. 1946
Cincinnati Gas & Electric	Sept. 1946	Sept. 1946
Columbus & So. Ohio El.	May 1946	May 1946
Dayton Power & Light	June 1946	June 1946
Florida Power Co.	Oct. 1945	Nov. 1945
Gulf States Utilities	June 1947	June 1947
Scranton Electric Co.	May 1946	June 1946
South Carolina Electric & Gas	Nov. 1946	Nov. 1946
Virginia Electric & Power	July 1947	Aug. 1947

Procedure

Price quotations were obtained as of the close of each month for a period of 24 months following the first available quotation following distribution. The source of price quotations was either "Standard and Poors Monthly Stock Guide" or the "Fitch Monthly Stock Record," whichever was available. While all of these stocks were ultimately listed on the New York Stock Exchange, they were not all listed immediately on distribution. Some were traded for a brief period on a "when distributed" basis and some were not. Where the price quotation was in terms of bid and ask, the average of the two was taken as the quotation. It will be noted that price quotations were available not later than one month following distribution in all cases except that of Birmingham Electric. Here the lag was two months.

The data were then arranged as follows:

(1) The price quotations for each of the stocks for each 24 months following the initial quotation were expressed as a percentage of the Dow Jones Public Utility average for the same dates.

(2) The relatives for each stock were then arranged with the initial month as 100. The resulting series measures the price performance of the various stocks relative to the Dow Jones Utility Average. If the data for a particular stock moves upward from 100 it is a measure of the extent to which the stock out-performed the average and vice versa.

(3) A composite average was then computed for the entire group which shows the performance of these nine stocks in relation to the Dow Jones Utility Average. This was done by simply averaging the adjusted relatives for each of the 24 months for the nine stocks. It should be noted that this composite average does not constitute a time series. The first month for Florida Power was November, 1945, while the first month for Gulf States Utilities was June, 1947. Nevertheless the composite series shows the relative price performance of this group of nine stocks for the 24 months following issuance.

The table below summarizes the relative price performance of each of these nine stocks and of the group, relative to the Dow Jones Utility Average.

Conclusion

It is difficult to justify the belief or assumption that market seasoning is a price factor on the basis of this evidence. It is true that the composite average moved from 100 to 105.1 in the eighth month and moreover eight of the nine stocks participated in this upward move. But it seems doubtful if such a movement is significant. In terms of a $10 stock this would represent a movement of half a point if the utility average remained constant. Surely this is not enough to validate a theory of seasoning as a price factor. If this movement through the eighth month were to be regarded as significant it would be difficult to explain why the average moves back to 100 and remains there so persistently. If seasoning is a price influence this group of stocks would be expected to make a relative gain and thereafter substantially hold the gain. It seems evident that these data do not demonstrate seasoning as a price influence.

It is possible, of course, that seasoning is a price influence but that it cannot be measured because of some other factor which tends in general to have an opposite effect. In this connection it should be remembered that the managers of public utility holding companies and their underwriters do not bring a major new stock to market without at least some "preparation." This does not mean price manipulation in any sense, but it does mean an entirely legitimate effort to acquaint the public with the new stock. Moreover, the financial press and the advisory services usually make an appraisal of stocks about to be traded for the first time. The excellent publicity campaign that preceded the Florida Power offering was widely noted even in the general press. All of this pre-offering publicity may result in an initial price just a little higher than what might be considered normal. But the effect of this initial publicity will gradually wear away. It is possible, therefore, that the gradual dissipation of the effects of this initial publicity just about offsets the effect of seasoning. It must be emphasized, that this is mere conjecture and is neither proved nor disproved by the data here submitted.

[1] Distribution was accomplished by distribution as a dividend, preferential sale to stockholders, or public offering. The initial price is, of course, the first established price after distribution.

Price Performance of Nine Utility Stocks in the 24 Months Following Distribution Relative to the Dow Jones Public Utility Average

Month	Birmingham Electric Co.	Cincinnati Gas & Elec.	Columbus & So. Ohio El.	Dayton Pr. & Lt.	Florida Power Co.	Gulf States Utilities	Scranton Electric Co.	So. Caroline El. & Gas	Virginia Elec. & Pr.	Total	Composite Average
1	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	900.0	100.0
2	99.7	116.1	99.0	100.2	98.0	101.6	103.1	99.0	98.4	915.1	101.6
3	108.2	114.6	98.8	97.7	96.6	102.5	105.0	98.6	102.6	924.6	102.7
4	114.3	116.1	99.0	100.7	96.0	98.6	99.7	95.8	95.2	915.4	101.7
5	110.7	112.7	94.4	104.6	98.0	96.2	98.5	90.4	100.6	906.1	100.7
6	109.2	114.6	99.0	103.0	97.7	98.6	100.4	94.0	111.4	927.9	103.1
7	107.2	108.8	105.5	104.5	91.6	97.9	97.2	94.0	117.2	923.9	102.6
8	105.5	112.7	108.8	103.3	103.9	109.0	100.2	85.3	117.7	946.4	105.1
9	106.8	117.6	110.9	101.2	102.2	108.8	94.7	79.9	118.3	940.4	104.4
10	109.0	109.7	105.3	99.8	104.1	107.8	96.0	81.7	110.0	923.4	102.6
11	107.5	111.1	101.2	105.8	110.7	109.7	98.9	78.9	105.1	928.9	103.2
12	104.1	113.9	101.3	106.6	105.5	108.3	96.8	81.7	108.9	927.1	103.0
13	105.3	113.3	104.3	101.5	106.6	113.6	92.4	84.4	110.0	931.4	103.5
14	107.0	114.6	101.1	101.3	102.6	117.8	92.0	83.5	105.6	925.5	102.8
15	98.2	106.8	97.7	99.2	100.6	109.7	93.0	85.3	106.0	896.5	99.6
16	107.7	115.2	97.3	96.8	99.3	116.0	90.9	84.4	99.5	907.1	100.8
17	95.8	109.7	99.5	97.9	98.8	116.2	87.3	87.2	103.3	895.7	99.5
18	89.5	110.2	101.6	89.8	101.1	119.9	84.6	96.8	104.0	897.5	99.7
19	87.3	111.2	95.6	83.4	100.4	116.7	87.3	90.4	104.4	876.7	97.4
20	76.1	112.8	91.8	91.0	94.2	115.3	93.2	96.8	105.6	876.8	97.4
21	68.8	110.5	93.8	90.6	94.0	124.1	92.8	101.8	108.2	884.6	98.3
22	74.2	120.2	96.8	97.8	95.8	122.2	89.2	101.3	107.8	905.3	100.6
23	69.5	120.0	98.5	96.0	92.0	125.9	89.4	99.0	104.9	895.2	99.5
24	69.5	114.6	100.4	94.8	92.0	123.2	90.3	109.5	108.7	903.0	100.3

Los Angeles Exchange Re-Elects Officers

LOS ANGELES, CALIF. — The Los Angeles Stock Exchange has re-elected Phelps Witter Chairman of the Board of Governors. Other officers re-elected were Warren H. Crowell, Crowell, Weedon & Co., Vice-Chairman; W. G. Paul, President; Thomas P. Phelan, Vice-President and Secretary; George E. Zimmerman, Treasurer; and Archie E. Gilbert and Inez Vermillion, Assistant Secretaries.

Phelps Witter

Arthur Lewis With John Small & Co.

John Small & Co., 25 Broad Street, New York City, announces that Arthur C. Lewis, formerly with the Municipal Bond Department of E. H. Rollins & Sons, has become associated with firm.

Mordecai B. Gressitt

BALTIMORE, MD. — Mordecai B. Gressitt is now doing business as an individual dealer from offices in the Mercantile Trust Building. He was formerly a partner in Gressitt & Reese.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market action inconclusive with indications that next major move will be downward.

Every now and then the market sets up a roar it is impossible to disregard. At other times it keeps its peace and any meanings read into it are frequently misleading.

* * *

Such is the case at this writing. The market is pegged between two points, 202 on the upside in the Dow averages, and 196 on the downside. Theoretically any fluctuations between these two levels are meaningless insofar as the future is concerned. To make a positive step, the industrials would have to penetrate one of the two figures, and the direction of the penetration would determine the immediate direction.

* * *

Without having any yardstick to measure by I would hazard an opinion that the main course of the next move will be down. I base this on the belief that the market is topheavy with bulls; there is stock being offered at close to prevailing levels and good news takes too long to be reflected in market quotations.

* * *

On the bull side the major reason for additional advances is a continuation of a good business and industrial picture in which too many people now believe. If these materialize it will be one of the few times in financial history that such an event has come to pass.

* * *

You have no doubt gathered by this time that I'm not too optimistic about the market. And you'll be right. In past few weeks I hopped off the sidelines and reentered the market with a couple of stocks. Had I been convinced that things would be a lot better I would have increased holdings to at least ten stocks instead of limiting participation to a couple of low-priced issues.

* * *

I have given you two possibilities, up and down. There is still a third one. Markets that are gradually being squeezed between two objects sometimes come out flat as a ribbon. This means they can turn dull and stay that way for long periods of time. But in this case the lower and upper figures as represented by the averages will point the way which brings us back to the whole circle.

* * *

The stops in Cooper-Bessemer and Mead, bought at 24 and 16 respectively, are 22 and 14½ and are geared to the lower figure in the averages. Stops are by no means top insurance though they help prevent losses. Still they won't take the place of thinking.

* * *

Maybe by the time the next column is written there'll be sufficient additional clues on which to base a decision. Until then hold all positions.

More next Thursday.

—Walter Whyte.

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

Joseph F. Hammel With Cantor, Fitzgerald Co.

Joseph F. Hammel

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Joseph F. Hammel has become affiliated with Cantor, Fitzgerald & Co., Inc., 211 South Beverly Drive. Mr. Hammel was formerly in the investment business in Chicago where he was associated with the First Securities Co., Kneeland & Co., Mason, Moran & Co. and J. J. O'Connor Co.

Continued from first page

Contrasting Forces in Business Outlook

Let us first study the outlook for 1950. In my opinion the year 1950 taken as a whole will be a good year, although the total volume of business activity may be somewhat lower than in 1949. The soft goods industries, which underwent their readjustment in 1949, will do better in the present year than during the past year.

On the other hand, the hard goods industries, which still are living in a seller's market, in all probability will go through a readjustment in the second half of 1950. They will encounter more competition and they will encounter a great deal of buyer's resistance. As conditions are at present it is evident that the first half of the year will be better than the second half, primarily because of the readjustment which confronts the heavy goods industries, steels and automobiles and which may take place in the second half of 1950. Competition will be keen, perhaps keener than ever, and the number of failures in all probability will be large. The seasonal patterns of business will return, as it returned in the soft goods industries for the first time in 1949. They will appear in all industries during the present year.

Unemployment will not be large, maybe somewhat larger in the second half of the year. On the whole, however, we will have satisfactory employment, a satisfactory national income; and on the whole the year 1950 will be marked by a greater degree of economic stability than we had during the past.

This conclusion is not wishful thinking, it is based on a careful analysis of the various forces operating in the economy as far as the human eye can see them—and I must admit that the vision of the individual is rather limited in that.

Economic Forces Operating

If we analyze the economic forces operating in the United States at present we find a number of favorable forces, and some unfavorable forces.

Let us first analyze the favorable forces.

First: Building activity is at a high level and in all probability will continue. Private construction will tend to go down; public construction, public works, public housing, will increase. The building industry plays a very important role in our economy. It creates a demand for raw material and labor, it creates employment and generates purchasing power. Great activity in the building industry ought to have a favorable effect on the economy of the country as a whole.

Two: Farm income will be somewhat smaller than in 1949, partly because of lower farm prices, partly because of the curtailment of acreage. However, because of the farm support policy adopted by the Congress in 1949 farm income is bound to remain large. The farmer will endeavor to intensify his activities. He will be a larger buyer of fertilizer and equipment. Farm income ought to contribute to the well being of the nation.

Three: Spending by the Government will be large during the present year. The budget message of the President of yesterday estimated a deficit of $5 billion, 500 million for 1949-50; a deficit for the year 1950-51 is estimated at $5 billion, 100 million. Not only are these amounts large in themselves but they also create an inflationary psychology among a great many people.

The increased inactivity in the equity market may be taken as an indication of the inflationary fear that prevails in many parts of the country. Moreover, the Government will spend $2 billion, 800 million in the form of insurance dividends to veterans, and a considerable portion of this money will be spent by them. Whether these expenditures by the Government are good or bad, whether the long range consequences will be good or bad, is not the question at this moment. The fact of the matter is that the spending by the Government will generate purchasing power and will have a favorable effect on business activity.

Four: The savings of the people are exceedingly large. It has been estimated that the liquid savings in the hands of individuals and unincorporated businesses at the end of 1949 amounted to $200 billion; and by liquid assets I mean cash, money in the bank, and Government securities. Some of this money will be spent. When the people have the money to spend it is primarily a question of inducing them to spend. Undoubtedly the large savings in the hands of the people will exercise a favorable effect on business activity.

Add to this the fact that wages are high, add to this the broadening economic security of many workers, add to this the low money rates, the abundance of credit and of capital, and you have a combination of forces which are bound to influence favorably economic conditions in the country during the present year.

Unfavorable Factors

There are, however, unfavorable factors which we must consider, particularly with the view of ascertaining what may happen in the second half of the present year.

Briefly these factors are:

One—Increased cost of production. The higher the cost of production the more difficult it will be to reduce prices. The high cost of production leads to a high break-even point. When the demand for a given commodity decreases it will not be possible to reduce cost production because it will not be possible to reduce wages. This in turn may lead to unemployment, and therefore we must watch carefully the cost of production, not only in our own businesses but in other businesses as well.

Two: Capital expenditures by corporations will decrease. They were smaller in 1949 than in '48; they will be smaller in 1950 than in 1949. Capital expenditures play a much more important role in the economy of the country than consumer expenditures, therefore the businessman will watch capital expenditures carefully. Should the estimates prove to be wrong, should capital expenditures in the second quarter of this year increase, then there will be greater assurance that business will be maintained at a high level throughout the entire year.

