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EDITORIAL

As We See It

An Old Controversy in a Different Setting

"I have suggested that all insured banks of the country should be subject to certain minimum national reserve requirements and thus share in the responsibility for and the burden of necessary national credit policy," said Allan Sproul, President of the Federal Reserve Bank of New York, in a recent address. "My proposal," he added, "it seems to me, is wholly in accord with our whole Federal political organization and our whole Federal tradition, which grants certain powers to a national authority and reserves the rest to the states and to the people."

On the same day and upon the same occasion Elliott V. Bell, until quite recently Superintendent of Banks for the State of New York, expressed himself as follows: "I believe our dual banking system is a bulwark of our American system of freedom. It must be vigilantly and militantly maintained against those who would weaken it, whether their attacks be deliberate or merely inadvertent.

"In order best to carry out its vital purpose, the Federal Reserve System must be reasonably independent and it must have the good will and cooperation of the entire banking system of the country.

"Now I am sorry to say that since the war the Federal Reserve System seems to have been having a good deal of trouble regaining its independence from the Treasury. At the same time it has managed to stir up some unhappy suspicions and some ruffled feelings among banking leaders and among the other supervisory authorities, both state and local. . . .

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Investing Policy Under Today's Economic Status

By DR. MARCUS NADLER*
Professor of Finance, New York University

Urging close scrutiny of present economic and political developments, Dr. Nadler advocates following policies by trust investment officers: (1) less reliance on bonds; (2) larger proportions of well-selected equities; (3) protection against decreased purchasing power in lieu of mere conservation of principal; (4) intensified selectivity not tied to past performance; and (5) a dynamic rather than static attitude.

Every generation is confronted with new developments and new problems. Seldom in history has there been a prolonged period of economic and political stability which permitted the long-range planning that is required of those who administer trust funds. The immediate past has been marked perhaps by the greatest convulsions and the greatest changes of all, inasmuch as the present generation lived through and participated in two major wars. It saw the rise and fall of Fascism and Nazism, and the rise and spread of Communism over a large part of the world. It has lived through two periods of inflation and one of the greatest depressions that has ever befallen the United States. It has witnessed several devaluations throughout the world and, in the United States, a reduction in the gold content of the dollar. It is, indeed, a great credit to trust companies and to their officers that, in spite of the tremendous changes that have taken place, they were able to perform their duties and to accomplish their assigned tasks to the satisfaction of their clients.

Dr. Marcus Nadler

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*An address by Dr. Nadler before the 31st Midwinter Trust Conference of the Trust Division of the American Bankers Association, New York City, Feb. 7, 1950.

Money Control—Bar to Recessions

By GEN. ROBERT E. WOOD*
Chairman of Board, Sears, Roebuck and Company

In commenting on forces influencing business, Gen. Wood lists as most important: (1) population growth; (2) government control of banking, credit and money supply; and (3) decentralization of industry. Says abandonment of gold standard put in hands of politicians most powerful tool to stave-off incipient depressions, which barring war, can be successful over number of years. Warns failure of business to plow back profits will lead us into obsolete condition of British industry.

It is trite to say that we are living in a complex and fast-moving civilization. Any modern businessman who even attempts to keep up with events is swamped by the mass of reading matter that he may attempt to digest. To sift the facts and to arrive at correct conclusions seem almost a hopeless task, even to get all the facts in a particular industry in a country as large and widespread as ours.

But it is possible to detect some of the great underlying forces which are influencing our business life—for that matter our entire economic life—and I thought you gentlemen might be interested in what I believe are some of the most important.

First, I would put at the top of these forces the growth of population in the United States during this decade 1940-1950. If any of you followed census statistics or vital statistics, you would have known that the growth of this country in the past decade 1930-1940 was the lowest in percentage it had been since the American Revolution and the lowest in absolute increase since the Civil War. The population increased by 8,800,000 as compared with

Gen. R. E. Wood

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*An address by Gen. Wood before the Association of Cotton Textile Merchants of New York, New York City, Feb. 2, 1950.

WHAT'S AHEAD FOR BUSINESS THIS YEAR? Turn to page 30 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.

MORRIS GOLDSTEIN

Partner in Charge of Research, Francis I. duPont & Co., New York City

It is elementary security analysis that the criterion in the valuation of a common stock is what you get for each dollar of investment. Low priced stocks are not necessarily cheap and high priced shares not necessarily overvalued.

Morris Goldstein

With this introduction, I have no hesitation recommending as **"The Security I Like Best"** an issue which sells for over $4,000 a share. My candidate is **Christiana Securities Company**—"duPont at a Discount."

The outstanding advantage of the purchase of Christiana Securities Company common stock is that it is a means of acquiring indirect ownership of E. I. duPont deNemours & Co. common stock at a substantial discount with a corresponding increase in yield.

For each share of Christiana Securities Company common stock, the holder has an equity in the following:

81.328 shares of E. I. duPont deNemours & Co. common stock.

.567 share General Motors Corp. common stock.

$14.15 representing cash and equivalent and the value of other securities held by Christiana (stock of Wilmington Trust Co. and The News-Journal Co.) less current liabilities, all calculated as of Dec. 31, 1949.

Less $120 representing the Christiana preferred stock at its call price. There are 150,000 shares of 7% $100 par value preferred stock outstanding, one share of preferred for each share of common.

Even after allowing for the Christiana preferred stock at its call price, each share of Christiana Securities Co. common stock represents an indirect holding of over 79 shares of duPont common stock in addition to a pro rata interest in Christiana's other assets. Yet Christiana Securities common may be purchased for less than the cost of 68 shares of duPont common stock.

The valuation, at cost, given duPont common stock on the published balance sheet of Christiana Securities as of Dec. 31, 1949, was only $3.66 a share or but a small fraction of its actual market value at Dec. 31, 1949 of 61⅝. Accordingly, the balance sheet figures afford little indication of the real financial position of Christiana. General Motors common stock was carried at $49.27 a share, compared with the Dec. 31, 1949 market price at 71⅝. Wilmington Trust Co. stock, likewise carried at cost, was valued at $125.32 a share, or about $8 above the market quotation of $117 a share on Dec. 31, 1949. The company's wholly owned subsidiary, The News-Journal Co., is carried on the Dec. 31, 1949 balance sheet at cost of $846,106. The fair value of this investment, considered by the board of directors of Chrisiana Securities, is $1,250,000.

The actual market value of the assets held by Christiana Securities Co., as of Jan. 31, 1950 is indicated below.

In a similar manner, giving duPont stock a valuation of 75 and General Motors 90—after allowing for the preferred stock at 120—the net asset value of Christiana common would be about $6,045 a share. Taking duPont at 50 and General Motors at 45, the valuation of Christiana common would be $3,986.

Christiana Securities Co. is generally assumed to be a personal holding company. The company however, is registered under the Investment Company Act of 1940. Considered as an investment trust, Christiana Securities, with its more than $765,000,000 portfolio, is over 2½ times the size of its nearest rival.

In the event of dissolution of Christiana Securities Co., which presumably would be effected by pro rata distribution of assets, the purchaser of Christiana common would receive roughly 11 more duPont shares than he paid for. No such dissolution impends, so far as I know, but the possibility is mentioned to show that the Christiana common stockholder has nothing to fear therefrom.

Actually, the yield on Christiana Securities Co. common stock in recent years has exceeded that on duPont common by about ½ of 1% annually, on the average. In 1949, dividends of Christiana Securities were paid as follows: $47 a common share each on March 15 and June 15; $48 a share on Sept. 15 and $116.60 on Dec. 15, a total of $258.60. At their current prices and calculated on 1949 dividend payments, Christiana Securities common stock sells to yield almost 6.1%, while the return on duPont is 5.4%. This differential is the more noteworthy when it is considered that not only do Christiana's dividends come from the same source as DuPont's but seven out of the 10 directors of Christiana Securities are also directors of duPont.

Capitalization of Christiana Securities consists of 150,000 shares of common stock preceded by 150,000 shares of 7% cumulative $100 par value preferred stock, which is callable at $120 a share and entitled to $100 a share in liquidation, either voluntary or involuntary. There is no debt.

		% of Total Assets
Cash	$ 381,352*	.05%
E. E. duPont de Nemours common (12,199,200 shares at 62¼)	759,400,200	98.87
General Motors common (85,000 shares at 73¼)	6,226,250	.81
Wilmington Trust Co. (7,210 shares at 118)	850,780	.11
"News-Journal" (7,460 shares at Director's fair value)	1.250,000	.16
Total Assets	$768,108,582	100.00%
Total Current Liabilities	352,125†*	
Net Asset Value	$767,756,457	
A share of Common Stock (allowing for preferred at par)	$ 5,018	
A share of Common Stock (allowing for preferred at 120)	$ 4,998	

*As of Dec. 31, 1949. †After deducting $2,318,072 Treasury Tax Notes as reserve against 1949 Federal Income Tax.

The predecessor to Christiana Securities Co. was duPont Securities Co., incorporated on March 1, 1915 to acquire and hold a substantial amount of the common stock of E. I. duPont deNemours Powder Co. (predecessor to E. I. duPont deNemours & Co.). The name of the company was changed from duPont Securities to General Industries Co. on June 9, 1919 and then to Christiana Securities Co. on June 26, 1919. Collateral notes, issued in connection with the acquisition of E. I. duPont deNemours Powder Co. stock, were later paid off out of earnings. The stock equity was represented by 75,000 common shares. In October, 1922, Christiana Securities Co. issued 75,000 additional shares of common stock and 150,000 shares of 7% cumulative $100 par preferred stock, as a stock dividend.

Stock dividends, subscription rights, purchases in the open market and the 4-for-1 stock split in 1949 increased holdings of E. I. duPont de Nemours common stock to 12,199,200 shares, or about 27% of the outstanding total, as of Dec. 31, 1949.

In addition to the investment in duPont, Christiana held 85,000 shares of General Motors Corp. common stock on Dec. 31, 1949 and 7,210 shares of Wilmington Trust Co. capital stock. Christiana Securities also owns 7,460 shares of The News-Journal Co., a wholly owned subsidiary, which publishes two daily newspapers in Wilmington, Delaware.

Except for the increase in the shares of E. I. duPont deNemours & Co. in 1949 as a result of the 4-for-1 stock split of that company, no changes were made in Christiana Securities Co.'s portfolio in any of the years since 1942.

Christiana was organized as an investment and holding company by six executives of E. I. duPont de Nemours & Co. The management of the two companies is practically the same and seven out of the 10 directors of Christiana Securities are also directors of duPont. Approximately one-third of the outstanding preferred and common stocks of Christiana Securities Co. are owned by Delaware Realty and Investment Co.

The chief source of Christiana's income is dividends on its duPont stock. Administrative expenses and taxes, the only charges prior to dividends on the preferred stock, are of minor importance, having absorbed only about 4½% of income over the last two decades and 5¾% in 1949. The company has followed the policy of distributing in dividends practi-

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This Week's Forum Participants and Their Selections

Christiana Securities Company Common — Morris Goldstein, Francis I. duPont & Co., New York City.

"Investment Supervision" — Herbert E. Harris, Dayton, Ohio.

Abitibi Power & Paper Company —Harold A. Long, McMaster Hutchinson & Co., Chicago, Ill.

Western Maryland Railway Common—Arthur J. Messing, Herzfeld & Stern, New York City.

Commonwealth Edison Co. and Illinois Bell Telephone Co.— John P. O'Rourke, J. P. O'Rourke & Co., Chicago, Ill.

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Articles and News

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Oil Industry Outlook in 1950

By ALBERT J. McINTOSH*
Economist, Socony-Vacuum Oil Company, Inc.

Economist foresees stable prices and rising sales in oil industry, despite falling off in exports. Says unhealthy condition in industry is unprofitableness of refining branch along with threat by Treasury to reduce depletion allowances. Foresees greater competition of natural gas with liquid petroleum.

I

Is the price of crude going to go down and, if so, how much?

A year ago I thought the price of crude oil might drop. Since then several difficult adjustments have been made in the industry, not without considerable trial, but they are about completed. So that's favorable. There was practically no net change in inventory levels during 1949, while in 1948 stocks were piling up almost 300,000 B/D. That's also good. Demand appears to be on the increase again after some adjustments and hesitations. Imports may slow up somewhat and crude production in the United States may have to increase about 4% over 1949 to take care of 1950 requirements. These factors are all favorable to a maintenance of firm crude oil prices. On the other side the present high price may be resulting in too much exploration for present requirements. We may have added another 1.2 billion barrels of reserves last year (I don't know the exact figure, and won't for several months, but that's the last 2-year industry average). If that is the figure, we found enough in 1949 at that rate to give us a production of about 275,000 barrels a day for twelve years. I don't think we need quite that much additional new oil in 1950. So we may find our new discoveries running somewhat on the high side. High crude oil prices tend to keep them that large. That's a threat to prices staying up where they are. They could drop, but more factors seem to favor them sticking where they are:

Albert J. McIntosh

II

What will happen to oil company sales in 1950?

I think they will increase something like 350,000 B/D for the country's domestic business, but exports will undoubtedly fall off a bit. We can reasonably expect a net increase of 5% for overall requirements.

Maybe you would be interested in how I arrived at these conclusions. Some figures are my own, some are from our research people and all are probably influenced by the thoughts of other felows in the industry who study these same problems. We try to keep informed of all forecasts and study them and their backgrounds. Sometimes, you know, the other fellow has a darn good idea you just didn't think about.

To be specific then, we think that domestic sales may show increases about as follows:

Gasoline—4%.

Kerosene—a most difficult product to judge right now—say 6% or better.

Home Heating Oils and Diesels and other light fuels—considerably higher at 14% partly because of the warm weather of 1949.

Heavy Industrial Fuel Oils—may show a 2% drop, or may increase that much.

Other products should follow the general trend of the above major products.

One thing we should bear in mind, and that is that if 1950 weather is just normal, we will have a gain of at least 1½% without any new customers. So you see we are pretty conservative when we say an increase of 5% to 6% in total domestic demand because that includes the 1½% adjustment for weather. After allowing for a decline in exports, the overall increase may be within a half percentage of the above.

III

What are the general conditions of the industry?

The petroleum industry conditions look pretty good. The consumers paid less for their oil in 1949 than they did in 1948, due mostly to the lower average fuel oil prices. That's primarily why 1949 earnings dropped 25%-30% from 1948.