On the other hand, should capital expenditures decline at a greater rate than is anticipated at present it will constitute a danger signal to businessmen in general and a sign to pull in their horns and to be more careful.

Three: There is a possibility—whether it is a probability I do not know—of an increase in corporate taxes. This would accentuate the downward trend of capital expenditures and therefore bring about less employment and poorer business.

Finally, we must not overlook the fact that the devaluation of so many currencies throughout the world—including the pound sterling—is bound to exercise a deflationary effect on the economy of the United States. It will lead to a decline in exports, particularly since ECA appropriations will be cut by at least $1 billion. It is bound to lead to an increase in imports, thereby further increasing competition in this country.

These are the forces working at present in the economy. If you take them together, if you weigh them, measure them from every angle, you reach this conclusion: All in all, the economic forces operating in the economy as well as those forces engendered by the Administration and the Congress, lead to the conclusion that 1950 will be a good year. In all probability business activity will be somewhat lower in 1950 than in 1949. The decline will be brought about in the second half by a decline in activity in the heavy goods industries.

Leaving out coal—which as we all know is dominated by one wilful man — on the whole labor throughout 1950 should be more or less tranquil. During 1950 labor will endeavor to broaden its social security gains, obtain pensions from various industries, and thereby increase its economic security.

Commodity prices during the year ought to be somewhat more stable than they were since 1945, and I do not expect any major international political crises which could upset business psychology of the country. The volume of trade, retail trade, ought to be substantial. Taking the volume of retail trade, both durable as well as soft goods, the total may be larger than in 1949.

This is briefly the short range outlook for 1950. In my opinion it is not sufficient for the businessman to sit back and say to himself that orders are satisfactory, that he has sold ahead during the first quarter of the year; that the volume of sales compares favorably with a year ago, or unfavorably. We have to look a little deeper into the economic forces operating in a country otherwise we are always confronted with something unforeseen and unexpected. Unless we look deeper into the forces operating in the economy we cannot make plans for more than a few weeks or months ahead.

Inflationary and Deflationary Forces

When we analyze the forces that are operating in our economy we find that there are both inflationary as well as deflationary forces and the question before us is which of these forces will tilt the scales. It is not merely an academic question, it is a question of vital interest to every businessman in the country no matter whether he is a manufacturer or a distributor.

If the businessman should find that the inflationary forces tend to tilt the scales he should become exceedingly careful because an inflationary forces carries in it the germ of deflation and of a downward readjustment.

If, on the other hand, he should find that the deflationary forces are setting in he ought to ask himself this question: How far can it go? How far will it be permitted to go? The conclusion that I reach may sound contradictory to you. If the businessman should find that the forces of inflation tilt the scales, instead of becoming optimistic he should become pessimistic. If, on the other hand, he finds that the deflationary forces tend to tilt the scales he can reach the conclusion that a serious depression is not in the making, that a general decline in costs of production and in prices will lay the foundation for much better buying in the future because it will increase the buying power of the dollar, which in turn is bound to have a favorable effect on the economy of the country as a whole.

Now let us analyze very briefly the inflationary and the deflationary forces.

One: The most important inflationary force operating in the economy is the deficit of the Government. It is rather discouraging to note that in a period of good years — 1948-49 was an excellent year businesswise — the Treasury operated with a deficit of $1 billion, 800 million. 1949-1950 promises to be a good year. All the forecasts made by Government economists, the tenor of the economic message of the President, all indicate that 1950 is bound to be a good year, and yet we will end the fiscal year with a deficit of $5 billion, 500 million, and the question that one may ask is this: If we cannot balance the budget in periods of prosperity when we have nearly 60 million people gainfully employed, when the national product is nearly $260 million, when will we ever balance the budget, and what will happen to the deficit of the Government and to the public debt if we ever really enter into a period of declining business activity?

The deficit of the Government is the more inflationary at present because, as I indicated before, the people in this country have $200 billion of liquid assets. What would happen if the people who during 1945, '46, '47 and '48 saved their money in the expectation that after a period of inflation comes a period of deflation, should realize that a deflation is not coming. What would happen if they should suddenly begin to believe that the huge expenditures by the Government and the large deficits are bound to lead to a new inflation and begin to spend their savings? We could have an inflationary bust the like of which we never had before. It is not so much, therefore, the deficit in itself as the psychological reaction the deficit can create in the minds of many people.

Low Money Rates Inflationary

Two: Another important factor which must be considered as inflationary in character is the low money rates which prevail at present. Now the businessman will say, "What have low money rates got to do with inflation?" The businessman does not borrow simply because he can obtain the money at a low rate of interest. The businessman borrows when he needs the money and then he pays the going rate of interest.

There is, however, another angle to it. The low money rates have stimulated borrowing by states and municipalities. It has been estimated that during the present year the various political subdivisions will offer $2 billion, 500 million in new securities, net, after redemption. This money is being used primarily for public works, thereby stimulating public works all over the country, and thus creating a demand for raw material and labor.

Next, the farm policy of the Government whereby huge quantities of raw materials and foodstuffs are being withdrawn from the market is inflationary in character because it leads to scarcities, high prices, and prevents a material decline in the cost of living.

There are, however, against this, also very important deflationary factors. If somebody tells you that the constant deficit of the Treasury is bound to lead to inflation listen carefully, but ask yourself this question: "Isn't there another side to the story?"

Deflationary Forces

The deflationary forces are these:

One: The productive capacity of the country is very great and is constantly increasing. What is more important, we are not operating at capacity, as you can see from these two figures: The index of industrial activity in November, 1948, was 195. In December, 1949, it was 175, 20 points below the peak in November of 1948. Unemployment has increased by about a million and a half. You cannot have inflation unless the economy works at capacity, and unless you operate with full employment. The productive capacity of the country is great, it is constantly being increased as new machinery and equipment is being put in place.

Two: As I indicated before, the high cost of production is a deflationary force in itself because it leads to a rigid economy; a rigid economy cannot adjust itself to a swing in a business cycle as easily as a flexible economy can.

If another spiral between prices and wages develops, if cost of production continues to increase, the consequences will be these: More production and fewer buyers, because not everybody's income is keeping pace with the constant increase in the cost of living. Therefore, sooner or later, the inflationary forces give way to the deflationary forces, as we have witnessed in the soft goods industries during 1949.

Now then, having given you both the inflationary and deflationary forces, the question arises, which of these two will prevail? Frankly speaking, I do not know, I do not know at the moment because a great deal will depend on the human reaction to certain given developments. The human reaction, the attitude of the consumer is of the utmost importance at present because never before in the history of the country did the consuming public have so much money at their disposal as they have at present. Now I am not a psychiatrist or a psychologist, and therefore I cannot say what the human reaction will be.

The second factor that cannot be foreseen is what measures the Congress will take. The Congress is in the habit of preaching economy in the morning but indulging in signing the appropriations in the afternoon. Economy has friends in the cloak rooms, on the public platform, but economy has no friends on the floor of the Congress.

However, be it as it may, one may reach the following conclusions: In all probability the forces of inflation will be more pronounced in the first half of 1950. The forces of deflation will become more apparent in the second half. The reason for that statement is this: In the fist half of the present year we will stil feel the momentum gained towards the end of 1949. We will feel the effects of the expenditures of $2 billion, 800 million given to the veterans in the form of insurance dividends; we will feel the after effects of the steel strike which has caused great activity in the steel industry.

In the second half of the year, on the other hand, we will feel the effects of the decline in private capital expenditures and the decline in private building construction, but no matter how you look at it, throughout the year 1950 there will be neither pronounced inflation nor pronounced deflation The year as a whole ought to enjoy a greater degree of stability in business than we had since 1941.

Conclusions

Now what conclusions can one draw?

First as to the immediate outlook: The year 1950 promises to be a good one. The volume of business activity will be larger even though it may be somewhat smaller than in 1949, brought about primarily by a decline in the second half of the year in the heavy goods industries.

Two: Business activity in 1950—as during 1949, and before that—will be strongly under the influence of the measures taken by the Congress and by the Administration, therefore the businessman has to watch carefully what type of measures are being taken in Washington and how they will affect the economy of the country as a whole and his own business.

Three: The volume of retail trade in all probability will be as large as in 1949, and may be somewhat larger. The decline in prices of foodstuffs — meat and others—will have a favorable effect on the soft goods industries. On the other hand, the television set and the automobile will continue to claim a large portion of the consumer's income. In this connection the businessman, particularly the distributor, will watch carefully the constant increase in the volume of consumer loans. While they are not very large in relation to total income, and to the total of income paid out, yet after the individual has to pay for a car, and for a television set, and for a kitchen sink there may be very little left to buy soft goods articles.

Four: The soft goods industries will continue to be favorably affected by the high standard of living which prevails throughout the land. The recent granting of pensions to labor and the general assumption that pensions will spread and soon embrace millions of manual workers will further increase the economic security of many people, and may induce them to spend more.

In my opinion it is not so much a question of what will take place in 1950. From all indications one may be wrong 10% on the upward, or 10% on the downward side, but in either case the year will be a good one. The real question before businessmen, the real question before us all as Americans is, what decisions will be made during 1950, and how they will influence the pattern that will develop when the pent-up demand for automobiles is met, and the housing shortage is met, when ECA disappears, and when we have to rely and live more and more on the current demand?

If Congress adopts measures which create a favorable business atmosphere, if business, particularly in the heavy goods industries, adopts a flexible price policy, if labor adopts a realistic attitude and takes into account that an increase in wages is warranted only by an increase in productivity, then the foundation will have been laid for a prolonged period of economic stability, and the pattern of business that will unfold itself after 1950 will be similar in character to the one which we had from 1922 to 1929.

If, on the other hand, we all follow our selfish interests, then not only will the economy by marked by greater ups and downs than we had in 1949, but then also the public debt will continue to increase, and the purchasing power of the dollar will continue to be eroded.

Schoellkopf & Co. to Admit Tindle, Stephens

BUFFALO, N. Y.—Schoellkopf & Co., 70 Niagara Street, members of the New York Stock Exchange, on Feb. 9 will admit Charles H. Stephens and Frank W. Tindle to partnership. Mr. Tindle will acquire the Stock Exchange membership of J. Fred Schoellkopf, IV, who will become a limited partner, from a general partner, on the same date. Felix L. Piech is retiring from the firm on Feb. 9.

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Business and the Consumer

there were only 200 thousand television sets in American homes. Today there are over 3 million.

We have made steady progress in equipping the American home with the conveniences of modern living. Even in the seven years between 1940 and 1947, which included five years of war, the number of dwelling units without electric lighting was cut from 8 million to 4½ million. The number without inside running water was reduced from over 11 million to 7 million. Home owners used three times as much electricity in 1949 as in 1939, and since 1939 the number of residential telephones in use has doubled.

Consumer Gains

The gains I have just mentioned are consumer gains in the possession of durable goods. Similar gains have been made in the consumption of non-durable goods, which include such basic necessities of life as food and clothing. It is generally assumed that the demand for food does not change from year to year. The fact is that in the last 30 years the per capita quantity of food consumed has increased 10%.

The American standard of living includes, however, more than the durable and non-durable goods we buy and use. It includes a wide variety of service. In the field of services we have progressed less rapidly than in the field of commodities. Even so, the average person today obtains 40% more services than the average person of 1919.

One of the advances in services during the past 30 years has been the use of the hospital as the customary place to care for the sick. As late as 1927 there were only seven hospital beds per 1,000 people. In 1948, with a much larger population, there were ten hospital beds per 1,000. We have added over half a million hospital beds since 1927. On the other hand, the number of physicians and dentists for every 1,000 people has not increased since 1919. Our gains have been made in the improvement of techniques, rather than in the amount of professional care.

Another kind of service that has been greatly expanded is recreation. The motion picture is a striking example of the gains that can be made through mass production and mass distribution in the service field. The great expansion of the motion picture industry took place in the '20s. Similar expansions have taken place more recently in other types of entertainment, the most impressive of which are in the field of professional sports.

Progress in Canning Industry

I would like to describe what has happened in your own industry over the past decade. At the end of 1949 the housewife paid, on the average, $1.97 for the same quantity of food that cost her $1 in the years just before the war. In other words, the average price to the consumer of all food products had increased approximately 100%. According to the latest Industry Report on Canned Fruits and Vegetables published by the Department of Commerce, the prices of canned fruits and vegetables increased by only 45% during the same period. The housewife now pays $1.45 for the canned fruits and vegetables that cost her $1 before the war. Let us look at these facts in another way. In November of 1949 the average hourly earnings of production workers in all manufacturing industries were $1.39. In 1938 the average hourly earnings of the same group of workers were $0.63. Suppose that in 1938 a can of vegetables cost $0.12. One hour's labor would buy five cans of vegetables. Today, even with the price of the same can of vegetables having increased to over $0.17, one hour's labor will now buy eight cans.

This kind of progress means something to the consumer. The relative stability in the price of canned fruits and vegetables, together with increased income for the consumer, has brought a marked increase in the demand for canned goods. In 1939, the total pack was 265 million cases. In 1949, it was 461 million cases. It is also proper to note that in the same period the wages of workers in your industry have risen from $0.43 to $1.14. This is a striking illustration of the way stable prices can bring wider markets to business and higher wages to workers. The result was achieved through competition and increased efficiency. The man-hours required to produce a case of canned goods have gone down as a result of more efficient techniques. During the past decade the technology of electrolytic tin plating for instance, has benefited the whole canning industry.

The achievements of the can manufacturing industry during the past decade are worthy of special comment. In 1949 the output of this industry equaled or exceeded the record 3¼ million tons of steel used in 1948. This production level is about 50% above that of a decade ago. In spite of a 50% rise in cost of materials and a 125% rise in labor costs, the prices of cans in 1949 were up less than one-third over the prices of ten years ago.

I mention these facts about the canning industry to illustrate the way in which balanced progress is achieved in the American economy. I could illustrate the same point by reference to other industries and other products. What I have described is a pattern of progress. If this pattern can be followed generally, the welfare of the American people as consumers will be served. At the same time, the businessman, the worker, and the farmer will benefit as the economy grows in response to greater efficiency, stable or decreasing prices, and wider markets.

The facts I have outlined are impressive. Others could be supplied to answer those who say that our economy is richer in dollars but no richer in the things and services which people can use. There is, however, sufficient point to this remark to give us pause. Money is meaningless except as it can be used. Its value is purely relative. The question is not how many dollars you get, but what can you get for the dollars you have?

Real Wages More Than Doubled

When we talk about wages we must think in terms of real wages—that is, the actual buying power of the paycheck. In this connection it is interesting to note that during the past 40 years the real wages of factory earners have more than doubled. This gain was made because our economy has become more efficient. At the same time that our working people have made gains in the size of their real wages, they have also made gains in the number of hours of leisure in which they can enjoy life. In 1909, the average work-week of factory workers was 57 hours, as compared to 40 hours in 1949. This is a reduction of 30%. We cannot attach a price to leisure. It means more enjoyment of life. It means increased efficiency during the working hours, and it means new opportunities for those businessmen who

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provide entertainment and recreation for the American people.

It is interesting also that some classes of workers who once earned very low real wages have made the greatest gains during recent years. For instance, the real wages of unskilled railroad section laborers have increased by 66% since 1937, as compared with an increase of 10% in the real earnings of skilled railroad shop machinists. In the same period, the real wages of helpers and laborers in the building trades rose 35%, as compared with a 10% increase in the wages of skilled journeymen. The real wages of workers in the cotton textile industry rose by 63% during these years, and the real wages of workers in the cottonseed oil industry rose by 109%.

To direct the discussion again to the real value of money—it is clear of no benefit to the working man to get a 50% increase in wages and be forced to pay 50% more for everything he buys or uses. The same comment applies to the farmer — and yet neither the working man nor the farmer is content to see prices go up and his income remain static. Needless to say, the same reasoning applies to the businessman. Each group watching its own welfare has felt itself engaged in a race to keep up with or pass the other fellow. This race, like others, can't go on forever—the speed can be increased for a time, but there is bound to be an end—exhaustion, or even collapse.

How can this be avoided?

Groups Must Be Kept in Balance

This brings us back to an earlier remark—as consumers we are all on common ground. We have explored many times the interests and influences which divide us; we should explore often and thoroughly those which unite us.

Our strength as a nation derives not from one but from many sources—from our democratic institutions, our business system of competitive free enterprise, our self-respecting force of workers, our hard-working and progressive farmers, our scientists, our educators, and our natural resources.

The groups which participate in keeping America strong are as closely interdependent as the various parts of a healthy organism. Our concern must be to keep these groups in balance so that, by working together, they can produce a better way of life for all of our people.

Such balance is not easy to achieve. In a real world, inhabited by fallible human beings, we do not expect paradise. We can, however, reasonably look forward to improvement, because we have seen real improvement in the past. Human affairs are influenced deeply by ideas and philosophies. Our chances of achieving a better balance and a greater growth will be improved if all groups keep in mind one sound objective of our economic activity—the improvement of life for the consumer.

We want more and better goods at stable or decreasing prices. As consumers, we are prepared to buy those goods and through our increased purchases stimulate business to continuing growth.

If business and labor keep the consumer in mind, they will bargain with one another more effectively in the national interest.

On the one hand business will place more emphasis upon a liberal and statesmanlike price policy. By thinking first about setting prices at the point where more people can buy their goods, they will widen their market and increase their efficiency. Some of our most imaginative and progressive business leaders have followed the practice of setting their prices to reach the widest possible market and then finding ways to lower their costs to meet their prices. It is interesting to recall a statement of Henry Ford with reference to pricing: "Our policy is to reduce the price, extend the operations, and improve the article. You will notice that the reduction of price comes first."

If management can demonstrate to labor that it seriously intends to sacrifice some of its profits in the interest of the consumer, labor should be willing to modify its own demands. Such a *quid pro quo* on the part of management should make a powerful appeal to the worker, who is also a consumer. As a partner with management in the production of goods, he is interested in expanding markets, which in turn mean greater productivity, and, in the end, good wages. At every council table around which negotiations between labor and management are conducted, the consumer is the unseen, though deeply interested, party. No one pleads on his behalf. Enlightened management and enlightened labor, however, should know what his interests are and that, in the long run, they will both fare better by giving him the fullest consideration.

The welfare of the consumer must be in the mind of the farmer when he asks for public support of agricultural prices.

The interests of the consumer must be a first concern of government as it attempts to bring about a balance among the various groups which produce the goods and services we use. The welfare of the consumer is the foundation of our strength. We must keep his welfare in mind if we are to grow stronger as a democracy.

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As We See It

A Serious Matter

These are all matters which deserve close study by the authorities and serious thought by the American public, even if much of it may now be water over the dam. This is all the more true since the evidence brought forth in the first Coplon case seems to indicate that such activity as this has not even yet been stamped out. But there are aspects of this situation which, so it seems to us, far transcend in importance the specific transgressions of any or all of the individuals who have as yet been exposed.

There can be no doubt that the transactions to which reference has here been made and the general situation of which they are part and parcel are in their turn ingredients in a broader and more fundamental state of affairs which still prevails in this country. That much broader and more basic characteristic of the earlier years from 1933 onward, and of the day and time in which we live, is two-pronged. It stems from a persistent and profoundly critical attitude toward almost everything in the economic and social traditions of this country, and a somewhat correspondingly friendly attitude toward much of what is being done in socialistic and communistic countries.

Really Un-American

This general abandonment of the American tradition and this acceptance of a radically different concept of social and economic well-being stemming from Russia and the more "advanced" thinkers elsewhere in Europe were, of course, very pronounced in the early days of the New Deal, and they permeated the thinking of that regime and all its adherents. There were times when the Roosevelt Administration itself apparently hesitated to make full avowals of its inner feelings, but appeared to encourage minor members of its entourage, and indeed at times almost any of them, to carry the gospel to the world. It was, of course, an atmosphere which could hardly fail to bring forth such activities as those of which Mr. Hiss is charged, and which may well have been indulged in by a good many of the New Deal menage of that day and time.

But much more than that was encouraged, sometimes quite openly and avowedly and sometimes less obviously. It is one thing to aid and abet espionage activities of a foreign power; it is quite another to aid and abet the intellectual following of that foreign power in this country to the end that one's own country is directed into paths which lead in the end to its destruction. One is treasonable; the other falls quite within the rights of the free citizen. The latter, if the people are not on the alert to their own interests or if they are overly impressed with the smooth tongues of the advocates of foreign "ideologies," could be infinitely the more harmful. It could even be that the "conquest" of the country by such regimes as the Kremlin would be hastened much more effectively in this way than by the sort of direct action that Mr. Hiss and Miss Coplon are accused of and that Mr. Chambers confesses.

Colossal Blunders

So much of this aspect of the colossal blunders of the past regarding the Kremlin and the fallacious policies of the earlier days of the New Deal. They have cost us far more heavily than most of us imagine, but what was done was done. What the intelligent citizen now wants most of all to know is what the situation is today. Is the Federal Government today as riddled with outposts of the Kremlin as the conviction of Judith Coplon seems to suggest or intimate? Is the climate in Washington even today such as to encourage such activity? Is the intellectual atmosphere such that the doctrines (or many of them) of the Kremlin—ideas which are often much more deadly than bombs—find a favorable breeding place? These are really serious questions.

As to the extent to which untrustworthy individuals still inhabit Washington and are still being employed by the Federal Government in posts of responsibility we are not in a position to know—and neither is the man in the street. We are also in no position to say what reasonable steps are being taken to root them out — assuming they are there. The President, if not his Secretary of State, appears to be a little more cautious in "red herring"-like statements at this stage than he was last year, but further than that the current state of affairs is obscure.

What is evident to all is the fact that the "Fair Deal," fully as much as the New Deal, is maintaining an atmosphere which encourages attacks upon American traditions and stimulates sympathy for such ideas as the Kremlin avows.

Reynolds Group Offers ABC Vending Com. Stk.

Reynolds & Co. heads a list of underwriters who on Jan. 26 publicly offered 177,028 shares of common stock (par $1) of ABC Vending Corp. at $9.37½ per share.

The underwriters are offering 29,800 shares of the stock on behalf of selling stockholders. Proceeds from the sale of the other 147,228 shares will be used by the company to reimburse its treasury for the cost of U. S. Treasury bonds recently deposited under operating contracts with New York City's Board of Transportation, and for the cost of expansion of its business. In addition, the company plans on adding to its general corporate funds.

The principal business of the corporation and its subsidiaries is the sale of confections and popcorn under the slogans "America's Best Candy" and "America's Best Corn," at stands and through automatic vending machines located mainly in motion picture theatres and subway stations. They operate in the more populous communities of 28 states, including such cities as New York, Boston and Philadelphia, and in the District of Columbia. Other merchandise sold includes soft drinks, food, tobacco products, newspapers, magazines, novelties and miscellaneous items.

Illinois Company Elects Officers

CHICAGO, ILL. — Stephen J. Frawley, Edward K. Hardy, Jr., Martin B. Olsen, and Harris E. Wilder have been elected Vice-Presidents of The Illinois Company, 231 South La Salle Street, members of the Midwest Stock Exchange.

William B. Murray, Jr. has been appointed manager of the firm's municipal department, and Fred T. Rahn, manager of the trading department.

Joins A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — Marion N. Roberts has become associated with A. C. Allyn & Co., Inc., First National Bank Building.

William Weiffenbach With Theo. Young Co.

Wm. L. Weiffenbach

William L. Weiffenbach has joined the trading department of Theodore Young & Co., 40 Exchange Place, New York City. Mr. Weiffenbach, who has been in the "Street" for 18 years, was formerly with Chas. E. Quincey & Co.

Equitable Underwritings

Equitable Securities Corporation, 322 Union Street, Nashville, Tenn., has issued a brochure enumerating the corporate and municipal bond issues, and common and preferred stocks that they underwrote last year. It shows that they participated as an underwriter in 163 new issues of securities, aggregating $1,700,012,401, of which their participation amounted to $72,672,443.

Two Join Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—James E. Godkin and Gerald R. Hayward have become connected with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges.

Bastion With Fewel

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harry J. Bastion has become affiliated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Gross, Rogers & Co. and Buckley Bros.

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)	Feb. 5	93.1	93.9	92.9	100.9
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 5	1,774,700	1,790,000	1,771,600	1,860,100
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Jan. 21	4,962,300	*4,924,800	4,995,450	5,472,850
Crude runs to stills—daily average (bbls.)	Jan. 21	†5,513,000	5,487,000	5,482,000	5,642,000
Gasoline output (bbls.)	Jan. 21	17,988,000	18,422,000	18,045,000	17,961,000
Kerosene output (bbls.)	Jan. 21	2,663,000	2,679,000	2,525,000	2,354,000
Gas, oil, and distillate fuel oil output (bbls.)	Jan. 21	7,482,000	7,596,000	7,335,000	7,979,000
Residual fuel oil output (bbls.)	Jan. 21	8,256,000	8,059,000	8,046,000	9,507,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 21	122,325,000	118,844,000	110,164,000	111,537,000
Kerosene (bbls.) at	Jan. 21	19,097,000	19,217,000	20,894,000	21,999,000
Gas, oil, and distillate fuel oil (bbls.) at	Jan. 21	69,375,000	71,075,000	78,662,000	64,364,000
Residual fuel oil (bbls.) at	Jan. 21	58,585,000	60,003,000	61,647,000	63,725,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 21	§618,950	§631,018	§623,303	709,837
Revenue freight received from connections (number of cars)	Jan. 21	§558,104	§545,838	§568,427	631,116
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 26	$216,406,000	$182,177,000	$66,858,000	$212,157,000
Private construction	Jan. 26	163,002,000	103,902,000	30,933,000	64,829,000
Public construction	Jan. 26	53,404,000	78,275,000	35,925,000	147,328,000
State and municipal	Jan. 26	33,712,000	55,613,000	29,421,000	71,797,000
Federal	Jan. 26	19,692,000	22,662,000	6,504,000	75,531,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 21	7,260,000	7,420,000	9,040,000	11,460,000
Pennsylvania anthracite (tons)	Jan. 21	732,000	660,000	616,000	860,000
Beehive coke (tons)	Jan. 21	19,100	*28,500	20,000	158,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Jan. 21	230	233	541	230
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 28	5,971,662	6,041,158	5,492,674	5,810,034
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Jan. 26	232	231	109	136
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 24	‡3.837c	3.837c	3.837c	3.720c
Pig iron (per gross ton)	Jan. 24	$46.05	$46.05	$45.88	$46.82
Scrap steel (per gross ton)	Jan. 24	$26.75	$26.42	$26.58	$40.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 25	18.200c	18.200c	18.200c	23.200c
Export refinery at	Jan. 25	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	Jan. 25	75.000c	76.250c	78.000c	103.000c
Lead (New York) at	Jan. 25	12.000c	12.000c	12.000c	21.500c
Lead (St. Louis) at	Jan. 25	11.800c	11.800c	11.800c	21.300c
Zinc (East St. Louis) at	Jan. 25	9.750c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 31	103.76	103.90	104.53	101.57
Average corporate	Jan. 31	111.41	116.41	116.22	113.12
Aaa	Jan. 31	121.46	121.67	121.46	118.80
Aa	Jan. 31	119.82	120.02	119.82	117.00
A	Jan. 31	116.02	116.02	115.63	112.19
Baa	Jan. 31	108.88	108.88	108.34	103.17
Railroad Group	Jan. 31	111.62	112.00	111.25	108.88
Public Utilities Group	Jan. 31	117.20	117.20	117.20	113.50
Industrials Group	Jan. 31	120.43	120.43	120.22	117.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 31	2.22	2.21	2.17	2.41
Average corporate	Jan. 31	2.83	2.83	2.84	3.00
Aaa	Jan. 31	2.58	2.57	2.58	2.71
Aa	Jan. 31	2.66	2.65	2.66	2.80
A	Jan. 31	2.85	2.85	2.87	3.05
Baa	Jan. 31	3.23	3.23	3.26	3.44
Railroad Group	Jan. 31	3.08	3.06	3.10	3.23
Public Utilities Group	Jan. 31	2.79	2.79	2.79	2.98
Industrials Group	Jan. 31	2.63	2.63	2.64	2.79
MOODY'S COMMODITY INDEX	Jan. 31	356.2	354.6	347.5	386.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 21	189,449	198,135	153,405	182,892
Production (tons)	Jan. 21	204,852	207,624	200,595	191,306
Percentage of activity	Jan. 21	92	94	92	92
Unfilled orders (tons) at	Jan. 21	371,395	388,173	327,641	327,700
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Jan. 27	122.3	122.3	124.8	141.5
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	Jan. 14	40,999	27,570	28,415	21,571
Number of shares	Jan. 14	1,266,307	833,663	876,698	598,960
Dollar value	Jan. 14	$46,609,715	$31,554,124	$34,525,262	$25,771,113
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 14	42,534	28,152	38,412	18,303
Customers' short sales	Jan. 14	421	167	200	186
Customers' other sales	Jan. 14	42,113	27,985	38,212	18,117
Number of shares—Customers' total sales	Jan. 14	1,227,242	791,777	1,075,662	463,695
Customers' short sales	Jan. 14	15,448	5,892	7,708	6,944
Customers' other sales	Jan. 14	1,211,794	785,885	1,067,954	456,751
Dollar value	Jan. 14	$42,177,839	$27,165,478	$36,658,497	$17,051,496
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 14	417,850	238,150	427,730	119,080
Short sales	Jan. 14				
Other sales	Jan. 14	417,850	238,150	427,730	119,080
Round-lot purchases by dealers—					
Number of shares	Jan. 14	413,170	291,480	241,460	266,320
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Jan. 24	150.7	150.9	151.1	159.5
Farm products	Jan. 24	153.2	153.4	155.1	169.2
Grains	Jan. 24	160.3	159.6	159.8	184.0
Livestock	Jan. 24	191.2	190.6	188.2	206.5
Foods	Jan. 24	154.5	155.0	155.6	162.8
Meats	Jan. 24	208.2	210.0	203.8	218.3
All commodities other than farm and foods	Jan. 24	145.1	145.2	145.4	152.9
Textile products	Jan. 24	137.4	137.5	137.5	145.7
Fuel and lighting materials	Jan. 24	130.3	130.5	130.5	137.3
Metals and metal products	Jan. 24	169.4	169.4	169.4	175.5
Building materials	Jan. 24	190.3	190.3	190.8	202.1
Chemicals and allied products	Jan. 24	115.8	116.0	115.4	124.8