The refiners have been in a tight spot with high crude prices, higher wages and lower finished product prices. Some refiners closed up or slowed up rather than stand losses. That is not a healthy condition. The refining branch cannot long operate in the red, which it appears to have been doing.

The producers lost production in 1949 as compared to 1948—some 465,000 B/D. Half of this loss was due to the elimination of the overproduction of 1948, or the production for stock building in 1948 not needed again in 1949. Warm weather also hurt the producer and probably was the cause of 15% of the decline in his crude requirements.

The producers lost production, but their prices remained fairly stable, except for Pennsylvania Grades, which prices had been out of line as compared to finished lubricating oil prices which really govern these particularly crude oils. Some heavy gravity crudes also declined in price.

The economic incentive to producers remained high enough to encourage new well drilling in the

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*A talk by Mr. McIntosh before the Security Analysts Society, Boston Mass., Feb. 6, 1950.

The Supervision and Follow-Up of Salesmen

By J. J. KENNEY*
Director of Sales Promotion,
International Business Machines Corporation

Asserting men in selling profession must constantly refurbish their thinking, prominent sales executive gives pointers in general salesmanship. Stresses value of self-supervision along with supervision of a good sales manager working on the firing line. Gives data regarding proper salesmen's reports and character of knowledge which salesmen should possess. Advises salesmen seek help frequently from their managers and be unmindful of either buyer's or seller's markets. Lays down as fundamental maxim: "Plan your work—work your plan."

I am somewhat at a loss as to how to interpret the type of selling that I am going to talk about in terms of selling securities. However, I was assured by Mr. Noyes that I did not have to have a knowledge of your particular investment marketing problems, but that you would prefer hearing about selling, generally, or as it is handled in the office appliance industry.

J. J. Kenney

I am going to try to keep this talk on a general basis, because I realize and appreciate the fact that you are not connected with the direct selling phases of your business. Many of you are in the buying end, in the specialized securities end, in the trading phases of your business, in research and statistics, in public relations, market analysis — and, I understand that some of you also function in an advisory capacity.

Therefore, I am going to talk on a general sales plan, hoping that you may interpret it as it may best fit into your particular operation. And in the case of you salesmen, I shall endeavor to indicate where you may help your clients do a better job, or where you may do a better job of self-supervision. In the case of you men in the insider operations of your business, my objective will be to show how you might give the salesmen the necessary assistance to help them do a well-rounded and better job.

As a member of the Sales Executives' Club of New York, I attend many meetings similar to this one. I hear some of the currently outstanding speakers, covering the various phases of selling operations in all types of businesses. Many of the subjects have to do with selecting and training salesmen, market analysis, market expansion, advertising, sales promotion, sales compensation, sales and distribution costs, selling in a price market, streamlined selling, and about every other topic on selling.

However, there is one subject in the list that I have mentioned, that is seldom covered at the meetings I attend, and it is seldom covered by operating sales executives. To my mind it is one of the most important functions of sales management.

Salesmen Must Refurbish Thinking

The subject to which I am referring is that of sales training follow-up, or management responsibility in assisting the salesmen. I have, therefore, chosen as my subject, "Supervision and Self-supervision." I propose to build this case on the supervision of salesmen by stressing the need to teach them to do a thorough job of self-supervision as well as to teach them to do a well-rounded job of selling. You know, in the selling profession all of us, as salesmen, must constantly refurbish our thinking, as to the importance of the job of selling.

I do not know of anything that could bring that home to you better than an advertisement that helped to bring it home to me. It appeared in the "Herald-Tribune" a few weeks ago. It was published by the Metropolitan Group of Sunday Picture Magazines, and it was titled: "Sell, Sell, Sell!"

In the body of the copy, it had this to say, and I quote: "Add up all the money, all the materials, all the machines, all the managerial know-how in this land, but leave out salesmanship, and what have you got? Figuratively, you have the world's finest book, the world's finest baker, the world's finest props and supporting cast, without stars.

"Yes, leave our America's salesmanship and you have the world's finest automobile, without gas; the world's finest watch, without main-springs; the world's championship baseball team, without bats."

Gentlemen, that is salesmanship. I was also impressed with another article that appeared in "Fortune" magazine, and I hope all of you, who are interested in selling, read it. That article was called "American Salesmanship." One paragraph in it that impressed me, as a salesman, was as follows:

"The trouble with salesmen today is that they waste time. They call, too often, where they are known and liked, rather than where they have to work hard. They do not use the few sales aids that the company provides, and they have forgotten how to get in there and bleed all over a man's carpet."

Gentlemen I think that is true. I believe that, in selling, you have to create a desire for your product, and always in doing so you must have a well-planned sales approach. It must be well thought out, so that every point you bring to bear has a very important place in the final important matter of closing the order.

To do that, there are many sales tools of a personal nature, that must be brought into play, and you have to be alive and wide awake to continually build onto your selling repertoire, so that you may have a storehouse of information to pass along to a prospect, because we have found that very few prospects buy.

I might say that in another way: We have found that you do not sell something, you sell somebody. And that is a most important thing to think about, regardless of whether your products is securities or business machines. You don't sell securities but you sell the advantages of owning them, usually because of something that you tell the prospect,

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*Stenographic report of lecture by Mr. Kenney, 17th in a series on Investment Salesmanship sponsored by Investment Association of New York, New York City, Jan. 26, 1950.

The Havana Charter—Obstacle To World Reconstruction

By DR. MICHAEL A. HEILPERIN*
Economic Adviser, Bristol-Myers Company

Dr. Heilperin maintains ITO based on Havana Charter would achieve results opposite of those hoped-for by its advocates, and actually would result in jeopardizing of both free enterprise and America's world position. Says for first in official document socialistic planning is given precedence over international order. Predicts if U. S. joins ITO, Congress will pass extreme full-employment legislation and adopt other extreme direction of state controls.

I
The Essentials

It is sometimes argued by defenders of the Havana Charter that the International Trade Organization should be supported by all believers in the free enterprise system and those who realize the importance of world trade for the prosperity of the United States. They claim that the International Trade Organization will help the free enterprise system as well as serve the best interests of the United States.

Michael A. Heilperin

It is essentially because, in my opinion, as International Trade Organization **based on the Havana Charter** would achieve results which are exactly the opposite of those anticipated by its advocates, because in my opinion, it would jeopardize both the free-enterprise system and America's position in the world, that I believe Congress should decline on behalf of the United States membership in the proposed ITO. The idea of an International Trade Organization to promote better international economic relations and freer trade throughout the world is very desirable, provided national policies of the member governments are directed towards the objective of a well-knit multilateral world economy, ruled by the mechanism of free markets and prices and affording full scope to private initiative and free enterprise. If—and I repeat, if—such were the—national policies of the various governments, an International Trade Organization would follow almost as a matter of course and, without being really indispensable as the experience of the second half of the 19th Century shows, it would nevertheless perform important functions and render valuable services. A charter of such an organization would be very clear and simple and readily understandable even to the lay reader; it would be, in brief, the exact opposite of the cumbersome, uncandid, ambiguous document agreed upon at Havana, a document which can be rendered intelligible only by protracted and very painstaking studies.

The charter of a "good" ITO would prohibit the use of import quotas, exchange controls, subsidies of all kinds, and all discriminatory trade practices. It would declare it a duty of every government so to conduct its country's domestic economic affairs as to make it possible for that country to remain economically solvent without the use of restrictive and discriminatory commercial and monetary policies. It would provide for an emergency procedure by which a country faced with exceptional difficulties beyond its own control would be given appropriate external assistance to overcome these difficulties without resorting to measures which disrupt the network of international trade. The charter of an ITO of which the United States would really want to be a member would place multilateral trade and free private enterprise on top of the list of desirable objectives. Indeed whenever privately conducted trade is allowed to proceed without major governmental interferences its world-wide multilateral pattern develops as a matter of course. It did so in the past and it would again in the future if economic forces were to be allowed once again to take their course.

The Havana Charter bears no resemblance to the document of which I have just tried to outline the major required contents. It is true that you will find provisions which prohibit the use of import quotas, subsidies, and discriminatory practices in the Charter but these provisions are immediately so thoroughly clarified by exceptions, reservations, and special directives, as to lose all practical significance. It is possible for advocates of the Charter to point to these provisions in support of their contentions. Opponents of the Charter, however, can point to a multitude of provisions which go the other way and which, by contrast to the first group, are **operating** provisions. These are provisions leading to action or permitting action to take place which stands in crass conflict with the alleged objectives of the ITO and obligations of its members. An obligation which one is at liberty not to live up to ceases to be a true obligation. The French philosopher La Rochefoucauld defined hypocrisy as "the homage that vice pays to virtue." The "vice" of trade restrictionism and of discrimination pays occasional homage to the "virtue" of freer trade throughout the Havana Charter. That is the best that can be said about that document as an instrument of freer trade.

No Devotion to Economic Liberalism

It will be readily objected that the kind of ITO I think that the United States might properly join would find in the world of today very few adherents. This, to my mind, is a valid observation. At the time of drafting the Havana Charter there weren't more than a half dozen countries really devoted to principles of economic liberalism. All the others had governments which, to a varying degree, believed in the virtues of nationalistic economic planning and in the notion that it is a proper function of government strictly to control a country's foreign trade and foreign payments (as well as its domestic economy). They attached the greatest possible importance to maintaining unlimited sovereignty with regards to their national economic planning. This being the state of affairs in the world, there was an obvious conclusion to be drawn, namely, that the kind

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*An address by Dr. Heilperin before the Synthetic Organic Chemical Manufacturers Association, New York City, Feb. 8, 1950.

Hannaford & Talbot Add Four to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Hannaford & Talbot, 519 California Street, have added Arthur M. Breckenridge, Ralph W. Herget, Carl T. Maib, and Reynold Oeschler to their staff. Mr. Herget was formerly with Wilson, Johnson & Higgins in their statistical department. Mr. Maib was Petaluma representative for Wilson, Johnson & Higgins, and Mr. Oeschler was with Eaton & Co.

D. Pearson Now With Bingham, Walter Firm

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—David C. Pearson has become associated with Bingham, Walter & Hurry, Security Building. Mr. Pearson was formerly an officer of Geo. R. Miller & Co., Inc.

Forest Shipley With Marache, Sims & Co.

Forest W. Shipley

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Forest W. Shipley has become associated with Marache, Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Shipley was formerly vice-president of Quincy Cass Associates.

Observations . . .

By A. WILFRED MAY

Are We to Develop the World's Resources?

(A Question Becoming Drowned in a Sea of Contradictions)

Senator McMahon's most "new" if not quite most "bold" program for buying world peace with a $50 billion check, is just another step along the road to growing confusion over our future role in foreign aid.

A. Wilfred May

Specifically and characteristically misguided is the widespread reaction **in coupling Point Four to the Senator's idea** that a $50 billion bill can buy from the Russians and the rest of the world insurance against an atomic conflagration.

But almost all the current discussion on radio and platform about the future of our help abroad reveals startlingly increasing confusion over the political and economic issues—as well as between the two.

This results partly from the fact that—characteristic of planning generally—so many different interests are concerned.

For example, at the same time that President Truman, the State Department's promotion machinery, and the Congress are proceeding with the formulation of Point Four as an essentially United States proposition (and correctly so, for whatever its final form in relation to foreign policy, etc., the U. S. Treasury will be footing most of the bill); the United Nations (including some of our representatives thereto) is still proclaiming that it is one of its principle projects, and that it is going ahead full-steam with the preparation of its technical-assistance and social features under the aegis of its own well-populated staff. In such a concept of Point Four as a UN internationally-directed project plumps full square into the contradictory fact that American officialdom appraises it as one of the main tools in furthering our own foreign policy; to whit the amended Herter and Kee Bills whose preambles identically state as the purpose—"*To promote the foreign policy of the United States. . . .*" The Bills then go on to assert that "such [economic] progress will further the advance of human freedom, the secure growth of democratic ways of life. . . ."

American Interests Versus UN

Irrespective of whether these legislative declarations together with State Deparament interpretations mean that a motivation of the Point Four program is to contain Communism, it certainly at least does mean that the administration of our role is to be tied to our political foreign policy (whatever that may be). And this is confirmed by Mr. Truman's recent eager offer to the Shah of Iran to ring in Point Four millions to serve Iranian Fair Dealism and disserve its Moscow neighbors' encroachment. Surely such utilization of Point Four as an instrument of U. S. foreign policy is contradictory to its alleged functions as a function of the United Nations.

On the fiscal side too there is similar conflict on the one hand between the contemplated financial procedure by the U. S. Government and private enterprise guarantees; and on the other hand credits multilaterally-granted by the International Bank. For the Bank is chartered to perform precisely the functions as outlined in the American Administration's Point Four legislation (as was detailed in this column of Nov. 24). Or will it come to pass that Point Four is to provide the key to the backdoor for making uncreditworthy loans refused by the International Bank?

Another source of confused contradiction lies in increasing evidence that in its advancement the program is more and more losing its investment characteristics, **and over whether it really constitutes an investment program at all**—under an untortured definition of that term. Mr. James Warburg, former banker, monetary expert and economist, in his widely circulated pamphlet uses the "investment" umbrella to say: "*We must stop thinking of the money we spend abroad as expense, and think of it instead as investment,*" thus justifying expenditure of over $60 billion on the TVA-ization of the world.

Away From "Peanuts"

But even such "economic" confusion in the $60 billion class has already become "peanuts" (no pun on the Britain's Tanganyika fiasco intended). For Mr. Dewey Anderson, Director of the Public Affairs Institute, last Sunday figuratively blew this columnist off his mike in a joint radio roundtable by coolly advocating the Point Four expenditure of $500 billion, citing some vague ideas of "capital formation" for our hope of reimbursement.

There are two further important channels of contradiction stemming from this complaint by promoting groups that any program within financial reason constitutes "Bargain Basement" pikering. First it is in head-on collision with the fact that (irrespective of pity over the demolition of the American taxpayer) the provision for $600 billion—or even a paltry $60 billion through *any* means must undermine the dollar whose stability surely constitutes the basic hope of the world economic future, including those foreign countries over whom we are concerned.

How Long the Dole?

The other conflict lies with the sound aim of getting the rest of the world off the dole, of getting the perpetual borrowers houses in order. As again emphatically broached by Marshall Aid Administrator Hoffman, in Washington this week, the prerequisite for getting more American dollars must be the abolition of trade restrictions, currency controls, double-pricing, and inflation—and the lowering of our own tariff barriers. **Our outpouring of more billions before such hygienic steps are taken would thus constitute a shot-in-the-arm decisively sabotaging Mr. Hoffman's "get-tough policy" and insuring the world's permanent status on the dole.**

The State of Trade and Industry

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

A slight decline occured in over-all industrial output last week the level of which was moderately under that of the corresponding period a year ago. The cut in industrial effort was principally due to drops registered by three heavily weighted factors such as steel, coal and civil engineering construction. Unemployment held approximately at the level of the week previous.

Civil engineering construction declined substantially from last week's high level to $161,000,000. It was approximately three-fourths as much as the figures of the previous week and the similar period of a year ago.

* * *

President Truman on Monday of this week finally resorted to the machinery of the Taft-Hartley law in an effort to restore full production in the soft coal industry. Following reports from the mine areas which indicated that the members of the United Mine Workers Union were ignoring his request of last week that they return to work, Mr. Truman at 11:35 a.m. on Monday signed an executive order appointing a three-man board to look into the facts of the coal dispute and report to him by next Monday. This paves the way for the President to ask a Federal court injunction next week ordering the miners back to work for at least 80 days. Mr. Truman acted after receiving word that nearly all the 400,000 soft coal miners had remained away from the pits. Until last Monday about 100,000 had been on strike and the remainder were working three days a week.

* * *

Steel orders, while they have not in recent weeks shown a pronounced rise, a definite trend in this direction is developing because of threatened steel curtailments occasioned by diminishing coal supplies.

Immediate future steel production policy, according to "Steel" magazine, rests on pending developments in the coal labor controversy. Pressure for court action under the Taft-Hartley Act and the President's suggestion for full-scale mining pending findings of a proposed fact-finding board emphasize the seriousness of the coal situation. Coal stocks at most steel mills are adequate to support operations at high level for several weeks. But some important producers have short supplies and may be forced to cut production within a week or so unless the outlook improves.

* * *

Final official factory sales figures show that the U. S. automotive industry built a total of 6,238,088 new cars, trucks and buses in 1949, the Automobile Manufacturers Association reports.

Establishing a new all-time record, output topped the two best previous years—1929, by 16%, and 1948, by 18%.

Nearly 6,000,000 units of the 1949 production were sold in the domestic market, the association said, as export sales were drastically reduced.

Only 277,745 motor vehicles, 36% less than in 1948, were shipped abroad. Exports accounted for a mere 4% of total output in 1949, as against 8% in 1948.

Production of passenger cars increased 31% over the year before; manufacture of trucks, however, decreased by 18%. The respective totals: last year 5,108,841 cars, 1,123,736 trucks; the previous year, 3,909,270 cars, 1,363,856 trucks.

* * *

Unemployment in January hit a new postwar high of 4,480,000, a jump of 991,000 over December.

The United States Department of Commerce, which issued the figures, said the increase was due to seasonal factors. These included the after-Christmas slump in retail employment and bad weather, which cut into farm and construction work.

There was a drop in employment in January from December of over 1,500,000. The difference between the drop in employ-

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Holloway, Sorenson At Mitchell Hutchins

Olaf A. Sorenson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John W. Holloway and Olaf A. Sorenson have become associated with Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Both were formerly associates of the Chicago office of Jas. H. Oliphant & Co.

Hilgers, Bleckner With Francis I. Du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Ira C. Hilgers and H. Gordon Bleckner have become associated with Francis I. du Pont & Co., 634 South Spring Street. Both were formerly with Bingham, Walter & Co.

Weeden Co. Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Thomas W. Borden and William A. Stevens are with Weeden & Co., 315 Montgomery Street.

Dangers of the Propped-Up Economic Stability

By ALLAN SPROUL*

President, Federal Reserve Bank of New York

Mr. Sproul lays down as chief contributing forces to economic stability, a proper coordination of fiscal policy, credit policy and debt management, but warns this does not make us immune to depressions. Warns of propped-up economy and lays down as among chief causes of instability: (1) war; (2) uneven rate of investment; (3) changes in consuming habits; and (4) "rigidities" which delay readjustments. Stresses international situation as affecting domestic economy and concludes greatest contribution we can make to world recovery is to maintain a stable economy.

My most personal and intimate concern with economic stability, of course, is in the field of credit policy, and in the related fields of debt management and fiscal policy. I have considerable respect for credit policy, if properly coordinated with debt management, as a flexible means of contributing to economic stability: And I associate fiscal policy, with debt management and credit policy, as a powerful force, but one which suffers greatly from inflexibility and high exposure to political pressures. As I have said on another occasion, these are established means of government intervention in the economic processes of the country. Through their use a pervasive influence may be brought to bear on our economy, without that intrusion upon specific transactions between individuals which is likely to be the consequence of more detailed physical controls, and which would spell the end of democratic capitalism as we have known it.

Allan Sproul

While I would agree completely, therefore, with those who say that appropriate, vigorous, and coordinated monetary, debt, and fiscal policies should constitute a primary defense against economic instability, I would also deplore the implication that these alone can assure victory in the struggle, or any implication that we have at last learned how to maintain steady economic progress, and that there need be no more booms or depressions. The forces making for instability in our economy are still strong. Certainly the mild recession of 1949, and the subsequent recovery, should not be accepted as proof of our immunity. A false sense of immunity may well expose us dangerously to the disease we are seeking to avoid.

I am going to address myself tonight, therefore, to some of the causes of instability in our economy with which we must concern ourselves if economic stability is to be more than a statistician's projection or a Socialists's dream.

Definition of Instability

First, let me define what I mean by economic stability. As I see it, the essence of economic stability lies in regular progress; progress which has its ups and downs, but which avoids the cumulative degeneration of severe inflation or depression. If stability meant a complete absence of motion or change, we would, indeed, have a static, if not a stagnant, economy. What we want is steady growth, characterized by rising productivity, and the equitable distribution of the fruits of that rising productivity. This means that at any given time some industries, and possibly some localities, must be fading in importance, while others are expanding and new developments fit themselves into place. It means that there must be some play in the business and industrial organization of the country and some mobility in its labor force. It means that readjustments are necessary from time to time, but that we should try to keep these adjustments within bounds, and to avoid those extreme swings in overall economic activity which verge on social disorder.

*An address by Mr. Sproul at the 46th Annual Banquet of the New York Chapter of the American Institute of Banking, New York City, Feb. 4, 1950.

Continued on page 36

From Washington Ahead of the News

By CARLISLE BARGERON

The Lodge resolution which would change the system of electing our Presidents and Vice-Presidents, recently passed by the Senate, is one of the most revolutionary proposals we have entertained in a long time. This does not mean that it is all bad or all good, or even wise or unwise but it is something that certainly needs a lot of soul-searching and it is my impression that is exactly what it will get before it passes the House.

Carlisle Bargeron

In studying it one is torn between his prejudices and in the end he is likely to end up undecided as to which of his prejudices he wants to accommodate.

The roll call in the Senate presents a baffling situation. Lodge, the sponsor, is certainly no Leftist yet he finds himself supported by such gentry as Wayne Morse, the wooly eyed Humphrey and paradoxically such statesmen as Walter George of Georgia.

It is understandable why the Southerners generally embraced the proposal in their usual rebel yell fashion. As they see it, and as Senator Taft argued, the change would give them more power at the expense of the more populous States. The lesser populated States generally supported the resolution but then so did the Senators from New York, Illinois and one, Myers, from Pennsylvania.

New York State, for example, instead of voting its 47 votes for the candidates who carried the State would split approximately 24 and 23 on the proportional representation plan which the resolution provides. Georgia at present would split 10 and 2, giving 10 votes to the Democratic nominees and two to the Republican, instead of 12 to the Democrats. New York's great strength would be cut in half which would certainly be a healthy thing for the country, of course.

In New York, an Eastern European immigrant, Dave Dubinsky, has come to have tremendous power with his 300,000 or 400,000 votes which he can throw around at will. He is a decisive factor as to which way that State will go and both parties are usually desperately fighting for that State and shaping their campaigns accordingly.

Under the Lodge proposal, New York State becomes just about half as important; so does Pennsylvania and other large States. This means that the foreign born, racial conscious, labor vote which has been the mainstay of the New Deal revolution is cut in half. The Republicans have managed to come through pretty regularly in Ohio and Michigan during the revolution, in spite of the heavy labor vote and as Senator Taft pointed out, they lose in such States under the new arrangement. But it would have been sharply to their advantage in 1948 in Ohio, Illinois and California.

My complex, however, is more against the influence of the Eastern conglomeration and I should be prepared, as should the rest of the country, to accept most any change that would reduce it.

But to get back to the South whose Senators embraced the proposal so eagerly.

Ever since the Civil War they have resisted the establishment of the two-party system. This has been their main weapon of handling their racial problem. They have had measures designed to prevent the Negro from voting in any appreciable numbers, of course. But year in and year out their main reliance has been upon the one party system. There are Republicans down there, any number of them, and they have party machinery. But under the one party system all elections are determined in the Democratic primaries. The November vote is a mere formality.

The South has understood that with the two parties vying for power, and politicians being what they are, there would be continual contesting for the Negro vote with each party trying to outdo the other as is the case in the Eastern States. This would bring about an intolerable situation in the South where the Negroes are not a minority group a tall.

Well sir, it seems to me that what the Southern Senators have done is to pave the way for this two-party system at long last Every one of the Southern States, particularly Florida, Alabama, Tennessee, North Carolina, Virginia and Texas, turns up a respectable Republican vote every four years. It doesn't mean anything and the Republicans go about the process of voting listlessly. But there are still more Republican votes in the woods and they would now have an incentive to come out and cast their ballot not with a view of the Republicans carrying the State but to get as many electoral votes here and there as possible. And with this rivalry getting underway it would seem inevitable that bartering between the two parties for Negro votes would not be far off.

Morgan Stanley Group Underwrites Com. Stk. Of Consumers Pwr. Co.

A group of 76 investment firms headed by Morgan Stanley & Co. is underwriting the offer by Consumers Power Co. of 454,457 additional shares of its common stock for subscription by stockholders and employees at a price of $34.25 per share. Stockholders have the right to subscribe on the basis of one additional share for each ten shares of common held of record Jan. 31. Transferrable subscription warrants will expire at 3 p.m. (EST) on Feb. 20, 1950.

Employees of the company and its subsidiary, Michigan Gas Storage Co., may subscribe by Feb. 17 for not more than 100 shares per person, subject to allotment, of stock not subscribed for through the exercise of warrants.

Proceeds will be applied to repay $9,000,000 of short-term bank loans and to finance in part the company's construction program on which approximately $76,000,000 will have been spent during the two-year period ending Dec. 31, 1950.

B. H. Lapham Forms Own Firm in Syracuse

SYRACUSE, N. Y.—Beverley H. Lapham has formed B. H. Lapham & Co. with offices in the University Building to engage in the investment business. Mr. Lapham has recently been Syracuse manager for Shields & Company and prior thereto conducted his own firm in Syracuse.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Robert W. Reed, Jr., has joined the staff of Cantor, Fitzgerald & Co., Inc., 211 South Beverly Drive. Mr. Reed was previously with King Merritt & Co.

Insurance Stocks

By ROGER W. BABSON

Mr. Babson recommends insurance stocks as investments which combine diversification, fair yield and freedom from labor troubles, as well as being an inflation hedge. Holds prices of shares of long established fire insurance companies are low in relation to liquidating values and with leveling off of premiums, these companies, because of end of drain on surplus required by high premium reserves on unexpired risks, will be in position to pay larger cash dividends.

Roger W. Babson

Many letters have come to me asking that I suggest an investment which combines: (1) proper diversification; (2) an inflation hedge based upon low cost compared with liquidating value; (3) a fair interest yield, and (4) freedom from labor troubles. This last is very important. After considerable thought, I recommend stocks of good, long, established fire insurance companies, and herewith are my reasons.

Diversification and Inflation Hedges

(1) Insurance companies are actually well diversified and balanced "investment trusts" with a second source of earnings from the insurance business. This second source will often produce as much income as the stocks and bonds which the company owns. Furthermore, the purchasers of this form of investment trust should receive more income—and certainly more security—than by the direct purchase of most securities. For instance, the Home Insurance Co., the stock of which sells at $35 a share, has invested assets of $60 a share.

(2) Fire insurance stocks are selling at a low ratio to liquidating value. To take the case of the Home Insurance Co. again as an example, it is selling at about 85% of its current liquidating value. Since 1935 the average annual range for all fire insurance companies has been less than the liquidating value. As most fire insurance companies have a portfolio of good common stocks, they should be a fair inflation hedge.

Dividend Outlook and Cycles

(3) Generally dividends on fire insurance stocks gradually increase. The ratio of dividends paid to investment income received is below the normal average for other classes of stocks. This shows conservative management. The leveling off of premiums will stop the drain on surplus and permit greater dividends. Increasing dividends should cause increasing market prices.

(4) There are cycles in the insurance business. The cycle now is that of a period of good earnings, which give a yield between 4% and 5% although a large part of the assets are in government bonds. Perhaps never before in history has property been so nearly insured to full value. The rates are not ordinarily reduced until five-year-average results demonstrate them to be too high. When rates again begin to be reduced and/or fire losses increase, dividends and prices of fire insurance stocks may again decline for a period.

Small Labor Expense

(5) A period of labor troubles—such as we are witnessing today — should direct attention to the advantage of insurance company stocks. The cost of labor for the insurance industry is around 10% of the volume of business. This compares with a labor cost of from 40% to 50% in most industries. This gives a great advantage to fire insurance companies.

Any increased labor costs go into the expenses and are taken into consideration in the fixing of rates as well as in the payment of taxes. If drastic labor trouble should occur, this type of company, having a small investment in plant, can be moved to a new locality. But the percentage of labor cost is so small, this is seldom necessary.