*Revised figure. †Includes 484,000 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 WROUGHT PRODUCTS (DEPT. OF COMMERCE)—Month of November:			
Total shipments (thousands of pounds)	80,742	106,233	129,754
AMERICAN TRUCKING ASSOCIATION—Month of November:			
Number of motor carriers reporting	303	*303	303
Volume of freight transported (tons)	3,211,170	*3,460,485	3,117,255
AMERICAN ZINC INSTITUTE, INC. — Month of December:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	71,096	65,055	76,696
Shipments (tons of 2,000 lbs.)	66,151	*73,702	75,332
Stocks at end of period (tons)	93,964	89,019	20,848
Unfilled orders at end of period (tons)	42,625	29,166	51,318
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of Dec. (in millions):			
Total new construction	$1,612	*$1,767	$1,447
Private construction	1,225	*1,295	1,129
Residential building (nonfarm)	690	*715	547
Nonresidential building (nonfarm)	261	*266	305
Industrial	68	68	114
Commercial	84	86	93
Warehouses, office and loft buildings	26	*25	31
Stores, restaurants and garages	58	*61	62
Other nonresidential buildings	109	*112	98
Religious	30	*32	27
Educational	23	23	24
Hospital and institutional	24	*23	10
Social and recreational	19	20	21
Remaining types	13	14	16
Farm construction	15	25	13
Public utilities	259	289	264
Railroad	31	34	33
Telephone and Telegraph	42	*43	56
Other public utilities	186	212	175
Public construction	387	*472	318
Residential building	22	*24	7
Nonresidential building (other than military or naval facilities)	142	*151	110
Educational	77	*78	61
Hospital and institutional	41	*44	27
All other nonresidential	24	29	22
Military and naval facilities	9	12	9
Highways	92	*145	83
Sewer and water	46	50	42
Miscellaneous public service enterprises	6	*8	5
Conservation and development	56	65	50
All other public	14	17	12
COAL OUTPUT (BUREAU OF MINES—Month of December:			
Bituminous coal and lignite (net tons)	34,838,000	43,755,000	50,385,000
Pennsylvania anthracite (net tons)	2,746,000	*4,653,000	4,506,000
Beehive coke (net tons)	79,300	*30,200	670,100
COKE (BUREAU OF MINES)—Month of Nov.:			
Production (net tons)	3,501,285	1,736,107	6,473,100
Oven coke (net tons)	3,471,060	1,727,258	5,832,900
Beehive coke (net tons)	30,225	8,849	640,200
Oven coke stocks at end of month (net tons)	2,017,301	2,119,848	1,588,884
COMMERCIAL STEEL FORGING (DEPT. OF COMMERCE)—Month of November:			
Shipments (short tons)	72,859	81,278	*123,657
Unfilled orders at end of month (short tons)	286,897	280,291	*619,390
COPPER INSTITUTE—For month of December:			
Copper production in U. S. A.—			
Crude (tons of 2,000 lbs.)	80,004	80,598	64,451
Refined (tons of 2,000 lbs.)	94,947	92,602	96,117
Deliveries to customers—			
In U. S. A. (tons of 2,000 lbs.)	107,662	117,133	102,292
Refined copper stocks at end of period (tons of 2,000 lbs.)	116,027	139,199	96,080
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of December:			
Factory sales of washers (units)	237,591	298,717	183,700
Factory sales of ironers (units)	19,400	35,000	26,000
REAL ESTATE FINANCING IN NON-FARM AREAS of U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of November (000's omitted):			
Savings and Loan associations	$341,812	$346,008	$271,885
Insurance companies	98,688	99,546	80,761
Banks and Trust companies	229,346	227,799	199,566
Mutual Savings banks	74,983	70,892	67,904
Individuals	177,297	180,910	178,935
Miscellaneous lending institutions	192,515	192,057	139,262
Total	$1,114,041	$1,117,212	$938,313
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of October:			
Net railway operating income	$46,878,473	$63,537,629	$108,358,348
Other income	17,529,984	15,197,309	17,751,403
Total income	64,408,457	78,734,938	126,109,751
Miscellaneous deductions from income	2,706,615	2,705,224	4,656,459
Income available for fixed charges	61,701,842	76,029,714	121,453,292
Income after fixed charges	26,962,378	41,430,849	86,799,335
Other deductions	3,369,937	3,300,195	3,144,320
Net income	23,592,441	38,130,654	83,655,015
Depreciation (way & structures & equip.)	34,064,427	34,037,349	31,494,548
Amortization of defense projects	1,360,623	1,375,359	1,379,392
Federal income taxes	21,379,133	28,031,722	50,454,567
Dividend appropriations:			
On common stock	5,240,956	10,900,016	13,092,354
On preferred stock	4,371,855	1,191,961	9,923,451
Ratio of income to fixed charges	1.78	2.20	3.50
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Dec. 31 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	257,130,340	256,982,000	252,799,581
Guaranteed obligations not owned by the Treasury	29,769	29,327	54,820
Total gross public debt and guaranteed obligations	$257,160,110	$257,011,328	$252,854,401
Deduct—Other outstanding public debt obligations not subject to debt limitation	746,897	749,490	797,272
Grand total outstanding	$256,413,212	$256,261,838	$252,057,128
Balance face amount of obligation issuable under above authority	18,586,787	18,738,161	22,942,871

*Revised figure.

Continued from page 2

The Security I Like Best

value. Assets are heavily understated because of accelerated amortization during the war and the increased replacement value resulting from the higher postwar price level. This latter factor is common to most corporations, but is exaggerated in the case of the United States Steel Corporation because of the large amount of new capital investment. True book value, on a reappraised but still conservative basis, is probably at least $100 per share.

(c) Despite the capital program, working capital has risen by about $150 million, or nearly $6 per share, in the past 15 years.

(d) The company is probably the most fully integrated member of its industry, owning vast raw material resources.

(e) Finally, apart from steel operations, the company has important other interests including 3,600 miles of railroad trackage, a coal mining capacity accounting for 5% of national production, extensive natural gas pipe line mileage, and large cement manufacturing capacity. Also, it operates a chain of general retail stores for the use both of its own employees and the public.

With indications that "Big Steel's" modernization program is now largely completed, it is possible to reach several important conclusions. In the first place, the company is now in a very strong competitive position, with costs well below a large part of effective competition and the company therefore should be able to continue to report good earnings even if demand falls well below capacity. In the second place, with capital needs now diminishing, and with earnings reported on a very conservative accounting basis, a more liberal dividend policy should prove warranted over a length of time.

Corporate Background—Organized almost half a century ago, U. S. Steel ranks as the largest steel producing enterprise in the world. The original goal—that of a fully integrated steel unit—has been completely realized during the intervening period. Not only does the company manufacture a wide variety of steel products, but it also operates ore and coal mines, limestone quarries, ore vessels, coke ovens, blast furnaces, steel making furnaces and rolling and finishing mills, as further evidence of its far-flung activities, the company, through its 33 subsidiaries, is also the largest cement manufacturer in the country, an important railroad operator (carriers owned by the company have a trackage of 3,600 miles) and controls an extensive natural gas pipe line system. A network of warehouses serves the important consuming areas of the country. Finally, the company is in the merchandising business, operating 108 general retail stores which sell food, house furnishings and clothing to the public as well as company employees In the aggregate, all these activities add up to a yearly volume which approximated $2.5 billion.

While the company has had some loss of relative position, improved operating efficiency should enable it to compete advantageously under less favorable business conditions. For example, the importance of locating new capacity as close as possible to consuming outlets has been fully recognized by the management, especially in the light of spiralling freight costs. Strategically located plant distribution should enable the company to enjoy a strong competitive position under any pricing system, particularly since there has been pressure to force the Federal Trade Commission to rescind its 1948 order on abandonment of the basing point system. Its competitive position should be much further enhanced, especially on the Atlantic Seaboard, by a large new steel plant proposed for the Philadelphia area.

It is impossible, of course, to establish a new book value figure for U. S. Steel common which would reflect exactly the true book values that now exist for the shares. We think that $70 per share can readily be proven. Because the entire price level is so much higher than when a large part of these newer facilities were installed, I believe that the **present** value of these facilities can be assumed, for working purposes, to be at least 50% over the book figures. (This corresponds to the "acceleration" of depreciation put into effect by the corporation in the past several years.) Such an adjustment would give U. S. Steel a present book value of about $100 per share, which I regard as reasonably conservative.

Earnings Record and Prospects—Reflecting the highly cyclical nature of the steel business, profits trend has been irregular. During the war, high taxes were a restrictive factor: however, the postwar period has witnessed a steady improvement, aided by the maintenance of a high volume output and increases in the price level. The latter, however, has lagged behind increased wage costs. Nevertheless, employment costs as a percentage of sales have held remarkably stable, declining to 41% in 1948, compared with 47% in 1945 and 47% in 1935. This record is a testimonial to the management's ability to control costs. Recent profit margins, while down sharply from the war period, compare favorably with immediate prewar levels. Net income in 1948 was at the relatively low rate of 5.2% of sales, but this showed a gain during the first nine months of 1949. Despite the losses incurred during the strike in October and November, indications are that net for last year approximated between $5 and $5.50 a share, compared with $4 in 1948. This would be the best showing since 1929, when profits attained a peak of $7.06 a share of present stock. The effect of increased pension and social insurance costs is difficult to determine, although it is believed that the rise in steel prices last month will largely offset such heavier charges.

The current high rate of operations in the steel industry suggests a good level of earnings for the company in the first half of this year. Some contraction appears likely in the closing six months, but results for the year as a whole, barring a severe slump, should be quite satisfactory, within close range of the 1949 showing. Over the longer term, the competitive advantages growing out of the modernization program and the company's strong raw materials position augur well for the maintenance of a high profits level.

Debt Elimination, Finance and Dividends—In spite of the heavy capital requirements of the modernization program, the management has been highly successful in reducing fixed obligations and materially strengthening the company's general financial condition. Thus, funded debt during the past 15 years has been reduced by $37 million at the same time that working capital increased some $144.1 million to $522.6 million as of Sept. 30, 1949. Except for certain years during the depression of the '30s, dividends have been paid during the greater part of the company's existence. In the past five years dividends have averaged about 60% of net earnings. The annual dividend rate has just been increased from $2 to $2.60 per share.

Conclusion

Adjusting for the recent stock split, U. S. Steel common stock sold at 42 in 1937, when earnings and dividends were substantially below present levels. At its present price, the stock is selling for less than half of the amount per share invested in the properties during the past decade and a half; and for less than one-third of our conservative appraisal of today's true book value. While profits will continue to fluctuate with changes in business conditions, the company, through its extensive modernization program, is now in a very strong position to exert effective control over costs during periods of declining volume. The profits trend, therefore, should be relatively more stable. Strong finances also assure liberal returns to stockholders. Prior to the increase in the dividend, the common sold on a 7% yield basis. As a result of the higher dividend a price of 35 would yield the same return, whereas at the present price the yield is currently around 9%.

FREDERICK H. ROSENSTIEL
Arnhold and S. Bleichroeder, Inc., New York City

Most textile shares other than rayon shares have hardly participated in the recent rise of the market. One of the cheapest in this group appear the shares of M. Lowenstein & Sons. Lowenstein's history goes back to 1889; the company remained a family enterprise until 1946 when part of the shares were sold to the public but the family still holds more than 50% of the 1,027,000 common shares which are preceded by 74,000 preferred shares ($100 par). Since 1946, the company has shown the following earnings per share:

F. H. Rosenstiel

	Earnings Per Share	Dividend	Price Range High	Low
1946	*$8.50	$1.00	44	21
1947	*13.41	2.12½	30	17½
1948	*13.26	3.25	36	20
1949	†4.00	2.00	26	21
Total	$39.17	$8.37½		

*Including contingency reserves.
†Estimated.