Selecting a Stock to Buy

I use the Home as an illustration because it is the largest in the United States in total admitted assets and in premiums written, although only the fourth in policyholders' surplus. I happen to be a director and have great confidence in its President, Harold V. Smith. Also, there are other good companies such as Great American, American of Newark, Firemen's of Newark, Aetna, National Fire, Continental, Fidelity-Phenix, Insurance Company of North America, Springfield Fire & Marine.

If you are ultra-conservative, buy some stock in all ten companies. Then you should have the best possible combination of safety and income. Another suggestion is that you look at your insurance policies. If you find one of the above ten, then buy some stock in that company. If it is good enough for you to insure in, it should be good enough for you to invest in. The business of an insurance company is based 100% upon the principle that those who escape fire, accident and other troubles, all unite to help the one who has an unfortunate loss.

Anti-Trust Suits and Investment Values

By HOWARD F. VULTEE

Vice-President, The Marine Midland Trust Company of New York

PART II—Recent Anti-Trust Cases

Mr. Vultee cites change in anti-trust suits from basis of horizontal structure of company or industry, to allegations of monopoly in a segment of a company. Details proceedings in cases against Pullman, Paramount, and Fiberglas cases, with effects on stockholders, including market action of their shares.

The early anti-trust suits were attacks on individual companies taken as a whole. As such they were against the horizontal structures of a company or an industry. The first attacks were against companies which represented substantially all of an entire industry. As the number of such companies was relatively limited, the drive shifted to major companies which were dominant companies in an industry. However, when the Supreme Court upheld in the United States Steel case that size alone did not constitute a monopoly, the government's "big stick" over industry was considerably shortened. Thereafter, for about a decade during the 1920s, no major anti-trust suits were instituted. However, during the reform era of the 1930s, a new rash of suits broke out. Many of these suits were against integrated companies where a monopoly in a segment of a company was alleged to be fostered by the company's dominant position in an industry.

Howard F. Vultee

To illustrate this type of proceeding I selected the cases against Pullman, Inc. and Paramount Pictures, Inc. In the former, its exclusive position as the operator of sleeping car facilities on the nation's railroads was alleged to foster its position as a manufacturer of sleeping cars. Pullman did not contest the Lower Court's ruling that it was a monopoly, and in compliance with a separation order, offered a plan to sell the operation of sleeping cars to the railroads. After a number of proposals and counterproposals to the plan, the sale was finally consummated.

The suit against Paramount Pictures was one of several conducted jointly against the major integrated motion picture companies. Paramount Pictures was selected for study because it was the company with the largest number of theatre holdings and was, therefore, a major target of the joint suit. The Lower Court here found illegal only certain trade practices and certain forms of theatre ownership. Before the final ruling was reached, however, Paramount entered a consent judgment which called for separation of the motion picture producing division from theatre operations.

Another example of the attack on a segment of an industry is in the Fiberglas case. Jointly owned by Owens-Illinois Glass and Corning Glass, the Owens-Corning Fiberglas Corporation was formed with notice to the government some nine years before an anti-trust suit was filed. Also about a year before the suit was filed, the company made available to others its patents on a royalty basis. The consent judgment required no divorcement of the Fiberglas operation, but virtually barred parent company control.

These three anti-trust proceedings also illustrate a new departure in compliance with anti-trust objectives. No measure of the costs of anti-trust proceedings is possible. Countless millions have undoubtedly been spent by the government and the defending corporations in these actions. It is not uncommon for defendants to accede to a consent arrangement, where an acceptable compromise could be arranged rather than become involved in further extended litigation with its attendant dollar cost and drain in senior personnel hours. Many managements have contended that they fared better on a consent basis than they might have under a judicial decree.

The Pullman Case

Although the company had operated its sleeping-car business since before the turn of the century, it was not until July 12, 1940 that the Federal Government charged the company and its affiliates with exercising "monopolistic control" of the nation's railroad sleeping-car business. The Department of Justice requested the District Court of Philadelphia to order cancellation of the contractual provisions between the company and the railroads and it further asked the separation of the manufacture and operation of Pullman cars. The reaction of the stock market to the filing of the suit was reflected in an immediate decline of 7% in price for the common stock from 21¼ to 19¾. In the course of a week's time the stock lost another point in the market for an overall decline of 11.8% as shown in the following table.

The suit began on Nov. 3, 1941 before a three-man court without a jury. Shortly thereafter, the United States was drawn into the war and Pullman's position as a manufacturer of heavy goods and as an operator of a major form of transportation became important to the war effort. By the time of the court's decision on April 20, 1943, the stock had advanced considerably reflecting the company's participation in war business and was selling at 33½. This amounted to a net increase of 61% during the nearly three-year period between June 29, 1940 and April 20, 1943 as compared to a 9% increase in the Dow-Jones Industrial Average. Although the three judge expediting court unanimously sustained the government's anti-trust suit against the group, only one-half of a point decline in the market for the stock was evident and which might be attributed to the adverse ruling that the group constituted a monopoly.

As a result of the decision, the United States District Court at Philadelphia ordered on May 8, 1944 the separation of the sleeping-car business from the railway car manufacturing business. Pullman decided to accept and did no appeal the decision. In keeping with the Court's ruling that it could elect the division it would retain, the company submitted a plan on Oct. 2, 1944 which provided for the sale of the sleeping car business and the continuation of the manufacturing operations. At the date of the filing of the plan, Pullman's stock was selling at 48 or 131% higher than the June 29, 1940 market level, while the Industrial Average advanced only 20% between the two dates.

Pullman's plan proposed the sale to the railroads as a group of its entire equipment except for the lightweight sleeping cars on which certain railroads had options to purchase. The selling prices provided for under the plan amounted to about $39 million for the lightweight cars and $42 million for all the remaining sleeping car facilities or a total of more than $81 million. Subsequently, three other groups offered to buy the sleeping car business. One group headed by Otis and Company represented Alleghany Corporation - Chesapeake and Ohio interests. An offer was also made by the Standard Steel Spring Company. An investment banking group headed by Glore, Forgan and Company made the fourth offer. Finally on Nov. 14, 1945, Pullman elected to sell the business to the original railroad group. All during this period Pullman common shares, as a result of its booming business and prospects of cash liquidating dividend, continued to outdistance marketwise the Industrial Average. At the time of the Court approval of its plan in December, 1945, the stock was nearly triple its mid-1940 price level as against a 57% increase in the Average.

The three-man court which heard the case approved the sale on Dec. 18, 1945, but the government appealed to the Supreme Court. Some of the unsuccessful bidders and several individual railroads joined in the appeal. On March 31, 1947 the Supreme Court voted in a four-to-four decision approving the sale. Justice Jackson, as a former Attorney-General, had disqualified himself in the case. As a tie vote in the Supreme Court is held to affirm the action of the Lower Court, the sale of the sleeping-car business to the railroads was sustained. The Interstate Commerce Commission gave its stamp of approval to the sale on May 15, 1947 and consummation of the sale took place on June 30, 1947.

The sale of the lightweight equipment to the various individual railroads yielded $36 million and the sale of the sleeping car business together with the heavyweight equipment to the railroads as a group produced $40.2 million. Well supplied with cash, Pullman embarked on a program of stock retirement through tenders and open market purchases. By the end of 1948, the company had reduced the number of shares outstanding to 2,561,731 from 3,229,897 at the end of 1946 or a reduction of 668,166 shares and about $52 million of the proceeds of the sale remained. Late in 1948 the company suspended stock purchases pending the study of the purchase of control of a group of

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PULLMAN, INC.

	Pullman Market Price	Impact %	Index of Pullman Stock	D-J Ind. Avg.	Index of D-J Ind. Avg.
Jun 29, 1940	20¾	---	100	121.87	100
July 12, 1940 (Anti-trust suit filed)	*21 to 19	—11.8	102 to 90	121.63	100
Apr 20, 1943 (Lower Court decision)	*34 to 33	— 1.5	161 to 159	133.09	109
May 8, 1944 (Separation ordered)	43⅜	---	209	138.65	114
Oct 2, 1944 (Plan filed)	48	---	231	146.92	120
Dec 18, 1945 (Lower Court approval)	60¾	---	293	190.98	157
Mar 31, 1947 (Supreme Court approval)	58¼	---	281	177.20	145
May 14, 1947 (I.C.C. approval)	54¼	---	261	166.68	137
Dec 31, 1947	52⅝	---	254	181.16	149
Dec 31, 1948	32⅜	---	156	177.30	145

*Fluctuation over immediate period following the event indicated, prices rounded for convenience.

NSTA Notes

SEATTLE SECURITY TRADERS ASSOCIATION

C. Arnold Taylor

Homer J. Bateman

Waldemar L. Stein

At a recent meeting of the Seattle Security Traders Association, held at the Washington Athletic Club, Seattle, the following officers were elected for the ensuing year:

C. Arnold Taylor, Wm. F. Harper & Son & Co.—President.

Homer J. Bateman, Pacific Northwest Company—Vice-President.

Paul G. Johnson, Blyth & Co.—Secretary.

Waldemar Stein, Bramhall & Stein—Treasurer.

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.

Leading Banks and Trust Companies of Northern New Jersey—Enlarged report containing figures on 65 banks in Northern New Jersey as of Dec. 31, 1949—Parker and Weissenborn, Inc., 24 Commerce Street, Newark 2, N. J.

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

New York City Banks—Tabulation of government portfolio distribution—The First Boston Corp., 100 Broadway, New York 5, New York.

Also available is a special report on **Gulf Oil Corp.**

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.

Television — Progress report — Bache & Co., 36 Wall Street, New York 5, N. Y.

Thirty - Seven Representative Banks — Comparative analysis — Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, New York.

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Aetna Standard Engineering Co. —Analysis — Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Allied Laboratories, Inc.—Study available to dealers—Townsend, Graff & Co., 15 Broad Street, New York 5, N. Y.

American Radiator & Standard Sanitary Corp. — Circular — De-Haven & Townsend, Crouter & Bodine, Packard Building, Philadelphia 2, Pa.

Chicago, Rock Island & Pacific Railroad — Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of **International Business Machines Corp.**

Allen B. Dumont Laboratories Inc.—Report—Francis I. du Pont & Co., 1 Wall Street, New York 5, New York.

Also available is a special report on **Westinghouse Electric Corp.**—An analysis of **American and Foreign Power,** and a list of 41 common stocks with a yield of 7½% or better.

Electric Bond and Share Common—Transcript of testimony of Arthur Wiesenberger in the reorganization proceedings—Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.

Federated Department Stores—Circular—Carl M. Loeb, Rhoades & Co., 61 Broadway, New York 6, New York.

D. B. Fuller Co. Inc.—Memorandum — Gearhart, Kinnard & Otis, Inc., 45 Nassau Street, New York 5, N. Y.

Garlock Packing Co.—Analytical report—Hecker & Co., Liberty Trust Building, Philadelphia 7, Pa.

Jones & Laughlin Steel Corp.—Circular—Reynolds & Co., 120 Broadway, New York 5, N. Y.

P. R. Mallory & Co., Inc.—Analysis—Brush, Slocumb & Co., 1 Montgomery Street, San Francisco 4, Calif.

Mead Johnson & Co.—Memorandum—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

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

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

Noranda—Special memorandum—Greenshields & Co., 507 Place d'Armes, Montreal, Que., Canada.

North American Co. — Memorandum—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, New York.

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

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

Sears, Roebuck vs. Montgomery Ward—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, New York.

John B. Stetson Co.—Study—H. M. Byllesby & Co., Inc., Stock Exchange Building, Philadelphia 2, Pa.

Ultrasonic Corporation — Analysis—Coffin, Betz & Co., 123 South Broad Street, Philadelphia 9, Pa.

Also available is a circular on **National Research Corp.**

COMING EVENTS

In Investment Field

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.

Herbert McHenry With White Weld, Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Herbert T. McHenry has become associated with White, Weld & Co., 231 South La Salle Street. Mr. McHenry has recently been with the Los Angeles office of Shields & Co. in charge of the institutional department. Prior thereto he was with Salomon Bros. & Hutzler in Chicago.

Joins Mann & Gould

(Special to THE FINANCIAL CHRONICLE)

SALEM, MASS. — Winthrop C. Durfee has become associated with Mann & Gould, 70 Washington Street. He was formerly with Putnam & Co.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Wyllys R. Betts has been added to the staff of Harris, Upham, 523 West Sixth Street. He was previously with J. Barth & Co.

Joins Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Raymond H. Dart is with Hill, Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Mason Bros. Staff

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CAL. — Guy K. Brown has joined the staff of Mason Bros., Central Bank Bldg., members of the San Francisco Stock Exchange.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The United States Fidelity and Guaranty Company has just completed a financing program whereby additional capital was raised through the offering of rights to shareholders to subscribe to additional shares of stock.

This is the first major financing undertaken by a fire or casualty company since the 1947-1948 period. Then because of the rapidly rising premium volume in the fire lines, additional capital was obtained by a number of institutions through offerings to shareholders.

Under the United States Fidelity and Guaranty program, 300,000 shares of capital stock were offered to stockholders of record as of the close of business Jan. 13, 1950, in the ratio of 1 additional share for each 3⅓ shares owned. The subscription price was $40 per share.

According to the company, of the 300,000 shares offered, 294,364 or 98.1% had been subscribed to as of Feb. 1. The remaining stock—that is shares not subscribed for— has been purchased by underwriters from United States Fidelity and Guaranty under the terms of an underwriting agreement and has been offered for sale at a price of 52¾.

As a part of this program of increasing the capital of the company, stockholders as of the close of business Jan. 13, 1950 will also receive as a stock dividend, one share of United State Fidelity and Guaranty for each 10 shares owned as of the record date.

Thus the sale of the 300,000 shares of stock to shareholders and the distribution of a 10% stock dividend of 100,000 shares has increased the outstanding capital stock of United States Fidelity and Guaranty Co. to 1,400,000 shares from the 1,000,000 shares heretofore outstanding.

The need for the additional capital can be explained in terms of the growth in premium volume. The net premiums written in recent years have been as follows:

1949 (9 mos.)	$92,004,738	1944	$45,025,449
1948	103,621,092	1943	44,027,305
1947	85,554,841	1942	43,771,273
1946	66,853,098	1941	39,248,351
1945	47,797,396	1940	34,367,287

This sharp expansion in premium volume since 1940 amounting to over 200% has tended to reduce the ratio of capital funds to premiums written.

Although the rapid rate of growth in the last few years is expected to level off, there are goods reasons for believing that a number of the company's principal lines will continue to expand.

For 1948 the important categories of casualty insurance risks, written by the United States Fidelity and Guaranty Co., and their importance relative to the total premium volume included are: automobile liability, 21.8%; workmen's compensation, 18.5%; fidelity and surety, 13.2%; general liability, 11.2%; and automobile property damage and collision, 11.0%. The two principal fire insurance lines are motor vehicle with 6.3% of total volume and fire with a similar amount. The general trend toward greater insurance coverage should be reflected in a continuing increase in the business of the company.

The past record of earnings has been favorable. The following per share figures on operating earnings for the last nine years and for the first nine months of 1949, as computed by Geyer & Co., 67 Wall Street, New York, N. Y., are shown below.

For Year Ended Dec. 31	Underwriting Earnings Tax Basis	Estim. Acquisition Costs Prepaid	Adjusted Underwriting Earnings	Net Investment Income	Total	Federal Income Taxes Incurred	Adjusted Operating Earnings
†1949	$3.50	$1.45	$4.95	$1.93	$6.88	$1.90	*$4.98
1948	7.49	2.46	9.95	3.44	13.39	3.47	*9.92
1947	5.75	2.20	7.95	2.65	10.60	2.58	*8.02
1946	0.11	1.63	1.74	2.40	4.14	0.14	*4.00
1945	3.72	0.49	4.21	2.19	6.40	2.07	4.23
1944	7.67	0.19	7.86	1.38	9.74	4.44	5.30
1943	9.23	0.08	9.31	1.56	10.87	5.12	5.75
1942	3.14	0.28	3.42	1.70	5.12	1.18	3.94
1941	5.03	0.19	5.22	1.55	6.77	1.24	5.53
1940	3.81	0.04	3.85	1.59	5.44	0.46	4.98

*Consolidated for 1946 (when company acquired control of fire insurance subsidiary) and subsequent; parent company only prior thereto. †First nine months.

The above figures are based upon 1,000,000 shares from 1940 through 1948. The nine months' results have been adjusted to reflect the 1,400,000 shares outstanding after the sale of the additional shares and the distribution of the 10% stock dividends.

Based upon the assumption that the profit margins earned during the past nine years can be reasonably well maintained and that the 1949 volume of business will also be realized without allowing for further growth, Geyer & Co. estimates that earnings averaging around $7.00 a share after taxes on the increased capitalization can be expected for the stock of United States Fidelity and Guaranty.

Carr & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Russell E. Zoller has been added to the staff of Carr & Co., Penobscot Building, members of the Detroit Stock Exchange.

Sessler Adds Two

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Jack B. Robinson and Harvey S. Tzudiker have been added to the staff of John G. Sessler & Co., 10 Post Office Square.

McDonald Testimony on Frear Bill

Chairman of SEC tells Senate Banking and Currency Committee securities market regulation would be incomplete without measure. Holds unlisted securities holders require same protection as other investors. Estimates 1,800 companies would be covered by bill.

Harry A. McDonald, Chairman of the Securities and Exchange Commission, appeared before the Senate Banking and Currency Committee on Feb. 7 in support of the Frear Bill (S. 2408) which would broaden the powers of the SEC by requiring corporations with assets of $3 million or over and having 300 or more stockholders whose securities are not listed on registered exchanges to file statements and submit to the same regulations as are now required of corporations whose securities are listed and registered.

Harry A. McDonald

The *text of Mr. McDonald's statement follows:*

Our system of Federal securities regulation has been built up in rather piecemeal fashion by making additions between 1933 and 1940. The system is, we feel, substantially incomplete without S. 2408 and—more important—it deals differently between companies and investors without reasonable basis. S. 2408 would get rid of that discrimination and put both the companies and investors on the same basis.

Under the Securities Exchange Act as it stands today, if a company's management has listed and registered its stock for trading on an exchange, the investors get the following protections:

Current information about the condition of the company is available.

The solicitation of proxies and consents must be accompanied by a clear statement of the facts which the investor needs in order to decide how to vote. The investor is given a chance to use the proxy machinery to get reasonable proposals before his fellow investors and an opportunity to defend those proposals.

The investor is informed as to what trading the management is doing in the company's equity securities and, in order to prevent and discourage members of management and large equity security holders from abusing inside information for their own profit, the law provides for the return to the corporation of profits which have been made by such persons in short-term trading in their company's equity securities.

But no matter how large a corporation may be, no matter how many security holders it has, or how extensive is their need for these protections, they are not assured these protections under the law unless their company's management has decided to list the stock for trading on an exchange. There are some exceptions for specially regulated companies. I will comment on them later.

Thus we live under what might be termed a double standard of management responsibility and security holder protection, a situation in which the degree of responsibility for the welfare of investors is made to depend on the choice of management, whether or not to list its company's stock for trading on an exchange. S. 2408 represents a long overdue correction of this situation.

The bill is not a novel or untried adventure in regulation. The principle of extending these protections to unlisted companies is not a new one for the Congress. In 1935, in passing the Public Utility Holding Company Act which gave the SEC regulatory authority over electric and gas public utility systems, Congress wrote into the law protections for investors in those systems equivalent to those provided for investors in listed companies under the Securities Exchange Act. In the Investment Company Act of 1940 the Congress gave the SEC regulatory authority over investment companies and the same protections were written in.

Congress has recognized that these protections are essential, whether or not the company dealt with has listed securities. In a sense these protections have become recognized as the Magna Charter of investors' rights. S. 2408 will eliminate the substandard position in which many of our investors find themselves because of the anomalous state of our Federal securities laws.

We estimate that about 1,800 companies, not now fully complying with the standards of this bill, would be covered by it. We further estimate that investors owning about $19 billion of securities will be afforded this needed protection. In our report to the Congress in 1946 and also in our report of this year on the need for this legislation, we pointed out many of the practices which would be corrected by the passage of this bill. I earnestly commend those reports to your attention.

Let me say, in closing, that the burden of this legislation on the companies affected would not be onerous. No corporation with $3 million or more in assets and with a substantial number of investors can do or does business without keeping the accounts and records from which the information required by the bill could be easily ascertained. The question posed by the bill is not whether such records should be maintained but whether the public stockholders, the owners of the business, should have the information available to them.

The President has written to the Vice-President and the Speaker of the House on the subject of this bill. I would like to take the liberty of reading the President's letter into the record at this point.

"Feb. 6, 1950.

"Dear Mr. Vice-President:

"The Securities and Exchange Commission has recommended to the Congress an amendment to the Securities Exchange Act of 1934 which would extend to investors in certain unregistered securities the protections now enjoyed by investors in securities which are registered by their issuers with that Commission.

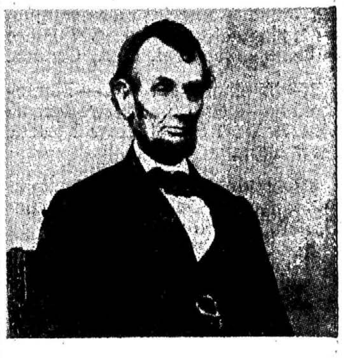
"I believe that the reports on this subject made by the Commission on June 20, 1946 (H. Doc. No. 762—79th Congress), and on Jan. 9, 1950, clearly demonstrate a need for the proposed legislation. The value of the protections afforded investors in registered securities has been thoroughly proved since 1934. There is no good reason why these protections should continue to be denied to investors in other companies which do not list their securities on the Exchanges.

"I hope that the Congress will give favorable consideration to the legislation which has been recommended by the Securities and Exchange Commission.

"Sincerely yours,

"HARRY S. TRUMAN."

The Great Emancipator's Homespun Rule for Living



"Do not worry . . . Eat three square meals a day . . . Say your prayers . . . Be courteous to your creditors . . . Keep your digestion good . . . Exercise . . . Go slow and go easy . . . Maybe there are some other things that your special case requires to make you happy, but my friend, these I reckon will give you a good life." —Abraham Lincoln.

Klehmet, Pflug-Felder With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL. — Hans Klehmet II, George W. Pflug-Felder and Lester R. Walls have become associated with Dempsey-Tegeler & Co., 210 West 7th Street. Mr. Klehmet was formerly with First California Company. Mr. Pflug-Felder was Los Angeles manager for Conrad, Bruce & Co. and Mr. Walls was with Marache, Sims & Co.

Earl I. Custin Joins Hill Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Earl I. Custin has become associated with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Custin was formerly with First Securities Co. of Chicago and conducted his own investment business in Chicago.

Earl I. Custin

David Dillman With Inland Steel Co.

CHICAGO, ILL.—David Dillman has become manager of public relations for Inland Steel Company and will assume his new duties March 1. Mr. Dillman has recently been managing editor of the Chicago "Journal of Commerce," and prior thereto for many years handled public relations for the Investment Bankers Association.

Vinyard Partner in Central Investment

SAN ANTONIO, TEX.—Eugene D. Vinyard, manager of the office of Central Investment Company of Texas, Frost National Bank Building, has been admitted to partnership in the firm.

The Securities Business— Important to Efficient Economic System

By BENJAMIN H. GRISWOLD, III*
President, Association of Stock Exchange Firms
Partner, Alexander Brown & Sons, Baltimore

Asserting unless capital markets are wholesome and buoyant, country will be unable to obtain full value of modern science and invention, prominent investment banker points out securities business devotes its best efforts to directing capital to productive uses. Stresses need for stable and continuous securities markets, and holds "auction markets" of stock exchanges constitute essence of free enterprise.

Democratic activities have always thrived on the frank exchange of ideas. As a matter of fact, many seemingly insoluble problems in our own industry have been liquidated by the solvent of frank discussion.

B. H. Griswold, III

We in the securities business fully realize today how interdependent the various phases of our economy are today—I am not sure that we fully realized this in the past.

I hope that we Americans are beginning to realize how interdependent the various phases of our economy are today—I am not sure that we have in the past.

The recognition of the simple fact that our economic machine is composed of many intricate parts and that all of these parts are interdependent is a concept of such overwhelming importance today, despite its simplicity, that I would like to use this thought as the keynote and theme of our discussions this evening. The very status of the nation's economic welfare is largely determined by the **degree of co-ordination** that is achieved.

The securities business is one of the important integral part of what has proven to be the most efficient economic system in history. So I think you will find that the problems of the securities industry are so woven into the fabric of the economy of the nation—and therefore probably of the entire free world today—that a discussion of our problems will touch on many questions that you in the government are now facing.

Securities Business and Expanding Economy

An expanding economy, to yield more total income in this country, is the desire of all of us here tonight. Modern science apparently has limitless possibilities. The application of science to the economy gives hints of spectacular developments, but these revolutionary discoveries cannot be harnessed to the task of improving our standard of living except by means of huge outlays of capital.

And that is where the securities industry comes in. Unless capital markets are wholesome and buoyant our country will be unable to obtain full value from the ingenuity of our scientists. Again, a partially depressed market for outstanding stocks would not only tend to limit the forces of recovery, but make more probable a slowing in general business.

It is not outside the realm of possibility that realization of these potentialities, along with the capital commitments which are inseparable from such realization, will make it possible for our country to have an output of goods and services that would result in sound programs of individual and group protection. It must not be forgotten that real protection proceeds only from greater output, not from redistribution of present income or maneuvers in the fields of money and public finance.

In the past our industry has been considered orthodox, conservative (or do I hear even Reactionary?) in our approach to the economic problems that beset the country. Please remember in our conversations this evening that we have been trained in this point of view because we have the awesome responsibility of directing other people's money into risk ventures in a competitive economy. In doing so, not only our own capital but our reputations are at stake and, believe me, good will or the trade-mark of sound advice in our industdy is just about indispensable for a successful operation.

Securities Business Function

Our industry devotes its best efforts to directing capital to productive uses and to defending it from wastage in foolish ventures. Obviously this country can no more afford to waste capital than to waste natural resources.

But is this approach in any way unsympathetic with progress? On the contrary, the success and very existence of the securities industry is dependent upon progress—upon a dynamic economy and upon the contribution we make as an industry toward these. We are just as anxious to eliminate the boom and bust from our economy as anyone, and we believe it can be done without stifling initiative or restricting incentives.

In order to stimulate further discussion among us, I have asked the leaders of the several phases of the securities industry to philosophize with us on just how each segment of the securities industry pieces into this intricate mechanism of the economy of the country, with the hope that it will bring into sharp focus some of the basic problems of our industry.

While many of the investment firms represented here tonight are active in all phases of the securities business—i.e., brokerage, principal and unlisted transactions, and underwriting—the different functions require much specialized effort, and for this reason trade associations and self-regulatory bodies have been formed to aid the firms in the operation of these separate functions in the best public interest. Your host Association is principally concerned with brokerage activities for which sound healthy markets for seasoned securities are essential.

The fluctuating fortunes of millions of people and the uncertainty of life itself make the market for selling securities, as well as buying, an integral part of the machinery for directing savings into productive enterprises. Individuals place a higher value on their securities when they may have a reasonably close idea of a price at which they can later either buy or sell. As the market for any new product must be attuned to the going markets for like products, so the price that businesses, either large or small, must pay for new capital is based on the market for outstanding securities,—or the level of prices on the nation's greatest auction market for already existing securities, the New York Stock Exchange.

"Auction Markets," Essence of Free Enterprise

I would like to submit for your serious consideration this evening this fact: That the free auction markets for securities—and by "auction markets" I mean the various stock exchanges—are the essence of free enterprise in a very efficient state. Here corporations bid for investor confidence under strict self-regulations of fair practice, and while all of humanity's hopes and fears are mirrored in the price changes on the Exchange, comparative prices are the result of the investors' confidence in industrial management. Contrary to the entertaining statements of the enemies of our free enterprise system, the auction markets did not have their beginning nor do they exist today as a vehicle for the rich man's nefarious speculations, but rather to provide a vehicle for the liquid investment of surplus funds of many millions of small people.

Figures and statistics are supposedly the staff of life of an investment man. I certainly don't want to beat you on the head with such a "staff" at this time of the evening, so beg you indulgence only because I believe this point so important,—hoping all the time, however, that I won't be accused of using statistics as a drunken man uses lamp posts, for support rather than illumination. At any rate, here I go.

Fifty representative American companies listed on the New York Stock Exchange had more than 4,000,000 stockholders.