In these four years, the company has retained earnings of approximately $31 per share which is considerably more than the present price of the shares ($25). While large amounts have been used to expand and improve plants and equipment, net liquid assets have increased from $18,010,000 in 1946 to $33,252,000 in 1948. On a per share basis, the net liquid assets of the company (after deducting the preferred shares) have increased from $10.12 in 1946 to $25.15 in 1948 whereas the total book value has risen from $21 to $43 per share. The shares are selling at their net liquid asset value, with the plants thrown in. These plants were valued at $18,360,000 (net) at the end of 1948 which is obviously very low; in 1947 and 1948 alone, the company has used $8,550,000 for expansion and improvement of its plants; its grey-goods factories have 280,000 spindles with a capacity of approximately 190 million yards of cotton grey goods and its printing and finishing plant at Rock Hill, S. C., one of the biggest and most modern in the country, has a capacity of more than 300 million yards per year.

1949 was a bad year for the whole textile industry, particularly in its first half; Pacific Mills e. g. cuts its quarterly dividend in half and Lowenstein omitted the extra dividends paid in the exceptionally prosperous year of 1948. For the first nine months, earnings amounted to $2.83 per share and the earnings for the full year should have been around $4, more than twice the present rate of dividends which gives a yield of about 8%. The 1949 results were by no means bad considering a decline of almost 50% in the prices of grey-goods and general conditions. Business has picked up sharply since last summer and the cotton industry is practically sold out through the third quarter, at better prices than those prevailing during the first half of 1949. Thus, considerably better earnings can be expected and I would not be surprised to see the company pay an extra dividend, particularly as the outlays for plant modernization should be smaller. But the main thing is that the company has passed the acid test of 1949 with flying colors.

Lowenstein has two basic advantages which make it somewhat more depression-proof than other textile concerns:

It manufactures and merchandises "popular priced" fabrics which account for somewhat greater stability of sales even under unfavorable circumstances; another advantage is that its Rock Hill finishing plant (which has operated profitably throughout the depression) has a greater finishing capacity than the grey-goods producing capacity of its own mills; this enables the company to buy grey-goods from outside sources which is often an advantage. Why are the shares so low? First, because the earnings of the cotton industry are rightly considered hectic. Another reason is that many people in the Street feel that the shares are not yet "seasoned" although the company can look back to a highly successful history of almost 60 years as a family enterprise before shares were sold to the public in 1946.

LESLIE B. SCHWINN
L. B. Schwinn & Co., Cleveland, Ohio
Member Midwest Stock Exchange

Preferences in securities are usually modified by individual requirements. The smaller investor undoubtedly prefers the security with the most generous return, but paucity of capital dictates that safety of principal must be the prime consideration. Larger investors likewise may have a predilection for sizable yields. However since tax brackets render higher incomes more or less meaningless, perhaps it is more prudent to follow some other course, such as the quest for long-term capital gains.

Leslie B. Schwinn

Obviously it is impossible to obtain an investment which satisfies the necessities as well as the preferences of all investors. Yet, there is a single security which, in my opinion, promises to come closer than any other to approximating that high standard. The security I like best is the capital stock of The Cleveland Trust Company, the largest bank in Ohio and one of the largest in the nation.

This institution was launched 55 years ago as a million dollar bank. Today it is a billion dollar bank and still growing. Operating earnings per share in 1949 were $45.78 on the 150,000 shares outstanding. During the previous year $45.34 per share was realized on the 138,000 then outstanding, or $41.71 on the current capitalization. Recoveries and other non-recurring profits in 1949 added another $2.13 per share, for a total of $47.91. The market for the stock as of Jan. 30, 1950, is 310 to 320. Book value per share at year end was $348.78 and reserves $20 per share. Capital Funds totalled $55,317,211.78 against deposits of $1,058,372,953. Dividends are at the rate of $10 per annum, a yield of approximately 3.12% on the current market for the stock.

The dynamic earnings potential of Cleveland Trust Co. and the intrinsic strength of its balance sheet are clearly demonstrated by the history of the bank's capital notes. In 1934, following the practice of other banking institutions, capital structure was augmented by the sale of $15,000,000 of notes. While many banks sold from time to time additional common stock for the redemption of senior paper, The Cleveland Trust retired its notes entirely out of earnings. In addition a stock dividend of one share for each 11 and a half was paid in 1949. Certainly this is an outstanding example of non-dilution of stock.

Other fiscal policies have been equally conservative. The Main Office, located on one of the most valuable sites in the Cleveland business district, and 32 branch buildings which are owned are carried in the statement at $3,704,897.79. Investments in United States Treasury obligations have an average maturity, according to call dates, of two years and seven months. Of other bond holdings, 92%, are callable or mature in five years.

By contrast, new business policies are aggressive. A network of 54 branches covers greater Cleveland. Indicative of the bank's ability to get loans is the fact that income from this source in 1949 exceeded the return procured from securities. The magnitude of the Estates Trust Department is acknowledged in fiscal circles. Other important sources of revenue are the Corporate Trust Department, a natural facility in an industrialized area like northern Ohio, and a Personal Loan Department.

Although current earnings cover the dividend by four and a half times, it would not be prudent to anticipate a rapid increase in the rate of payment. The 1949 report to shareholders stated the following: "Your management strongly favors continuing the policy of building up our Capital Funds." It is this very policy which renders the stock attractive alike to the small investor requiring security of principal, and to the larger investor seeking growth of capital.

A return of 3.12% compares favorably with that presently obtainable on many high grade securities, particularly of the fixed income type. Paradoxically stated, it is high enough for the investor needing above all else stability of income, and low enough not to irk the occupants of the higher tax brackets. And, of course, there is the very good possibility of eventually receiving more, in cash or in stock.

Meanwhile, the annual additions to book value are creating a backlog of safety for the small investors and an estate for the larger ones. It is an investment serving a dual purpose. That is why Cleveland Trust Co. is the security I like best.

Continued from page 4

Investment Policy in 1950

the minds of the people who buy and sell them. The problem of *investment* in common stocks is either to insulate yourselves from the speculative influences, or else to adjust your investment policy so that you can take advantage of the speculative fluctuations that are imposed upon the basic investment quality of common stocks. I need not remind you that the underlying quality of common stocks has improved tremendously since 1900. Not only do we have a great deal more dependable information about them, but the corporate structures upon which common stocks depend have been greatly improved in terms of conservatism, in terms of real and realizable value behind the shares. For these reasons I think the main conclusion that we can draw about sound investment in 1950 is that it must turn to a substantial degree upon the intelligent purchase of common stocks.

"Artistic-Scientific" Methods

Now, what would be the "artistic" or "scientific" methods that an investor should employ in connection with a program involving common stock investment? In the first place, the question is how far should the concept of common stocks as a component of a portfolio be carried. We all know that the conservative investor will not be psychologically inclined to go too far in the common stock field. As a practical matter the limits of apportionment seem to run between a 75% bond portfolio with 25% in stocks, and the other proportion of 75% in stocks and 25% in bonds. When we ask about the make-up of the bond type of portfolio, we find one very basic fact confronting us: *Corporation bonds*, which were the central and almost the only component of individual investment a generation ago no longer appear to be appropriate to any extent for purchase by individuals. It is easy to show that investment in Series E Savings Bonds or Series G Savings Bands and in tax-free municipal and state securities is a much sounder and appropriate medium for fixed-falue investment than any corporation bond or corporation preferred stock.

The reasoning here goes something like this: If you buy a corporation security of the highest grade you do not get any better return than you can in Government bonds; and, if you are in the high bracket your net return is much less than you would get in tax-free securities. On the other hand, if you buy a corporation bond or preferred stock of medium grade in order to "sweeten the yield" somewhat, you are assuming a risk which much more than compensates for the additional yield which you may obtain. That reasoning is undoubtedly sound with respect to individual investment in 1950. It may not be true in 1955; **but as long as the present relationship of corporate yields and government yields is maintained I think we should rule out individual investment in corporation senior securities.**

Institutional Investment

As far as institutional investment is concerned, that is another story. The institutions have their own reasons for purchasing corporation securities at their present low yields, and it is not my purpose to examine into those reasons. I will say, however, that I think that trust departments which invest funds for individual beneficiaries are still too much governed by the traditional division of investments between corporation bonds, preferred stocks, and common stocks. They would be better advised to divide their portfolios solely between government bonds (or tax-free bonds) on the one hand, and common stocks on the other.

Market Forecasting Unsatisfactory

Now, with regard to the matter of investment in common stocks and the way of going about it in the year 1950. The main issue that confronts investors, and particularly confronts you as customers' brokers, is the question: To what extent shall we endeavor to anticipate what the stock market is going to do? My own views on this subject are pretty well known to all of you. I am not going to elaborate them. I believe that the endeavor to anticipate what the stock market is going to do is not on the whole a satisfactory activity. It is successful at times and it is unsuccessful at other times, but on balance it does not pay. I am an exponent of the philosophy that the main objective of common stock investment should be *pricing*, not *timing;* and by pricing I mean the endeavor to buy securities at prices which are attractive, letting timing take care of itself. It is obvious, of course, that when you buy securities at low prices—and if that happens to be a good time in relation to the future action of the market—your pricing and your timing coincide. There can be no objection to that combination. But from the viewpoint that I represent, the first and primary emphasis must be placed upon the endeavor to buy securities at the right *prices*. I believe that the decision to postpone buying at the right price, because of the thought that some future time may be more propitious will on the whole turn out to be an unsatisfactory policy for the real investor. He may thus buy his shares sooner in relation to the rise that will finally come. But unless he acquires the stock at a considerably *lower price* than he previously considered, he has made no true gain whatever. (Certainly he has lost interest on his money.)

The 200 Dow-Jones

In January, 1950, you have the problem whether a level of the Dow-Jones Average at about 200 represents a suitable price for the purchase of common stocks for investment. You also have a problem that concerns you individually very much, I am sure, whether January, 1950 represents a suitable *time* for purchase, in the light of what the market will do. In trying to answer that question I am reminded of an address I made in March, 1948, before the National Federation of Financial Analysts Societies, in which I considered the question of the purchase of General Motors at 52. I stated that, on the past record, there was danger that General Motors might well decline to 40, and a perhaps equal an opportunity for it to advance to 80. But from the investor's standpoint, if his appraisal of General Motors indicated some central value around 65, he would be intelligent to buy at 52, and ignore the risk of its declining temporarily to 40.

There is a fairly good analogy today in relation to stock prices generally. Unfortunately, you do not have as much of a margin of safety as you had in March, 1948, dealing with stocks like General Motors. As near as one is able to ascertain value, the Dow-Jones average is worth somewhat more than 200 as a central figure. As near as one is able to project the probable range of fluctuation for the Dow-Jones average from here out, past history indicates that it would be somewhere between 140 at the bottom side and 280 at the top side—a plentifully wide range for anybody's imagination to traverse. I lunched yesterday with a Stock Exchange firm member who is sure that stocks are headed well below 140. I read an article in the "Financial Chronicle" this morning in which somebody was equally certain that stocks were heading up toward the 280 level. Unfortunately, or fortunately for me, I have no opinion on this subject whatever. I really and honestly believe that it is not impossible for stocks either to go down substantially in the next 12 months or to go up substantially or to repeat the relatively narrow fluctuations that we have been accustomed to since 1948. I think that the investor has to take into account that any one of these three diverse courses is a possibility.

Nevertheless, I believe the investor is justified in buying today on either of two alternative principles. One objective could be to buy representative common stocks at levels which are not too high, to hold them for income and for eventual capital appreciation. If that is his objective, he would be justified in investing his money at today's levels even though it is not a bargain level, and even though, as in most other times in the history of the stock market, it carries with it a risk of loss on market quotations in the same way that it carries a chance of gain.

A Below-Value Approach

The second approach is to emphasize the purchase of securities at considerably less than their indicated value—an area of activity in which, as you know, I have been interested for a great many years. Today's situation is quite different from that of 1946, even though the ostensible market level as shown by the Dow-Jones average is almost the same as the top in May, 1946. In May, 1946, there were virtually no securities that were demonstrably selling considerably under their true value. New stock offerings were being made at prices that were far beyond the realms of conservative valuation; secondary stocks were selling at prices which might conceivably be justified, but certainly could not be characterized as bargains. Now the picture is very different. Although the leading stocks are almost as high as they were in 1946 the secondary stocks are very much lower. A great many of them would appear to be distinctly undervalued by the ordinary tests of appraisal which have worked out very well for the investor over the last 50 years. That being the case, in 1950 the investor who wants to use a superior degree of enterprise and intelligence should be able to find a rather large selection of common stocks which are selling under their indicated value. I think he would be justified in buying and holding them regardless of the possibility of a decline of substantial proportions in the stock market. (He cannot be too sure that the optimistic market expectations of the majority will prove well founded.)

Predicting Future Hazardous

Now, talking about the expectations of the majority brings me to the type of selection of common stocks which represents the most customary form of security analysis in Wall Street. That is endeavoring to pick out securities and companies which have better than average prospects for the future. A great deal of very intelligent and careful work goes into that type of research, and a good deal of it is valuable. Unfortunately, the difficulty is to distinguish between the research which is going to be valuable and the research which is going to prove deceptive. When you place your emphasis mainly on the future the first thing you must realize is that you cannot control the future, and therefore you cannot control your material or your results. My observation in that area has been that the basing of investment primarily upon changes to be expected in the future will on the whole not yield satisfactory results, when you take a census of operations over many years and including many companies. (One criticism that I have to offer of the Wall Street approach—which applies to security analysts, investment companies, and everybody else—is that so little effort is made to keep track of what has happened in the large number of analyses that have been made year after year—how they actually worked out.)

The emphasis upon future prospects can turn out to be very deceptive indeed. I was impressed by reading yesterday of the passing of dividend by Heyden Chemical Co., as an example of what disappointment can occur in a field which is supposed to be almost fool-proof. The contrast between the behavior of the airline stocks, so far as their earnings are concerned since 1940, and the behavior of the coal stocks in that period is an extraordinary example of the divergence between expected action and actual action when you are forecasting the future. Therefore my point of view with respect to investment in 1950 tends to concentrate as far as possible upon the establishment of values which are grounded in the company's own performance up to date and in its own balance sheet.