Out of nearly 14,000,000 separate stockholders of 710 widely owned companies, 54% of the stockholders had holdings with a value of $500 or less; less then 10% had a value of $5,000 or more.

People earning less than $5,000 per annum own more than one-third of American industry.

The American Telephone and Telegraph Company alone has over 900,000 stockholders, more than the combined population of Nevada, Wyoming and Delaware. This is more shareholders than employees.

At least six of the big corporations have more stockholders than employees.

Free enterprise? Yes, definitely —many millions of American people competing for sound investment values, and over 1,000 leading corporations of the United States competing for investor confidence in one big auction market where prices are determined by buyers and sellers and by no other agency, and where these buyers and sellers are competing under rules of fair practice with millions of dollars changing hands every day and the occurrence of a broken contract practically negligible.

And so this is the type of thing we would like to discuss with you, and we have come to Washington to do so.

On this occasion the Association of Stock Exchange Firms is only the sponsor—the entire industry is represented. The Investment Bankers Association, the National Association of Securities Dealers, the New York Stock Exchange, the New York Curb Exchange, and most of the Regional Exchanges are here. There are thirty financial communities represented.

Scope of Securities Industry

The securities industry is made up of more than 3,000 small operating units, together with 1500 branches. They are located throughout the land. Together it is estimated there are 150,000 persons engaged in the industry, scattered over hundreds of communities all over the country, and in many parts of the world. Probably 40,000 of these employees represent the industry with the public, and with their firms serve the public in an intimate financial capacity as financial advisers. Their clientele is several millions of people, most of them opinion leaders in their communities.

I am convinced that this nation-wide representation of the securities industry here tonight indicates a real desire to work with you to promote a stable, yet an expanding economy.

*Remarks of Mr. Griswold at the dinner of the Association of Stock Firms, Washington, D. C., Feb. 7, 1950.

White, Noble Adds

(Special to The Financial Chronicle)

GRAND RAPIDS, MICH. — Albert H. Cowell has been added to the staff of White, Noble & Co., Michigan Trust Building, members of the Detroit and Midwest Stock Exchanges.

Maxfield Brown Joins Shields on Coast

Maxfield E. Brown

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Maxfield E. Brown has become associated with Shields & Company, 510 West Sixth Street. Mr. Brown was formerly with Shearson, Hammill & Co. and prior thereto was trading manager for Bogardus, Frost & Banning.

Robert S. Dulin has also been added to the firm's staff.

W. A. Lippman, Jr. Is With Akin-Lambert

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—William A. Lippman, Jr., has become associated with Akin-Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges. Mr. Lippman was formerly manager of the trading department for Oscar F. Kraft & Co.

Four Join Staff of Shearson, Hammill & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Claude D. Bedel, Wilbur M. Brown, David P. Fredericks and Robert D. Hicks, Jr., have become associated with Shearson, Hammill & Co., 618 South Spring Street. Mr. Bedel and Mr. Hicks were previously with Merrill Lynch, Pierce, Fenner & Beane. Mr. Brown had been with the Chicago office of Shearson, Hammill & Co. for many years.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Robert S. Hawkins is with Sutro & Co., Van Nuys Bldg.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Federal continues to let out government securities in order to keep the market under wraps. Despite any noticeable display of strength in long Treasuries, the Central Banks sold more than $26,000,000 of bonds last week. To be sure, there has been considerable scale buying of the higher-income obligations, although there has been no inclination on the part of investors to bid prices up in order to acquire desired obligations. Selling by the monetary authorities seems to mean they would not be disturbed if quotations went moderately lower. However, investors seem to be willing and able to take the issues that are being offered by Federal, which indicates they believe the longs are in a buying range.

Bank-eligible bonds have been acting better than the restricted issues, reportedly due in some measure to decreased offrings of these securities in the market. The Sptember 2½s seem to be the more popular issue at this level of prices. Pension funds have helped the savings institutions cushion the decline in the tap bonds.

MARCH REFUNDING TERMS MAIN TOPIC

The real "hot topic" in money market circles is, what is going to be offered in the March refunding? The market is full of rumors and guesses, with almost everyone trying to master-mind the coming operations. There is no doubt about the concern the monetary authorities have created in the government market over the impending financing. This has tended to curtail operations in Treasury issues with more operators assuming a wait-and-see attitude as time draws nearer to the date when it is believed the terms will be announced by the Treasury. Plenty of guesses are being made, with reasons being advanced as to why this or that issue is likely to be used by the powers that be in next month's refunding.

For the moment, there seems to be considerable support, among money market followers, for the belief that a 1¼% note will be offered for the March 1 maturity. The majority of guesses are that such an issue would run 15 or 16 months. On the other hand, some are looking for a 19 or 18 month maturity, whereas others are of the opinion it will be as short as 13 months. There does not appear to be very much support for the idea that both the March 1 and March 15 maturities will be taken care of with the same security.

Since most money market followers are expecting different issues for the March maturities, the opinion is gaining ground that a longer issue is likely to be offered to the holders of the 2s due March 15. It is evident now that a five-year 1½% note seems to be the favored guess as the obligation which will be used to replace the maturing 2s. While other coupons and maturities are being advanced by some, the 1½% obligation appears to be well in the lead, over any of the other securities which have been mentioned. There seems to be practically no disagreement with the opinion that no long-term bonds will be offered in the March refunding.

CURRENT MARKET TREND

Although the higher-income eligibles have declined with the general down-trend in prices, there has been considerable buying of these issues by the larger deposit banks particularly those in New York City. For the past two weeks these institutions have taken on $36,000,000 of bonds, due in more than five years. It had been reported the metropolitan banks had been scale buyers of the longer obligations while prices were receding. Also there have been indications short-terms were being let out in order to make way for the higher-income securities.

Investors do not seem to be too much disturbed over the decline in prices of Treasuries, because they have been making purchases which have enabled them to increase income. Commercial banks appear to have been taking full advantage of the market uncertainty, because they are of the opinion there will be no long-term issues offered them in the foreseeable future. Although the 2¼s due 1956/59 appear to be the leading acquisition of the deposit institutions, the 2½s of Sept. 15, 1967/72 are being well bought as are the longest partially-exempt obligations. Yield buying seems to be becoming more important to investors, especially the commercial banks.

Traders continue to assume a rather passive attitude, although in some instances they are looking for an opportunity to take on securities. The longer bank issues are apparently getting most of their attention at this time.

STOCK MARKET UNDER SCRUTINY

Continued strength in the equity market, it is believed in some quarters, will mean the authorities will keep the pressure on the money markets, in order to combat in a modest way the inflation psychology, which seems to have some influence upon the trend of stock prices. If there should be unusual price movements in equities on the up side, it is indicated by some there is quite likely to be more direct action by the money managers. They believe this would have little or no effect upon the money markets.

Over-The-Counter Securities Business Essential To National Economy

By CLEMENT A. EVANS*

Chairman, National Association of Securities Dealers, Inc.

Asserting all segments of securities business are collectively housed under one roof, NASD executive points out combined single purpose of all is to provide machinery for raising capital. Upholds over-the-counter market as major integral part of securities business and therefore its health and welfare is vital to American economy.

It is a most difficult position to follow Mr. Griswold, who has so ably presented the position of the securities industry. Even as chairman of the National Association of Securities Dealers, Inc., I could hardly add anything of importance to his very clear summary, but I would like very much to underscore one of his early remarks, when he stated that he was discussing the problems of the securities business.

Clement A. Evans

That should be emphasized again and again. He is not here, I am sure, and does not want to be considered, merely the representative of stock exchange members. Neither am I here only as a representative of the over-the-counter securities dealers. One could easily get the impression that stock exchanges, underwriting houses and over-the-counter firms are separate and individual undertakings or enterprises. Our type of business varies to some extent, but in the last analysis we are all in the same business, having the same fundamental interests and mutual objectives and purposes. Of course, we compete for business, just as the various soap makers, automobile manufacturers, or garment designers fight for the orders coming into their industries.

The securities business, of which all of us are a part, is devoted to the underwriting, distributing and marketing of securities. Because of public demand and only because it was demanded by the public, there developed specialized segments of the business; but that was merely for the greater convenience of our customers. In actual operation we are, in effect, collectively housed under one roof. All of us furnish capital to industry or facilitate in some manner the procurement of that capital, and we have common interests.

I think too, that it should be stated that the securities business exists not because of public caprice or of legislative favor, but because it meets a need. Its single purpose is to provide the essential machinery of raising capital. If, by some great disaster or broad political experiment it should happen that the investment business were wiped out, there is not the slightest doubt in my mind that within a very short time thereafter its rebuilding or development would be underway once more, and that start and development would be as natural and normal as was the growth of this business in the past.

We hear a great deal about the marvel of American productive genius, our fabulous "know-how," or our assembly line and technical abilities. We should never forget, gentlemen, that no part of these would have been possible without capital. You can neither build nor buy a machine, erect a factory or employ production workers without capital. It naturally follows, I need hardly add, that if industry is to be maintained in a sound and healthy condition, you in Washington who are the law-makers and administrators for the government have a direct interest in the welfare of the securities business. Capital and production travel hand-in-hand, and production represents workers.

There are, as is evident, various ways of raising capital or of aiding its flow to industry and the securities business is representative of all these various methods. Our activities embrace every cog in the machinery of capital raising. The investment banking house which underwrites capital issues, the broker who brings the buyer and seller of securities together in the stock exchange, the distributor who sells parts of securities issues to investors, and the trader who links together these various distributors in the over-the-counter market—all are part and parcel of the industry, necessary to its smooth performance. In some respects this appears a complex machinery, but each of its component parts is simple to understand and was created to meet a specific need.

While the over-the-counter market, which I have the privilege to represent, is one large and important part of the machine, it is at the same time representative of all the parts for the reason that virtually every one in the investment banking business is directly or indirectly engaged in what is known as over-the-counter transactions. Stated in its simplest terms, the over-the-counter market embraces all transactions in securities not made on stock exchanges; and yet there are many members of the stock exchange who also conduct a large over-the-counter business. There are high grade securities, both stocks and bonds, traded in the over-the-counter market; most of the buying and selling of government, state and municipal bonds is done over-the-counter and the market is vitally essential to the obtaining of capital for all industry.

The phrase "over-the-counter" does not any longer adequately describe the market or portray its functions, because most transactions are no longer arranged through personal contact but rather over telegraph and telephone lines. Sometimes it is described as the "unlisted market" but this is not wholly accurate because there is a great deal of business in listed securities transacted in this market, and by the same token there are some so-called "unlisted" securities still traded on stock exchanges. Another recent coinage if "off board" and while this is illuminating and fairly accurate it is not necessarily accurate.

The over-the-counter market began the minute the first transaction was arranged whereby one man provided capital for another man's business, whether it was to

*Remarks by Mr. Evans before the Association of Stock Exchange Firms, Washington, D. C., Feb. 7, 1950.

Wm. R. Staats Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Benjamin F. Sanford has been added to the staff of William R. Staats Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Edmund E. Hass is with Walston, Hoffman & Goodwin, 550 South Spring Street.

With Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Noel McVickar, Jr., has become associated with Leo Schoenbrun, 1385 Westwood Boulevard. He was previously with Hexter & Co.

With Morton Seidel Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Charles A. Haskins has been added to the staff of Morton Seidel & Co., 458 South Spring Street.

help fit out a ship for overseas trading, finance a voyage of exploration or to provide the grub stake for a gold prospector.

Today the market is represented by several thousand firms having offices in hundreds of towns and cities throughout the United States; they employ tens of thousands of trading or sales representatives and all are engaged in locating sources of capital which can be made available to known users of such capital and who in turn operate America's vast, interconnected industrial plants.

In brief, and in conclusion, gentlemen, the over-the-counter market is a major integral part of the investment securities business which financed the growth of and is essential to the maintenance of the American system. Its health and welfare are vital to the American economy.

Blyth & Co. Elects Three New V.-Ps.


Paul A. Conley E. Glassmeyer, Jr.

Ralph C. Sheets

Charles R. Blyth, president of Blyth & Co., Inc., announces that its board of directors has elected Paul A. Conley, Edward Glassmeyer, Jr., and Ralph C. Sheets vice presidents of the company.

Mr. Conley has been associated with Blyth & Co., Inc., since 1934 except for absence on leave during the war when he served as Major in the Army Air Corps. Mr. Glassmeyer, except for service with the Office of Strategic Services during the war, has been with the company since 1936. Mr. Sheets also joined the firm in 1936.

All three are connected with the New York office of the organization, 14 Wall Street, Mr. Conley as a member of the buying department, Mr. Glassmeyer as syndicate manager and Mr. Sheets as national sales manager. No change in duties is involved by reason of their election.

The major offices of Blyth & Co., Inc., one of the leading investment banking organizations in the country, are in New York, San Francisco, Chicago, Boston, Philadelphia, Los Angeles, Seattle and Portland (Oregon.) Offices are also maintained in 17 other cities throughout the country.

With Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Clarence E. Larimer has become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was formerly with Carter H. Corbrey & Co.

First Boston Group Offers Quebec Issue

The First Boston Corp. heads an investment banking group which publicly offered on Feb. 7 a new issue of $15,000,000 Province of Quebec (Canada) 2⅛% debentures dated Feb. 1, 1950, and due Feb. 1, 1955. The debentures were priced at 100.1157% plus accrued interest to yield 2.10% to maturity. Other members of the underwriting group were Smith, Barney & Co.; Harriman Ripley & Co. Inc.; A. E. Ames & Co., Inc.; The Dominion Securities Corp.; Wood, Gundy & Co., Inc., and McLeod, Young, Weir Inc.

The offering marked the first external financing by the Province in five years, or since The First Boston Corp. and associates marketed a $15,000,000 issue of debentures which mature March 1, 1950, payment of which will be met with the proceeds of the sale of the new debentures.

The new debentures are payable in U. S. currency or, at the option of the holder, in Canadian currency. The debentures are direct and unconditional obligations of the Province of Quebec, the largest Province in Canada. They are subject to redemption on and after Feb. 1, 1951, at 101% and thereafter at prices decreasing to 100.125%.

There is available in the sinking fund for the retiring debentures cash and securities amounting at book value on Nov. 30, 1949, to $14,883,311 which will revert to the general funds of the Province. The Premier of the Province has stated, however, that subject to the approval of the Legislature it is intended to make such sinking fund available for the payment of the new debentures.

Smith, Barney Group Sells Searle Common

An underwriting group headed by Smith, Barney & Co. offered to the public yesterday (Feb. 8) 220,000 shares of common stock of G. D. Searle & Co., Chicago, one of the foremost manufacturers of ethical pharmaceuticals in the United States. The stock, priced at $38 a share, was heavily oversubscribed. The shares offered by the underwriters were part of the holdings of present stockholders and represented the first public offering of securities of G. D. Searle & Co. which has been under the control of the Searle family for three generations. The selling stockholders will continue to be major stockholders in the company. No change in management or control of the company is involved.

Simultaneously, G. D. Searle & Co. is offering directly to its employees 26,573 shares of authorized but unissued common stock at a price equal to that being paid by the underwriters to the selling stockholders.

Illinois Brevities

Deere & Co., Moline, for the year ended Oct. 31, 1949 reported sales of $361,678,287, exceeding those of any previous year. For the previous fiscal year sales amounted to $309,737,221. Income after taxes totaled $39,484,242, or $12.42 per common share, for the 1949 fiscal year, compared with $27,681,997, or $8.49 per common share, for the year ended Oct. 31, 1948. At the close of the 1949 fiscal year current assets were $232,298,278 and current liabilities amounted to $58,807,582. On Sept. 1, 1949, the common stock account was increased from $30,100,112 to $60,087,240 by the transfer of $29,987,128 from the earned surplus account, thus making the amount attributable to the common stock $20 per share. The balance in the surplus account was $80,377,393 at Oct. 31, 1949 and $89,062,289 at the end of the 1948 fiscal year.

* * *

Total sales of the International Harvester Co. amounted to $908,910,000 for the fiscal year ended Oct. 31, 1949, against $945,486,000 for the previous fiscal year, the all-time high sales record. Net income amounted to $61,270,000, or $4.36 per common share, compared with $55,679,000, or $3.92 per common share, for the year ended Oct. 31, 1948.

* * *

Sunbeam Corp., Chicago, for the 53 weeks ended Dec. 31, 1949 reported consolidated net sales of $50,223,156 and a net profit, after Federal income taxes, of $7,307,296, which compares with $41,171,009 and $5,752,843, respectively, for the 52 weeks ended Dec. 25, 1948. The directors on Feb. 23 are expected to take formal action on the declaration of 33⅓% stock dividend, which will be effected by the transfer of $5,400,000 from earned surplus account to stated capital account. On Feb. 23, last year, a 25% stock distribution was declared, involving the transfer of $3,240,000. B. A. Graham, President, said the company intends to maintain the present quarterly cash dividend of 50 cents per share on the increased capitalization.

* * *

According to reports the City of Chicago may be in the the market early next month with $13,600,000 in various purpose bonds, which will probably include $6,000,000 for sewers; $5,000,000 for a super-highway; $1,600,000 for voting machines; and $1,000,000 for playgrounds.

* * *

Foote Bros. Gear & Machine Corp., Chicago, for its fiscal year ended Oct. 31, 1949, reports net income of $611,339 after all charges and provisions for Federal income taxes, compared with a net of $716,275 for the previous fiscal year. Such net income was equivalent, after preferred dividends, to $2.68 per share on the 222,252 shares of common stock outstanding, compared with $3.15 per share on 221,314 common shares outstanding at the end of the previous fiscal year. Dollar sales volume for the 1949 fiscal year totaled $9,076,951, compared with $8,277,456 for the 1948 year. Backlog of unfilled orders at the beginning of the current fiscal year about 60% of the backlog at the beginning of the last fiscal year. Working capital at Oct. 31, 1949 amounted to $2,448,395, against $2,672,461 at Oct. 31, 1948.

* * *

The Peoples Gas Light & Coke Co. on Feb. 1 applied to the Illinois Commerce Commission for permission to offer gas heat to 5,000 more single family residences in Chicago for acceptance before July 1, 1950. Company officials stated that there are 55,000 residential space heating customers in this city at present.

Keystone Steel & Wire Co., Peoria, for the quarter ended Dec. 31, 1949 reported sales of $9,804,253 and net profit after taxes of $1,845,756, compared with $8,425,591 and $922,350, respectively, for the corresponding three months in 1948. Net was equal to 98 cents per share in the 1949 period, and to 49 cents in the 1943 quarter. For the six months ended Dec. 31, 1949, sales totaled $17,534,281, against $15,627,678 in the same period in 1948, while net profit after taxes amounted to $3,112,411, or $1.66 per share, compared with $1,782,588, or 95 cents per share, in the 1948 six months' period. Keystone earnings combined with its share of subsidiaries earnings totaled $1.84 in the last half of 1949, and $1.34 in the similar 1948 period per share of Keystone stock outstanding.

* * *

Caterpillar Tractor Co. 1949 sales have exceeded the previous year's sales by over $36,000,000 and not have set as all-time high record, according to Louis B. Neumiller, its President. Profit for the year amounted to $18,834,787, or 7.30% of the sales volume, an increase of more than $5,000,000 over 1948 earnings. It was pointed out that 1949 marked the fulfillment of the expansion and modernization program commenced in 1946. During this four year period the company has grown from 79 to 128 acres of floor area.

* * *

The stockholders of National Oats Co., East St. Louis, on Jan. 17 approved an increase in the authorized capital stock from 100,000 shares to 200,000 shares, no par value, of which increase 50,000 shares were payable to stockholders of record Jan. 31, 1950, as a 50% stock dividend. This was accomplished by the transfer of $375,000 to capital from the company's surplus of approximately $950,000. A cash dividend of 25 cents per share has been declared payable on the newly increased capital stock on March 1, to stockholders of record Feb. 17, 1950.

* * *

Formation of Hudson Fund, Inc., the first mutual investment fund to be managed by a trust company, was announced in Chicago on Feb. 7. It will be managed by Fiduciary Trust Co. of New York, while distribution of its shares will be by Hudson Distributors, Inc., with headquarters located at Chicago. James W. Maitland, who is President, is also a director of Maine Central RR. and Central & Southwest Corp., and was formerly a partner of Bonbright & Co. The Fund had assets of $1,016,847 at Dec. 31, 1949, prior to any public offering of its shares, including $761,438 in common stocks at market value. Custodian of the Fund is The First National Bank of the City of New York.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Henry A. Patten

E. B. Mackenzie

E. Herrick Low

Corn Exchange Bank Trust Co. of New York announces the promotion of Henry A. Patten, Edward B. Mackenzie and E. Herrick Low to Senior Vice-Presidents. Mr. Patten, who has been with Corn Exchange for 51 years joined the bank when the Astor Place Bank, with which he was associated, became the first branch of Corn Exchange. Mr. Mackenzie joined the bank in 1924. Before joining Corn Exchange he was associated with Asia Banking Corp. and Park Union Foreign Banking Corp. and prior to that he was active in Canadian banking. Mr. Low has been with the bank since 1929 when he joined as a Vice-President. Prior to that he was associated with the First National Bank of New York.

* * *

The nomination of William A. Lyon of New York as **New York State Superintendent of Banks** was unanimously confirmed by the New York State Senate on Feb. 7. Mr. Lyon was named to the post in December by Governor Dewey to succeed Elliott V. Bell, resigned.

* * *

Announcement of the election of Graham Adams as Vice-President of the **American Trust Co. of New York** was made by Harvey L. Schwamm, President, on Feb. 5. The election of Ferdinand M. Bissell as Vice-President and Senior loan Officer of the institution was also recently announced by Mr. Schwamm. Mr. Bissell resigned as Vice-President of the Chemical Bank and Trust Co. to assume his new duties. As indicated in our issue of Feb. 2, page 534, the name of the American Trust had formerly been the **Pan American Trust Co.**, the change in name having become effective Feb. 1.

* * *

T. Arthur Pyterman, who retired as Vice-President of the **Chase National Bank of New York** in 1948 died at his home in Northport, L. I., on Feb. 2. He was 62 years of age. Mr. Pyterman had also formerly been a Deputy Superintendent of the New York State Banking Department. Following earlier banking training with the National Bank of Commerce, the Morton Trust Co. and the Guaranty Trust Co., Mr. Pyterman joined the Chase Bank staff in 1922, later becoming Assistant Cashier, and in 1929 having been named a Vice-President.

* * *

Lord Norman, formerly Governor of the **Bank of England**, died in his sleep at London, on Feb. 4 a the age of 78 years. Better known as Montagu C. Norman, and as "the sphinx of Threadneedle Street" — the address of the Bank of England. He was made a Baron in 1944 by King George, on the recommendation of Winston Churchill's Government. The Associated Press accounts from London on Feb. 4 in reporting this, also noted it was at that time that he retired after 25 years as Governor of the Bank of England, 19 years longer than any of his predecessors. In part the Associated Press advices also said:

"Though the Bank of England did the Government's business, it was privately owned until 1945, when the Labor Party put through the measure to make it a Government institution.

"After his election as Governor in 1920 he embarked on a policy of deflation to restore the value of the pound in relation to the dollar and put England back on the gold standard. This policy was blamed by some for England's economic distress in 1931. He was a member of the British delegation that settled the British First World War debt to the United States and was on the Reparations Commission which turned out the Dawes plan to balance the German budget and stabilize the currency with a gold loan. He was active in arranging League of Nations loans to put Austria, Hungary and Bulgaria on their economic feet, and helped organize the Bank of International Settlements in 1929 at Basel, Switzerland, to act as a clearing house for the regulation of exchange markets and gold payments."

* * *

The Bank of America, organized to engage in international banking and financial activities abroad, opened in **New York** at 40 Wall Street on Feb. 6. As indicated in these columns Dec. 1, page 2204, the new corporation is wholly-owned subsidiary of Bank of America National Trust and Savings Association of San Francisco, Cal. L. M. Giannini, is President of both organizations. Russell G. Smith in charge of international banking activities for Bank of America, N. T. and S. A. is Executive Vice-President of the new corporation.

* * *

David Rockefeller and Otto T. Kreuser, Vice-Presidents of the **Chase National Bank of New York** left by air from New York on Feb. 5 on a seven-week trip to six South American countries. They will call on bankers, governmental authorities and industrial leaders in Ecuador, Bolivia, Peru, Chile, Argentine, Uruguay and Brazil in the interest of the Chase's banking relationships and also to discuss ways and means of aiding the flow of inter-American trade.

* * *

Announcement is made that Herbert L. Nicolson has been appointed an Assistant Cashier in the brokers loan department of the Chase National Bank of New York.

* * *

The election of Edward Kuhn Straus to the board of directors of **The Marine Midland Trust Co. of New York** was announced on Feb. 7 by James G. Blaine, President. Mr. Straus is Coordinator of Corporate Merchandising and a director of R. H. Macy & Co. Inc. A graduate of Milton Academy, Harvard College and Harvard School of Business Administration, he was a Lieutenant Commander U. S. N. R. in World War II. He is a director and

Continued on page 33

An "Odd Lot" Portfolio

E. F. Hutton & Company, in their "Fortnightly Market and Business Survey," lists a balanced portfolio covering an investment of $15,000.

In the Jan. 25 issue of its "Fortnightly Market and Business Survey" E. F. Hutton & Company, Members of the New York Stock Exchange, present a balanced investment portfolio, based on "odd lots" for an investment of approximately $15,000. The list and the amounts of securities are shown in the accompanying table.

—$15,000 "Odd Lot" Portfolio—

	Recent Price	Amount	Cost	†Estim. Income
U. S. Savings Bonds—				
Series E 1960	75	$2,000	$1,500	*
Series G 2½s 1962	100	2,000	2,000	$50
Wrigley	81	15 sh.	1,210	75
Chase National Bank	37	30	1,110	48
Standard Oil of New Jersey	67	15	1,050	60
Woolworth	50	20	1,000	50
American Telephone	148	8	1,184	72
Dow Chemical	56	20	1,120	32
International Business Machines	223	4	892	16
Johns-Manville	46	20	920	50
Air Reduction	24	40	960	40
Cluett, Peabody	26	35	910	70
Loew's	18	55	990	82.50
			$14,846	$645.50
				Yield 4.4%

*Yield is 2.90% if held to maturity in 1960. †Based on dividends paid in 1949.

"During the past 20 years," states the publication, "there have gradually evolved investment systems with sufficient elasticity to provide real financial security. The so-called Vassar and Yale investment plans recognize the need for shifting of emphasis from bonds to common stocks, and vice versa, as economic and market conditions seem to dictate. Recently, the emphasis has been on common stocks. The impressive growth of the investment companies, or mutual funds, which are largely committed to common stocks, reveals the public acceptance of this form of investment which provides liquidity, preservation of purchasing power and continuity of income. If further evidence were needed of the recognition that common stocks afford security under present conditions, we need only point to the fact that the 25% rise in the stock market since June 1949 has been confined largely to the investment-type stocks whose earnings and dividend records are excellent and whose future prospects are the same."

America's Twin Hazards—Supports and Subsidies

By WILLIAM J. McCORMICK*
Potato Broker, Philadelphia, Pa.

Referring to large scale "dumping" by government of potatoes, which cost taxpayers $2.10 per hundred weight, leading potato broker asserts those who today are accepting Federal supports or subsidies are doing more to bring about Socialism than any other force. Declares if farm price supports continues there will be but one big customer for farm products—the U. S. Government, and only farmers and politicians will be in produce business.

What I am about to say does not necessarily express the views of this association but it does definitely express my views together with the views of thousands of my friends in and outside our industry.


Wm. J. McCormick

In this address I have criticized government leaders and government policies as well as certain groups of our citizens. I have done this purposely as a reminder to them of the serious consequences to our nation of their past actions and also as a warning against the continuance of these policies. I have titled my address "America's Twin Hazards—Supports and Subsidies."

One morning two weeks ago, I arrived at my office ready for the day's work. I started opening my mail—I was startled by a communication I found therein. It was a release from Washington that read like a fairy tale. I thought I was back in my first grade at school listening to the teacher tell of the adventures of Robin Hood, who, we are told, robbed the rich to help the poor. I found my government was offering for sale millions of hundredweight bags of potatoes for one penny, the same hundredweight bag having cost us, the people, in taxes via price supports, two hundred and ten pennies.