The Balance Sheet Approach

Now let me put in a word for an approach which is almost forgotten in Wall Street, and that is the balance sheet approach. A prime weakness in the point of view that is generally expressed down here is the divergence between the valuation of businesses as they are considered in Wall Street and the valuation of the same kind of businesses that would be made by a private owner of that business. You all know that if you own a business yourself you start to find out what it is worth by looking at the balance sheet figures, and you either increase or decrease them, depending upon your view of the quality of the enterprise. To my mind that is the soundest approach to every kind of business and to every kind of stock, whether it is dealt in actively in Wall Street or not. By no means do I suggest that every business is worth its book value, but I do feel that the greatest mistakes in the Street will be avoided if you start in the same way that businessmen always start, by looking at the balance sheet and making your changes from there. I would like to suggest, as a practical approach toward making money in Wall Street. the idea of trying to find a group of stocks which appear to be worth pretty much what their balance sheet shows. (That would not be every stock by a long shot, but it might be a third of the total.) You would then observe how over the years the price of these shares tends to fluctuate below and above the book value—indicating that you have a recurrent opportunity to buy them when Wall Street is valuing them too low as against Main Street, and you have another opportunity to sell them recurrently when Wall Street is valuing them too high in relation to Main Street. I might say, if you want to be a little cautious in your approach it is not necessary to wait until Wall Street values these stocks much too high. If you sell them only at a reasonable price you will find that you will obtain a very nice profit on your investment because you have bought them so low.

The Margin of Safety

The concept of buying securities at less than their indicated value includes what I have always regarded as the most dependable assurance of success in every form of investment—whether it be bonds or stocks—and that is the concept of margin of safety. In bonds, as you are aware, you want to buy bonds which cover their interest charges with a goodly margin, because that indicates that even though things may not work out so well in the future, your bond will remain a sound bond. The same concept can be applied to common stock investment, and I think you will find if you study the subject, that it has stood up extremely well over the last 50 years. When you have such a margin on a common stock purchase, then if things do do not work out as well as you expect them you still have a cushion to absorb this disappointment. You can end up, if not with a profit, at least with no loss. But that can not be done when you are operating in the stock market either on the basis of anticipating what the market is going to do very soon, or on the basis of how the company is going to fare over the next few years. If you are wrong on either of these approaches then you are almost sure to lose money, because you have no margin of safety to fall back upon.

The "Grocery" Approach

I had the pleasure last week of talking to a group of ladies only for the first time in my career. Trying to bring this subject home to them by some analogy with a feminine quality, I pointed out to them that there were two ways of buying stocks: either on the basis that they buy groceries, or on the basis that we men buy perfume for them. When you buy stocks on the grocery basis you try to get adequate quality at a reasonable price. When you buy on the perfume basis you try to buy the stock which is most popular and which gives the most prestige; you pay comparatively little attention to price; in some respects, the more the price you pay the better you seem to like it. I suggested to the ladies that if they would take the grocery approach to the selection of securities they would probably do a very substantially better job in investments than we men do, because they are more likely to see, appreciate and take advantage of a treu bargain whenever they see one.

Let me suggest to you as customers' brokers to include in your variety of approaches to security purchases the grocery approach. As a practical matter, I think the customers' broker should have at least two strings to his bow. No doubt he welcomes, or at least accepts, a speculative and trading attitude in his client; it is a very satisfactory source of income when things are going well. But I would suggest that the customers' broker should endeavor at the same time to cultivate a clientele which takes the grocery approach to stock investment, which is ready to buy securities after they have gone down, and which is ready to accept a further decline in the market price as an opportunity to buy more. You will find them a very comfortable kind of customer to have, and you will also find them coming in handy at the time you need them most. If you will encourage that point of view in your clientele, you will not only be increasing your own earning power and value—but what is equally important from my point of view—you will be contributing to the creation of a sound and stable viewpoint toward securities in Wall Street.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• **Affiliated Fund, Inc.**
Jan. 30 filed 12,000,000 shares of capital stock. **Selling Agent**—Lord, Abbett & Co., New York. **Business**—An investment company.

American Cladmetals Co., Carnegie, Pa.
Dec. 15 (letter of notification) 10,000 shares of common stock (par $1) for account of selling stockholder. **Underwriter**—C. S. McKee & Co., Pittsburgh, Pa. **Price**—Expected at market.

American Progressive Health Insurance Co. of New York (2/3)
Jan. 23 (letter of notification) 5,000 shares of common stock (par $2). **Price**—$8.50 per share. **Underwriter**—Mercer Hicks Corp., New York. **Proceeds**—To increase working capital. Expected Feb. 3.

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. Statement effective Jan. 12.

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.

• **Boston Electro Steel Casting, Inc.**
Jan. 30 (letter of notification) 1,500 shares of common stock (no par), of which 423 shares will be for account of the company and 1,177 shares for account of Frederick B. Tayler as custodian for 34 subscribers. **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—53 Gerard St., Boston, Mass.

Broadway Angels, Inc., New York City
Nov. 14 filed 2,000,000 shares (1c par) common stock and 500,000 management shares of 0.1 of a cent par value, to be sold at 50 cents and 12.5 cents respectively. **Underwriter**—Hugh J. Devlin, New York. **Proceeds**—For working capital. **Business**—To back theatrical productions, distribute tickets and act as an agent for talent.

Canam Mining Corp., Ltd., Vancouver, B. C. (2/15)
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 about Feb. 15.

• **Coastal Finance Corp., Silver Spring, Md.**
Jan. 27 (letter of notification) 10,000 shares of 6% cumulative preferred stock (par $10) and 5,000 shares of class A common stock (par $10). **Price** — For preferred, $10 per share, and for common, $15 per share, with the purchase of two shares of preferred giving the purchaser the right to buy one share of common. **Underwriter**—None. **Proceeds**—To buy additional small loan receivables. **Office**—8427 Georgia Ave., Silver Spring, Md.

Consumers Power Co., Jackson, Mich. (2/2)
Jan. 13 filed 454,457 shares of common stock (no par) to be offered to common stockholders of record Jan. 31 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.

• **Deardorf Oil Corp.**
Jan. 23 (letter of notification) 375,000 shares of common stock par 10c), to be offered to stockholders of record Jan. 28 at 80 cents per share, with up to 71% to be offered publicly at $1.12½ per share. **Underwriter** — Tellier & Co., New York City. **Proceeds**—For additional working capital. **Office**—219 Fidelity Building, Oklahoma City, Okla.

• **Dome Exploration (Western) Ltd., Toronto, Canada**
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers. No underwriter. **Proceeds** — For general funds. **Business** — To develop oil and natural gas properties in Western Canada.

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. **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.

• **East Tennessee Natural Gas Co.**
Jan. 30 filed $2,800,000 of 5.2% series C interim notes, due April 1, 1951, and 250,815 shares of common stock (par $1). The notes and 67,200 of the common shares will be offered in units of $25 principal amount of notes and 0.6 of a share. **Price**—To be filed in an amendment. The series C notes will be payable at maturity with $25 par value preferred stock on an equal ratio basis. The other 183,615 shares of common stock will be offered by Equitable Securities Corp., Nashville, and Elder & Co., Chattanooga, after they buy in $619,500 of series A notes and $161,400 of series B notes from unnamed "selling noteholders" and convert these notes into the 183,615 shares of common stock. **Underwriters**—For the note-stock units, in addition to those named are: White, Weld & Co., New York, and F. S. Moseley & Co., Boston. **Proceeds**—Along with those from the sale to institutional investors of $8,750,000 of first mortgage pipe line bonds, due 1969, will be used for construction.

Eastern Harness Racing Club, Inc. (2/15)
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. Statement effective Dec. 20. Expected in about two weeks.

• **First Investors Corp., New York**
Jan. 31 filed $3,600,000 of series DM, DMN and DMP periodic payment and single payment plans certificates. **Underwriter**—Mutual Investment Co., Jersey City, N. J. **Business**—An investment fund.

Gilchrist Co., Boston, Mass. (2/10)
Jan. 20 filed $1,250,000 of 15-year 3¾% sinking fund debentures, due Feb. 1, 1965. **Price**—To be supplied by amendment. **Underwriters**—Lee Higginson Corp. and Estabrook & Co. **Proceeds**—To be applied to the reduction of bank borrowings. **Business**—Operates department store business in Boston and surrounding territory.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Gulf States Utilities Co. (2/28)
Jan. 24 filed 350,000 shares of common stock (no par). These are part of 2,538,701 shares of authorized but unissued common stock held by the company. **Underwriters**—To be determined by competitive bidding. Probable bidders include: Dillon, Read & Co. Inc.; Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane (jointly); Stone & Webster Securities Corp.; Otis & Co.; The First Boston Corp. **Bids**—Bids for the purchase of such number of common shares as will yield an aggregate price to the company of $6,000,000 will be received at the Irving Trust Co., One Wall Street, New York, N. Y. at 11 a.m. (EST) on Feb. 28. **Proceeds**—to finance part of construction program for 1950 and for general corporate purposes.

• **Hamilton Funds, Inc., Denver, Colo.**
Jan. 27 filed $4,000,000 of series A-DA certificates and 900,000 shares of series H-C7 certificates. **Underwriter** — Hamilton Management Corp., Denver. **Business** — An investment fund.

• **Hastings Manufacturing Co., Hastings, Mich.**
Jan. 23 (letter of notification) 2,000 shares of common stock (par $2) to be sold by Peter DePaolo, Los Angeles, at $6.875 each. **Underwriter**—First of Micigan Corp., Battle Creek, Mich. An additional 2,000 shares will be sold at $7 each by Agnes H. Siegel, Hastings, Mich. **Underwriter**—Bradbury-Ames Co., Grand Rapids, Mich.

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.

Kansas Gas & Electric Co. (3/1)
Jan. 6 filed 82,011 shares of $4.50 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. Offer is to run from Feb. 7 to Feb. 28. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. **Proceeds**—To be used to redeem unexchanged 7% and $6 preferred shares. Expected about March 1.

• **La Crosse Telephone Corp.**
Jan. 27 (letter of notification) 900 shares of common stock (par $10) to be issued to holders of common stock at the rate of one share for each three held. No underwriter. Proceeds for general corporate purposes. **Office**—120 So. LaSalle St., Chicago, Ill.

Lake Superior District Power Co.
Jan. 23 filed $2,000,000 of series C first mortgage bonds, due 1980, and 40,000 shares of $20 par value common stock (par $20). **Underwriter**—Bonds to be offered under competitive bidding; stock to be offered to common stockholders of record Feb. 9 at the rate of one new share for each four held, with Robert W. Baird & Co. as stock underwriter. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Harriman Ripley & Co. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; The First Boston Corp. **Proceeds**—Property additions and betterments. Expected later this month.

• **Litha-Fluor, Inc.**
Jan. 23 (letter of notification) 150,000 shares of class A common stock (par $1) and 150,000 shares of common stock (par $1). **Price**—At par. **Underwriter**—Phil Morse, Kingman, Ariz. **Proceeds**—To buy real estate, plant construction, materials and mining claim. **Office**—Virginia and Truckee Building, Carson City, Nev.

• **Lone Star Steel Co., Dallas, Tex.**
Jan. 25 filed 592,185 shares of common stock (par $1), to be offered to common stockholders on a two-for-five basis. **Price**—$4 per share. **Underwriters**—Straus & Blosser, Chicago, Ill., and Dallas Rupe & Son, Dallas. **Proceeds**—To build cast iron pressure pipe foundries (estimated to cost $1,250,000) and to discharge part of current indebtedness.

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.

• **Massachusetts Investors Second Fund, Inc., Boston**
Jan. 31 filed 400,000 shares of capital stock. **Underwriter**—Vance, Sanders & Co., Boston. **Business**—Investment company.

• **Massachusetts Investors Trust, Boston, Mass.**
Jan. 31 filed 831,901 shares of beneficial interest. **Underwriter**—Vance, Sanders & Co., Boston. **Business**—Investment company.

Metropolitan Edison Co. (2/21)
Jan. 20 filed $7,000,000 of first mortgage bonds, due 1980, and 30,000 shares of $100 par value cumulative preferred stock (par $100). **Underwriters**—Names to be determined by 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); Lehman Brothers (bonds); Kuhn, Loeb & Co. (bonds); Smith Barney & Co. and Goldman, Sachs & Co. (jointly on pfd.); Glore, Forgan & Co. and W. C. Langley & Co. (jointly on pfd.). **Proceeds**—For construction and to reimburse treasury for past capital expenditures. Expected about Feb. 21.

Moller-Dee Textile Corp., Wilmington, Del., and Tel-Aviv, Israel (2/15)
Dec. 7 filed 500,000 shares ($5 par) capital stock. **Underwriter**—Coffin, Betz & Co., Philadelphia. **Price**, par. **Proceeds**—To build a textile plant in Israel. **Business**—Cotton textiles. Expected about Feb. 15.

NEW ISSUE CALENDAR

February 2, 1950
Consumers Power Co.________________Common

February 3, 1950
American Progressive Health Insurance Co. of N. Y.________________Common
Palmer Manufacturing Co., Inc.________________Common

February 6, 1950
Drug Products Co., Inc., 10:30 a.m.(EST)__Common

February 8, 1950
Searle (G. D.) & Co.________________Common

February 10, 1950
Gilchrist Co.________________Debentures

February 14, 1950
New Jersey Power & Light Co.________Preferred
Southern Union Gas Co.________Bonds and Stocks
Western Maryland Ry.________Equip. Trust Ctfs.

February 15, 1950
Canam Mining Corp., Ltd.________________Common
Eastern Harness Racing Club, Inc.________Common
Moller-Dee Textile Corp.________________Capital
Sharp & Dohme, Inc.________________Preference

February 21, 1950
Greenpoint Coal Docks, Inc.________________Common
Metropolitan Edison Co.________Bonds & Preferred
Virginia Electric & Power Co.___Com. & Preferred

February 28, 1950
Gulf States Utilities Co., 11 a.m. (EST)__Common

March 1, 1950
Kansas Gas & Electric Co.________________Preferred
Otter Tail Power Co.________________Preferred
Pennsylvania RR.________Equip. Trust Ctfs.

March 7, 1950
Mississippi Power Co.________________Bonds

March 15, 1950
Detroit Edison Co.________________Bonds

March 21, 1950
Appalachian Electric Power Co.________________Bonds

April 4, 1950
Georgia Power Co.________________Bonds

April 10, 1950
Utah Fuel Co., 11 a.m. (EST)________________Common

New Jersey Power & Light Co. (2/14)
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 capital or pay off bank notes. Bids expected to be opened about Feb. 14.

● **Northuna Mining Co.**
Jan. 23 (letter of notification) 802,033 shares of common stock (par 1c). To be issued to stockholders of Una Mine Co. in exchange for stock of that company, and 1,075,944 shares of the same stock to stockholders of North Hill Mining Co. in exchange for their stock. No underwriter. **Office**—424 Garden Avenue, Coeur d'Alene, Idaho.

● **Norwich Pharmacal Co.**
Jan. 26 (letter of notification) 3,713 shares of capital stock (par $2.50). **Price**—At market, but not less than $15.75 per share, on average. **Underwriter**—To be sold on the New York Stock Exchange through Hornblower & Weeks, New York. **Purpose**—To increase working capital.

● **Pennsylvania Power Co.**
Feb. 1 filed $3,000,000 of first mortgage bonds due 1980. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Harriman Ripley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. **Proceeds**—To reimburse treasury for construction expenditures.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

● **Province of Quebec, Canada**
Jan. 26 $15,000,000 of debentures due Feb. 1, 1955. **Price**—To be filed by amendment. **Underwriters**—First Boston Corp., Harriman Ripely & Co., Inc.; Smith, Barney & Co.; A. E. Ames & Co., Inc.; Wood, Gundy & Co., Inc.; Dominion Securities Corp., and McLeod, Young, Weir Inc., New York. **Proceeds**—To redeem outstanding $15,000,000 2% debentures due March 1, 1950.

(G. D.) Searle & Co., Chicago (2/8)
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. Expected Feb. 8.

Service Finance Co., Los Angeles, Calif.
Dec. 19 (letter of notification) 65,000 shares of common stock. **Price**—Par ($1 each). **Underwriter**—Dempsey Tegeler & Co., Los Angeles. **Proceeds**—For working capital. **Office**—607 S. Hill Street, Los Angeles.

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.

● **Sherwood Hall Plastic Rope Co., Inc.**
Jan. 26 (letter of notification) 25,000 shares of capital stock to be issued at par ($1 per share). No underwriter. Proceeds for equipment and machinery. **Office**—2615 Middlefield Road, Redwood City, Calif.

● **Sightmaster Corp.**
Jan. 26 (letter of notification) 50,000 shares of non-convertible preferred stock (par $4) and 300,000 shares of common stock (par 5c) to be offered in units of one share of preferred and six shares of common stock at $5 per unit. No underwriter. Proceeds will be used to pay a $38,000 bank loan, and approximately $35,000 accounts payable and for general corporate purposes. **Office**—385 North Ave., New Rochelle, N. Y.

● **Sinclair Oil Corp.**
Jan. 27 filed 598,700 shares of common stock (no par) to be offered to officers and employees of the company and subsidiaries under a stock purchase plan. These shares are either held in the treasury or will be reacquired. The maximum number of shares which can be sold under this plan in a five-year period is 598,700, or 5% of the outstanding shares. **Proceeds**—For general funds.

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. Statement withdrawn Jan. 20.

Southern Union Gas Co. (2/14)
Jan. 19 filed $18,000,000 of 2⅞% first mortgage sinking fund bonds, due 1975; 30,000 shares of cumulative preferred stock (par $100) and 99,698 shares of common stock (par $1). **Underwriter**—Blair, Rollins & Co., Inc., New York, for the bonds and preferred stock. **Price**—Of preferred issue to be filed by amendment. The common stock is to be offered at $17.50 per share to common stockholders of record Jan. 30, 1950, at the rate of one new share for each 12 shares of common stock held. **Proceeds**—To retire outstanding bonds, debentures and bank debt and for construction. Expected around Feb. 14 or 15.

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.

Texmass 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.

United Gas Corp.
Dec. 21 filed $25,000,000 of first mortgage and collateral trust bonds, series due Jan. 1, 1970. **Underwriters**—Issue awarded Jan. 24 to a group headed by Dillon, Read & Co. Inc. **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.

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.

● **Virginia Electric & Power Co. (2/21)**
Jan. 31 filed an unspecified number of shares of common stock (par $10) and 100,000 shares of preferred stock (par $100). The company has called for conversion March 2 $4,000,000 of its 3⅛% convertible debentures, due 1963, at 102% and interest. It will sell underwriters the number of shares of common stock equal to those not issued on or before Feb. 20 in converting the debentures. **Underwriters**—Stone & Webster Securities Corp., Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; First Boston Corp., and Kidder, Peabody & Co., New York. **Price**—To be filed by amendment. **Proceeds**—From the common stock sale will be used to redeem unconverted debentures, and from the preferred stock sale, to finance construction.

Prospective Offerings

● **Algonquin Gas Transmission Co.**
Jan. 25 reported that funds for the company's proposed pipeline would be obtained through the sale of mortgage bonds and common stock, with the stock to be sold to three New England gas distributing companies. Application has been filed with the FPC to build a $27,549,100 line from Lambertville, N. J., to the New England states.

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.

Appalachian Electric Power Co. (3/21)
Jan. 17 announced that the company expects to file with the SEC about Feb. 17 a registration statement covering $25,000,000 of new first mortgage bonds, due 1980, to be sold at competitive bidding, probably on March 21. Probable bidders include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman, Ripley & Co. Inc.; First Boston Corp. Proceeds are for expansion.

● **Bangor Hydro-Electric Co.**
Jan. 25 announced stockholders will vote Feb. 14 on increasing the authorized capitalization by 20,000 additional shares of preferred stock (par $100) and 200,000 additional shares of common stock (par $15), to limit the 4% preferred stock, series A, to 17,500 shares and to eliminate the 4% preferred stock, series B, which is now authorized but unissued. No immediate financing planned. Traditional underwriter: Smith, Barney & Co.

● **Belt Ry. Co. of Chicago**
Jan. 31 company asked ICC for authority to issue $2,832,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); Lee Higginson Corp.

● **Boston Edison Co.**
Jan. 26 reported company is planning to issue $18,000,000 of first mortgage 30-year bonds due 1980, probably about the middle of April. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; First Boston Corp.; Harriman, Ripley & Co. Inc.; White Weld & Co.

● **Central RR. of New Jersey**
Jan. 24, E. T. Moore, President, said 24 new diesel-electric locomotives, which will cost a total of $3,104,815, will be purchased through the issuance of equipment trust certificates. Probable bidders are: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

● **Central RR. of Pennsylvania**
Jan. 24 reported company may issue $3,200,000 equipment trust certificates to bear the guaranty of the Central RR. of New Jersey. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Chicago & Western Indiana RR.**
Jan. 31 reported company will probaly issue in the near future some bonds to refund the 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the first and refunding mortgage 4¼% bonds, series A, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc. Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

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● **Detroit Edison Co. (3/15)**
Jan. 30, directors authorized steps looking forward to an early refunding of the $35,000,000 3½% general and refunding mortgage bonds, series G, due Sept. 1, 1966, through the sale of a like amount of 2¾% bonds about the middle of March. Probable underwriter — Coffin & Burr, Inc.

● **Drug Products Co., Inc. (N. Y.) (2/6)**
On Feb. 6 at 10:30 a.m. (EST), 50,000 shares of common stock will be offered at public auction at the auction block of Adrian H. Muller & Son, 20 Vesey Street, New York, N. Y.

● **Eastern Stainless Steel Corp.**
Jan. 31 reported company may issue additional common stock (par $5) for subscription by stockholders, with the offering to be underwritten.

● **Equitable Gas Co.**
Jan. 19 Standard Gas & Electric Co. announced Philadelphia Co. may shortly file an application with SEC to sell its Equitable Gas Co. common stock to be outstanding following its proposed reorganization (see also Wisconsin Public Service Corp. below). Probable bidders: Lehman Brothers and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. E. Hutton & Co. and Glore, Forgan & Co. (jointly); First Boston Corp.; Harriman, Ripley & Co., Inc.

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.; Salomon Bros. & Hutzler, and Shields & Co. (jointly); The First Boston Corp.; Drexel & Co.; Morgan Stanley & Co.; Harriman, Ripley & Co. **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.

● **Hytron Radio & Electronics Corp.**
Jan. 21 company reported to be planning issuance of between $2,000,000 to $3,000,000 convertible preferred stock. Traditional underwriter; Barrett Herrick & Co.

● **Iowa Electric Co.**
Jan. 28 rumored financing may be underway—through a negotiated deal.

Iowa Public Service Co.
Jan. 10 reported that corporation plans to issue and sell in March approximately $5,000,000 of preferred stock, the net proceeds to pay for construction costs, etc. Probable bidders: A. C. Allyn & Co.; Harriman Ripley & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly); Equitable Securities Corp.; Lehman Brothers; White, Weld & Co.

● **Laclede Gas Light Co.**
On Feb. 14 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.

● **Maine Public Service Co.**
Jan. 23 it was announced that the company plans some "new money" financing for expansion of its plant facilities. Probable bidders: Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane.

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); Otis & Co.; Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co. **Proceeds**—To finance construction programs.

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.

Northern Natural Gas Co., Omaha, Neb.
Jan. 20 announced that the company proposes to issue and sell at competitive bidding $40,000,000 of 2¾% 20-year debentures and to sell 304,500 shares of common stock on the basis of one share for eight shares now outstanding, the latter to supply from $9,060,000 to $10,657,500 of new capital. The net proceeds, together with other funds, will be used to finance the company's construction program. Probable bidders for the debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co.

Otter Tail Power Co. (3/1)
Jan. 18 announced company has asked the FPC to authorize 25,000 shares of cumulative preferred stock (no par) and 125,000 shares of common stock (par $5). The preferred stock, with a dividend rate not to exceed $4.40 per share annually, will be issued in March 1950. The common stock would be issued after March 1, 1950. **Underwriters**—Glore, Forgan & Co. and Kalman & Co., Inc. **Proceeds**—To help finance present bank loans and 1950 construction program.

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.

● **Schering Corp.**
Jan. 26 announced the Alien Property Custodian is preparing to offer at competitive bidding 440,000 shares of common stock (total issue outstanding) late in March or early in April. Registration with the SEC expected shortly. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co., Kuhn, Loeb & Co. and Lehman Brothers (jointly).

● **Seaboard Air Line RR.**
Feb. 7 directors may consider question of the approximately $31,800,000 refunding of first mortgage 4% bonds, due 1996, now outstanding.

● **Tennessee Gas Transmission Corp.**
Jan. 25 Gardiner Symonds, President, announced that "some bonds will be sold late this summer at competitive bidding, but the amount has not yet been decided." Banking circles speculated that a $40,000,000 bond sale would be forthcoming. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. (jointly). The proceeds would be used in part to pay for construction.

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 $2,450,000 of 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. Had been originally scheduled for Jan. 12.

● **Wisconsin Public Service Corp.**
Jan. 19 announced Standard Gas & Electric Co. would shortly file an application with the SEC to sell all the common stock of the Wisconsin subsidiary, and the Philadelphia Co., its principal subsidiary, will ask the SEC for permission to sell the common stock of Equitable Gas Co. to be outstanding following its proposed reorganization (see Equitable above). It is the intention of the System to sell only one of these holdings. Probable bidders for Wisconsin stock: First Boston Corp. and Robert W. Baird & Co. (jointly); W. E. Hutton & Co. and Glore, Forgan & Co. (jointly); Harriman, Ripley & Co.

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Observations

Point Four Program represents can alter, within a reasonable time, the horizon of man's life."

And then present Marshall Aid recipients are looking on Point Four billions as the manna to save them in case a nasty Congress shuts off further ECA appropriations.

A Private Investment Program?

My first reaction to such global idealism is to wonder how this kind of program, to TVA-ize the whole world and give all its babies a pint of milk a day, can possibly be categorized as "a private investment." ("Bold," it assuredly is; but not "private.") Yet even Mr. Warburg backs up the government's classification of the scheme as private investment, viz.: *"We must stop thinking of the money we spend abroad as expense and think of it instead as investment."* (Italics his.)

But not only is the portrayal of the implementation of the above-cited farflung objectives as a function of American private enterprise—in lieu of still another obligation of the Treasury—grossly misleading; **but on the practical side: to rely on normal debtor-creditor functioning for the financing of worthy global social objectives can only nullify the chances for their attainment.**

That Fear of the "Bargain Basement"

In these days of generosity with other people's money, it seems to be unfashionably "reactionary" to inquire about cost—but perhaps such inquisitiveness is excusable in the case of an operation that is dubbed *"investment."* Mr. Truman's earlier little $35 million acorn is certainly growing. Decrying bargain-basement piker-ing, Mr. Warburg and his group are already demanding expenditure of $9 billion annually and the solution of the problems on a world-wide scale *"even though it might cost us even more than $60 or $70 billion over a ten-year period."*

Apart from the demands of private bodies, the very nature of the guarantee provisions in the legislation already introduced under the Administration's aegis, assures the laying of an enormous burden—however disguised—on the taxpayer. The pending Spence Bill calls for the guarantee by the Export-Import Bank of private capital invested in productive enterprises, of convertibility into dollars, and of compensation in U. S. dollars for loss resulting from expropriation, confiscation or seizure by a public authority. In line with the past record, these provisions must surely goad the guarantee fund into some action. Colombia, the subject of a recent extended investigation by Lauclin Currie on behalf of the World Bank, defaulted on her $250 million debt to us in 1931, claiming she was unable to get dollars with which to pay us; later settling at 7-to-20 cents on the dollar; and nearly all other Latin American countries have at some time defaulted on the plea of inability-to-convert. Today the prospects for convertibility certainly are even worse throughout the world (with the witnesses thereto ranging all the way from Britain's Barbara Ward to our former ECA official Thomas Finletter).

Confiscation Is Rewarded

Our Treasury's potential obligation to fulfill compensation for confiscation presents a no more rosy picture. Can we forget the Russian confiscation of 1919 to the tune of one-half billion dollars; or by Bolivia to the amount of $30 million in 1938; or by Mexico in 1938 to the extent of about $200 million of our oil company properties, on which they settled for 18 cents on the dollar—behavior apparently considered so exemplary by our government that activity is now underway to reward them with a new $200 million credit?

It is difficult to believe that an individual concerned over the safekeeping of his own money—and of his mind—could retain any confidence in foreigners' future forbearance against confiscatory doings. Even in the case of India, example number one of a backward nation needing "bold development," her candid Prime Minister Nehru during his recent visit here disclaimed promises of protecting the property rights of foreigners. And the treaties recently consummated with Italy and Uruguay by our State Department acquire no direct guarantees other than the "concession" that American creditors will be treated no worse than her own citizens.

Even in these spend-spend-spend days, let us agree on some idea of the ultimate check we will have to foot—or at least let us cease calling Point Four an "investment program" or a facet of "private enterprise."

A. G. Becker Group Offers Ashland Oil Pfd. Stock and Debs.

Public offering was made on Feb. 1 of $15,000,000 3% debentures and 50,000 shares of $5 cumulative preferred stock of Ashland Oil & Refining Co. The debentures are priced at 101½ to yield 2.90% and the preferred at 98 to yield 5.10%. Heading the large group of underwriters is A. G. Becker & Co. Inc. Of the preferred stock offering, 20,000 shares are being sold by three stockholders.

The financing by Ashland is largely in connection with the recent acquisition of Aetna Oil Co. of Louisville, Ky., and Freedom-Valvoline Oil Co. of Freedom, Pa. Some $10,859,0000 of the net proceeds will be used to retire debt of Ashland and its new constituents with the balance to be added to working capital.

Morgan Stanley Group Sells $200 Million Am. Tel. & Tel. Debentures

Morgan Stanley & Co. and 109 investment firms on Jan. 31 publicly offered and sold a new issue of $200,000,000 American Telephone & Telegraph Co. 21-year 2¾% debentures due Feb. 1, 1971. These debentures were priced at 100.797% plus accrued interest to yield 2.70% to maturity. The issue was awarded at competitive sale on the same day on a bid of 100.43.

The offering was one of the largest corporate bond issues ever marketed under competitive bidding. Two debenture issues each amounting to $200,000,000 sold by American Telephone & Telegraph Co. in 1947, ranked at that time as the largest individual corporate bond issues marketed by competitive bidding.

Proceeds from the sale of the new debentures, together with other funds, are to be used for advances to subsidiary and associated companies; for the purchase of stock offered for subscription by such companies; for extensions, additions and improvements to its own telephone plant; and for general corporate purposes.

Upon completion of the present financing the company will have outstanding $2,144,954,100 of funded debt and 25,019,894 shares of common stock, par value $100. (Based upon securities outstanding Nov. 30, 1949.)

Our Reporter's Report

Now that the big American Telephone & Telegraph Co. debenture flotation is out of the way, it begins to look as though the current month may turn out to be something of a vacation, without pay of course, for underwriters and dealers who have relatively free shelves.

The latter condition, judging by reports around, it not, however, by any means universal in the market place. Quite to the contrary, the rank and file probably will be quite busily occupied in working off the leftovers from some recent undertakings.

A "standby" operation for Consumers Power Co., was slated to get underway today with holders of record Jan. 31 entitled to subscribe for 454,457 shares of new common in the ratio of one new share for each ten held. Rights expire Feb. 20 with bankers to take any unsubscribed portion.

Next Wednesday, in a negotiated deal, G. D. Searle & Co. is offering 246,573 shares of common stock, of which 26,573 shares will be offered to employees and the balance to the public through bankers.

In the parlance of the Street, this one is supposed to be "red-hot" and carry all the earmarks of a quick operation. Presumably dealers base their observations on the pre-offering inquiries which usually provide a reliable cue to operations of this nature.

Slow Month Thereafter

From there on February looks like a sluggish month so far as new issues are concerned. Thursday next week brings to market an offering of $15,000,000 of five-year debentures of the City of Quebec.

This is followed in the ensuing week by a projected offering of $2,000,000 of series C first mortgage bonds, 30-year maturity, of the Lake Superior District Power Co., to be put up for competitive bids. The company also will offer 40,000 shares of new common direct to its stockholders.

In the final week, on Feb. 21, Metropolitan Edison Co. will put $7,000,000 of first mortgage 30-year bonds up for competitive bids, along with 30,000 shares of $100 par cumulative preferred stock.

Unless something new in the way of business develops meanwhile that will about round out the month's prospects.

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.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — It is pretty generally agreed privately among the responsible leaders on Capitol Hill that about all that remains to be decided about the President's "tax program" is how widely will excise taxes be cut and when will Congress act.

The President's so-called "tax program" outlined in his special message to Congress of Jan. 23 is dismissed as an almost completely political document, ranking in significance with an harangue before a Jackson Day dinner. The great majority in Congress do not take the President seriously and do not believe that the President meant them to take him seriously. His tax message is regarded as just another occasion when the President talked over the heads of the Congress to the people.

All that the President did mean, it is said, is that he meant to get on the excise-tax-cut-bandwagon. Excise taxes will be cut, and they probably will be enacted, veto or no veto, unless the Congress runs wild and dumps a lot of tax cuts into the bill.

In particular the Congress is unlikely to give more than a contemptuous look at the President's suggestion that the corporation income tax be raised. For the most part the awful loopholes described by the President left the Congress cold.

Senator Walter F. George would like, of course, to hurry through the excise tax cuts and worry about other tax adjustments, if any, later. It is believed, however, that the Georgia Senator will defer to Chairman Robert L. Doughton of the Ways and Means committee who wants the "single package" tax bill. While an excise tax cut amendment might be slipped onto some Senate legislation and be tossed to the House, such a move will not represent a serious effort to force the House.

Chairman Doughton wants to hold off on any tax reduction legislation, if he can, until after the House Appropriations committee has reported out its first single appropriation bill. For the first time, this year, the House committee will write all appropriations into one big bill, refraining from reporting out piecemeal expenditure bills. It is hoped to get this bill out some time in March.

So when the single appropriation bill comes out, the conservative leaders will get a preliminary idea whether the achievement of a reduction in expenditures by any substantial amount below the President's $42.4 billion recommended total is a practical legislative project. This will be tentative, of course, for final appropriation totals will not be known until the supply bill has passed both the House and the Senate and economies, if any, have been tested by votes on the floor.

Should it appear from the single appropriation bill that some economy is practically possible, then the Ways and Means committee would be likely to go ahead and report out an excise tax cut not necessarily equal to but influenced by, the cuts made by the House Appropriations committee.

This is the plan. It may not work out, for Chairman Doughton may not be able to hold his committee in line for this restrained program. The committee may kick over the traces. In that case a tax reduction bill could come at any time. Furthermore, an excise tax cut looks pretty sure whether or not there is a prospect for economy in appropriations. If no economy were in sight, the scope of the excise tax cuts might be held down somewhat. If Congress "runs wild" with a lot of excise tax cuts, a Truman veto probably would stick.

Congress will fuss around a little with an attempt to compensate for the lost revenues arising from excise tax cuts. I's a very preliminary guess on the Hill that estates will be nicked a little more. The proposition of swinging corporation income tax collections over to a current year basis probably will get the most serious consideration as a temporary device to conceal the deficit. However, since small corporations would be the hardest hit, the Congress probably will turn this one down after going right up to it.

It is possible the carryforward will be lengthened, if Congress gets into any of these things, and it is probable that the business enterprises of universities and charitable institutions will be taxed. There will be some lively discussions over the prospect of removing tax exemption from cooperatives and the business enterprises of labor unions, but in the end these favored minorities will not be touched.

* * *

The way is being cleared for fast action on the Securities & Exchange Commission scheme to extend its jurisdiction over small corporations. Senator J. Allen Frear, Jr., of Delaware, is scheduled to commence hearings next week before his SEC subcommittee of the Senate Banking committee. The House Interstate Commerce committee has definitely scheduled this proposition for action.

It is planned that the Senate will act first. This, it is intended, will get the bill to the House committee for consideration just after the House committee has held a few weeks of hearings on its communications study.

Originally it has been reported that a short study of the operations of the Federal Savings and Loan System would precede the SEC bill, in the Frear subcommittee. Now that has been shoved back to clear the way for the SEC bill.

It now appears that if possible the hearings on the SEC proposition will be held as short as practicable, perhaps to not longer than two weeks. Originally it had been intended to give opponents a full opportunity to contest the SEC's effort to extend its jurisdiction. Now witnesses are being asked to please file written statements for the record and be available orally to answer questions, not to sound off on their main arguments.

So far, however, only a few key members of the House and Senate have got behind this proposition. The greatest majority of the Congress has never heard of the bill.

* * *

There are two things behind the President's scheme to open the side door of the Treasury to loans to cooperatives for housing projects on 63-year maturities at around 3% interest.

One is the obvious appeal of the President to the very substantial pressure group power of the cooperatives. This is a tangible bait to the cooperative movement, which counts a good many members. Only a cooperative would get these terms.

The other thing behind the bill is an attack upon the FHA system, under which banks and other institutions make individual loans insured by the FHA. It is reported with some frequency that the President is being "sold" the idea that "since banks take no risk, why should they get 4½% interest?"

Building trades labor is irked with the tougher building standards of the FHA. President Richard J. Gray of the AF of L's Building and Construction Trades Department, made a thinly-veiled attack upon FHA "private financing" in favoring the cooperative housing bill, under which loans for 50 years, with 10-year extensions plus 3-year grace periods could be obtained by cooperatives.

There is scarcely a responsible official in Washington who will attempt privately to assert that for the first two or three years any appreciable volume of loans would be made or housing projects constructed even if this provision were passed, because of the nation's innate dissatisfaction with the cooperative way of owning homes, despite the subsidy of a long loan at a low rate of interest. A few labor unions and other cooperatives, however, would probably undertake projects.

* * *

On the other hand, after the cooperative housing project has failed for two or three years to work, then the Administration would be prepared with new legislation "to make it work."

* * *

It is the consensus of political observers that the O'Mahoney "trial" of the steel industry before the Joint Economic Committee for raising prices to meet pension costs, was a dud, and that far from putting the steel industry on the spot, the reverse happened.

* * *

President Truman's expressed objective of working what is commonly known as "the political small business racket" is heading up for something of a comic situation.

That the President is giving little more than lip service to this line was evidenced by the action of Senator Scott W. Lucas of Illinois, the Majority Leader, in introducing his own small business "credit" bill, under which, curiously enough, both the Federal Reserve banks and the Reconstruction Finance Corp., would be set up in the small loan guaranteeing business.

When Senator Lucas introduced his bill, Senator Burnet R. Maybank rushed in a few days earlier than he had anticipated, his bill to give the President a $15,000-a-year coordinator to mobilize all the powers of government for the benefit of small business.

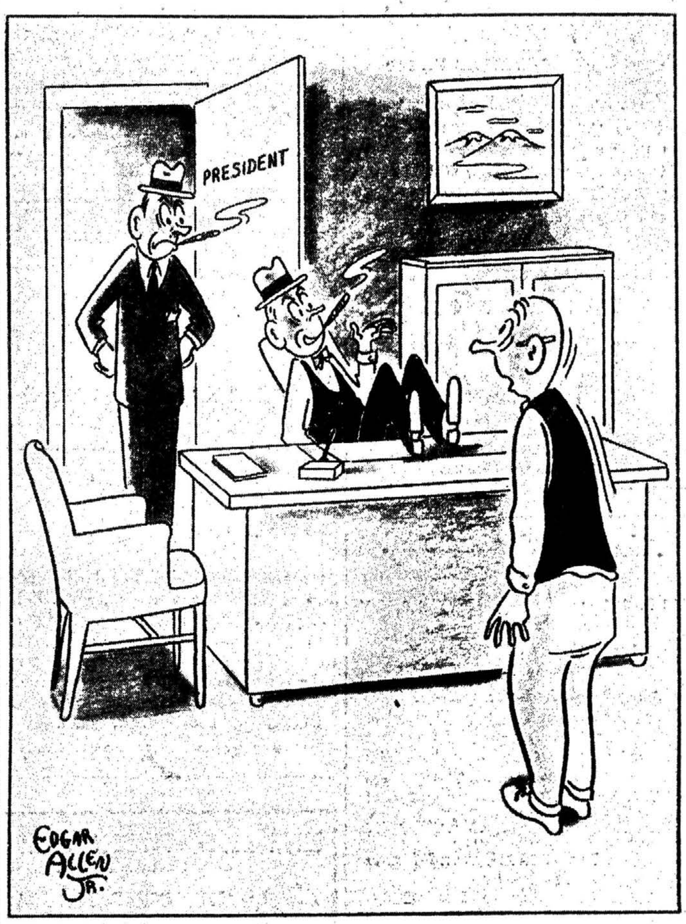
Where this is running into a comic situation is that centrepital and centrifugal forces, so to speak, are operating on this same subject in the same committee. Chairman Maybank, of the Senate Committee, has become the No. 1 Senate spokesman for small business, through killing off the old special Senate Committee on Small Business, and getting a Banking Subcommittee designated a "Small Business" Subcommittee.

On the other hand, concurrently with the offering of of these proposals, Senator J. William Fulbright of Arkansas, Chairman of the RFC Subcommittee of the same Senate Banking Committee, is about to pull a full-length investigation of the RFC for attempting to accomplish a small part of what Senator Lucas and others would make RFC do.

Fulbright will be having hearings on the question "why shouldn't we curb RFC?" at the same time other committees will be considering the question of expanding RFC jurisdiction.

(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



"How's this for a good imitation of the old skinflint, Al?"

Claude Jameson With Standard Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF. — Claude S. Jameson, Jr. has become associated with Standard Investment Co. of California, 117 East Colorado Street. He was formerly with Carter E. Corbrey & Co., and prior thereto with Boston Commonwealth Corp.

With Weeden & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Raymond A. Johnson, Jr., is with Weeden & Co., 315 Montgomery Street.

J. Barth Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Marion B. Seevers has been added to the staff of J. Barth & Co., 482 California Street.