For a moment I was stunned to think that our officials and our people would allow the economic plight of the United States to come to such a precarious level.

This story would be funny if it were not so tragic. In fact, it was funny to my three children at home, who laughed aloud as I told them that for one penny their daddy could buy from their government a hundred pound bag of potatoes provided they be shipped to foreign shores. Their laughs were like a stab through my heart, for, as they laughed, I could see millions of other children laughing to scorn the policies, actions and procedures of their government, and, for the first time, I understood the reason for the restlessness and anxiety of youth.

I realized then that I, their father, had become as a robot living my life as dictated by the whims of those in power. In my charity, however, I do not entirely blame our leaders for our present day state of mind. We are the ones partly at fault—you and I who encouraged, by our vote, those now in power to give us something for nothing, which we are now finding out is not within their power to do. Government must first take from the people all that it is called upon to give.

A Force Working Toward Socialism

Therefore, I am convinced that those of our citizens who today are accepting supports or subsidies from our government, are doing more to bring about the welfare state than any other force at work in our nation. I am further convinced that these supports and subsidies are destroying the very foundations that made America the greatest country ever created by the hand of God. If we wish to remain a country of free enterprise, with its resultant freedom and opportunity for all, then we must return to the infallible laws of supply and demand. Our ancestors chose this rugged road, but they found it the true one. On the other hand, if we wish to follow the example of other countries who tampered with these laws, and in so doing crumbled to ruin, then we should continue subsidies for everything and supports for all. It will then be only a question of time until we too will lie sprawled in the dust of hopelessness.

I think at this time, and to illustrate my point, it would be appropriate to tell you the story of the two fleas. This political story embraces all the emotion of life, and these great emotions recently have been put into simple American language in this story. The fleas decided to marry and settle down. The ceremony performed, they selected a big, inactive dog. Life was comfortable. Food, shelter and heat were provided from a central control source. Freedom from want and fear became a reality. The dog seldom scratched. He never plunged into streams or briar patches. The fleas quickly learned to enjoy this abundant life. They multiplied, amazingly. But there came a time when the old dog grew weary. Unable longer to support his hungry and non-productive citizenry, the old dog wandered into the wilderness and died. Consternation, nay panic, reigned among the fleas. They raced from the tip of the tail to the cold nose, shouting, "The economic system has let us down." Many of the panic-stricken hords, disillusioned and totally incapacitated to seek a new livelihood, died on the spot. Others, deeply embittered, died as they tried to thumb a ride to the next dog.

Some people hold that if the fleas had planned properly, the old dog never would have died. But the important fact is that the dog did die . . . and so did the fleas.

Will Price Support Collapse

In case, gentlemen, you think I am an alarmist, I purposely incorporate in this address, word for word, a communique released from Washington, Tuesday of last week, as follows:

"The price support program for 1950 crops may collapse in 'chaos' if Congress does not appropriate an additional $2 billion for the price support fund, Secretary of Agriculture Charles F. Brannon told the Senate Agriculture Committee today.

"The Secretary appeared before the committee to defend President Truman's request for increasing the amount the Department of Agriculture could spend to support farm prices to $6.750 billion.

"The Commodity Credit Corporation, which finances the price support operations, now has authority to borrow only $4.750 billion from the Treasury. Of this authorization $3.500 billion already has been expended in the purchase of surplus crops.

"Brannan estimated that the Government's investment in crop surpluses would rise to $5.3 billion in the next 18 months. He added that if the 1950 crop yields were unusually high, it would take $6.3 billion to maintain the price support program."

Let me repeat here the Secretary's words, "the Government's investment in crop surpluses would rise to $5.3 billion." Gentlemen, it was only three months ago that Fred Vahlsing and I sent our messages to the farmers of the nation, warning them of the seriousness of their demands for price support. I said at that time, and I repeat here, "It is my belief that if the present governmental policy continues, there will be, as far as the produce industry is concerned, only farmers and politicians left doing business. If the price supports continue, with the resulting heavy crops, the farmers' customers will narrow down to one—and that one will be the United States Government." Gentlemen, if you have any doubt of my statement of three months ago, all you need do is study Secretary Brannan's predictions and requests, and then ask any of the hundreds of shippers in Maine whether or not my thinking was sound.

I am here again warning you of dire things to come, and want to impress on you that Henry Wallace, in his pig-killing heyday, was only a piker compared to the present day Potomac planners. On the same day that this request for $6.75 billion emanated from Washington for price supports, another communique was released to the effect that the U. S. Government would donate to the striking coal miners of Western Pennsylvania, free potatoes acquired under price support. I have sympathy for these miners who, I feel, have poor leadership, but I have equal sympathy for our produce dealers in that section—the storekeepers and the farmers who are trying to dispose of their merchandise in our so-called free enterprise American way.

Government as a Competitor

Don't you see what is happening? Your government is competing with you by giving away commodities that you are trying to sell. Are you naive enough to believe that this procedure will not become more pronounced as government warehouses bulge to nearly the $6 billion point, as predicted by the Secretary of Agriculture?

I said last November, and I repeat now, the movement to stop this dastardly hoax perpetrated on our people must start with the farmers themselves. If they do not quickly take this step, I fear for the welfare of the nation, for it is my opinion that if the American farmer, and American industry keep seeking government supports and subsidies in any fashion, we shall find that we are racing to the brink of destruction, propelled by our own greed. When we finally live, crushed in the abyss of despair, we will have no one to blame but ourselves. Let us not wait placidly for that misfortune to overtake us—rather let us fight daily and gallantly for the America we knew in our youth—the America free from crushing taxes, government handouts, and interference — the America that once offered life, liberty and the pursuit of happiness to all her children.

*An address by Mr. McCormick at the 46th Annual Convention of the United Fresh Fruit & Vegetable Association, New York City, Feb. 2, 1950.

Edward McVickar Dead

Edward S. J. McVicker, member of the New York Stock Exchange since 1903, died at his home at the age of 75 after a long illness.

Canadian Securities

By WILLIAM J. McKAY

To an increasing degree the problem of Britain's huge blocked sterling indebtedness is being recognized as the principal barrier to fuller convertibility of currencies and a freer state of world trade. The removal of this financial millstone would at once pave the way for the solution of the sterling area's dollar problem which is generally considered as the main stumbling-block to British economic recovery and the restoration of sterling convertibility.

The over-generous and ill-considered release of sterling in the shape of interest on debts incurred since 1939, the repayment of such debts, and capital movements from the United Kingdom from the beginning of 1947 to the first half of 1949 attained the staggering total of £1,130 million. As a result the world has been flooded with sterling that has become a drug on the market. Apart from this country and Canada, Britain has a large favorable balance of trade. In the absence of this constant heavy outpouring of sterling, the pound on current trade account would be in strong demand in non-dollar areas. Consequently sterling would be as readily acceptable as dollars in order to offset to large degree the U. S. Canadian deficit. As matters now stand the current dollar gap is met by drawing on the British gold and dollar reserves.

It is highly interesting to note therefore that the subject of Britain's wartime indebtedness is now being seriously discussed in Washington, London and Ottawa. As soon as the British election is decided there is little question that ways and means will be broached whereby Britain's sterling indebtedness to India, Egypt, and others can be satisfactorily funded. From the British point of view a U. S. or a U. S./Canadian loan would provide the most acceptable solution. It is doubtful, however, whether such a proposal would meet with sufficient Congressional support to permit its implementation. The only practical alternative would be U. S. or U. S./Canadian assumption of the responsibility of funding the blocked sterling balances by direct negotiation with the various creditors. In such event there would be less reluctance to emphasize the strong moral case that exists for a drastic scaling-down of this indebtedness; Britain, in deference to political expediency, has never raised this issue. This vast debt was incurred largely for the upkeep of the armed forces that saved the creditor countries from devastating invasion; instead of unrequited imports from Britain and handsome sterling balances, India and Egypt might very well have had only unrequited war claims on Japan and Germany.

Relieved of this dubious war-debt incubus Britain could then dispense with unrequited exports, more goods could be diverted to hard currency areas, and the dollar shortage would thus be largely overcome. The debilitating drain on British exchange reserves would be checked, if not reversed, and sterling convertibility would then be virtually assured. The resultant restoration of confidence in the pound would also bring to a halt the flight of capital from the United Kingdom.

From the standpoint of this country and Canada the assumption of Britain's war debts to India, Pakistan, Egypt, etc., could likewise bring by no means inconsiderable benefits. New outlets in the Far and Middle East would be opened to U. S. and Canadian goods. In addition the closing of the British dollar-gap and the renewal of confidence in sterling would raise the possibility of the lifting of British Commonwealth restrictions on imports from this country and Canada. In the final analysis also opportune aid of the Marshall Plan order would be diverted from Britain to India and the Middle East; the consequent acquisition of blocked sterling balances although not an immediate quick asset could nevertheless ultimately prove to be an investment with great future possibilities.

During the week the high-light of the external bond market was the highly favorable reception given to the new issue of five year Province of Quebec 2⅛'s. The internals were marked up slightly in sympathy with the advance in the corporate-arbitrage rate to 12¾% — 12% and the continued strength of free funds. The "free" dollar made slow but steady progress towards parity with the official dollar and the Feb. 16 Alberta Oil lease auctions should hasten the process. Stocks rallied strongly in the earlier sessions led by the industrials and the junior golds. Among the base-metals Quemont was exceptionally active and higher on further favorable drilling reports. The market subsequently reacted in sympathy with the decline in New York with the Western oils registering the largest setback.

Harold McEvoy Named NYSE Governor

Robert P. Boylan, Chairman of the New York Stock Exchange, has announced that Harold W. McEvoy, a partner of Winslow, Douglas & McEvoy, has been elected a Governor to fill the vacancy in the Board created by the resignation of Sydney P. Bradshaw.

Mr. McEvoy was elected to Stock Exchange membership in March, 1944. He was Chairman of the Nominating Committee in 1948.

With Rockwell-Gould

ELMIRA, N. Y. — William H. Grant has been added to the sales staff of Rockwell-Gould Co., Inc., 159-167 Lake Street.

Continued from first page

Money Control—Bar to Recessions

13,000,000 in the previous decade. The birth rate dropped to a low in 1933 of 16.6 for 1,000, a rate even lower than that of France. Most population experts predicted a stationary population in this country by 1950 or 1960. Beginning in 1939, the birth rate took a sharp jump upward, births increased from a low of 2,074,000 in 1932 to a high of 3,699,000 in 1947, deaths remained nearly the same, the natural increase exclusive of the gain by immigration, rose from 300,000 per annum to approximately 2,300,000 per annum and the census to be taken April 1 will probably show a population of 151,000,000 or nearly 20,000,000 over that of ten years ago, the largest absolute increase the country has ever had.

The effects of a large increase in population vary. In overcrowded countries like India and China, in most of Western Europe where the food supply is inadequate, such an increase is detrimental rather than beneficial. But in a country like ours with ample area, ample food supplies, ample capital and an advanced technology, such an increase in population is a great stimulant to the economic life of the nation and if continued, even at a lower rate in the decade we are just entering, it will prove to be a continuing prop to the economy. But I may add parenthetically, if we should reach a population of over 200,000,000 within 50 years, the old Malthusian doctrine might begin to work, and we would feel the pressure of population on our resources. Our standard of living might suffer.

This increase is unevenly distributed over the nation. California has experienced the greatest mass migration in history with an increase of nearly 4,000,000 people in ten years. It has now passed Pennsylvania, not only in population, but in wealth. Texas had a greater absolute growth than New York State. The time will come, probably within the next 30 years, when both states will pass New York, in both population and wealth. The balance of economic and political power will pass from the East to the Pacific, Middle Western and Gulf Coast States.

Project an increase of 20,000,000 people, with the highest standard of living the world has ever seen, into the economic life of the country. It nullifies the gloomy prophecies of those who predicted a great over-production after the war. To fill the wants of these additional souls will tax the productive facilitie s of the United States. If population growth continues, it will solve the problem of farm surpluses within 15 years. The additional public requirements—such as schools, hospitals, highways, transportation facilities—will require all the capital we can accumulate in the next ten years.

In the light of today's conditions, how foolish seem the gloomy utterances of the early New Deal exponents, who proclaimed that this was a finished country, with no more new frontiers — geographic or economic — no more opportunities for advancement or investment. The truth is that this is still a young country with great opportunities lying ahead.

Control of Banking, Credit and Money Potent Forces

The **second** great basic force affecting business is government control of banking, credit and the money supply, not alone in this country but in every country.

When the world went off gold in the early 30's, a great economic change occurred. It took about ten years before the politicians of the world fully realized what a powerful tool was placed in their hands, but now they all fully realize it.

The masses in every country will not take deflation. Deflation means the elimination of the party in power. An increase in the money supply acts to postpone or stop deflation, recessions and depressions. The answer is fairly obvious that the party in power will always increase the money supply now that there is no gold standard in existence to act as an automatic bar to any increase in the money supply.

I doubt whether many of you here realize what a profound change this makes in the economy. I refer all of you to a brilliant and instructive article, published in The Empire Trust Co. bulletin of Jan. 1, 1950, by Joseph Stagg Lawrence entitled, "The Wave of the Future." It explains far better than I can the effects of the Keynes thinking and of the effects it has had on our money management.

I am not in the confidence of our present Administration in Washington, but I am firmly convinced that they will use their tool of money management to stave off incipient recessions or depressions and I can see no reason why (barring war) they should not be successful over a number of years, particularly in a country as strong and as rich as the United States. In Britain the end is apt to come within a couple of years, or as soon as we withdraw our aid from that country.

I believe whether this tool of money management will be used wisely or moderately or whether it will act as a habit forming drug, is a question that will be answered in the future.

I doubt whether businessmen, as a whole, fully realize the powerful effect of this new factor, but I advise you to consider this force always in your business calculations and plans.

Continuing Decentralization of Industry

The **third** great basic force operating in business is the continuing decentralization of industry. Manufacturing will continue to move toward the raw material supply, the food supply and the center of distribution. This is occurring all over the world.

With the beginning of the industrial revolution at the beginning of the 19th century, Western Europe became the workshop of the world. Raw materials were brought from all corners of the world, processed in the factories of Western Europe and then reexported at a very handsome profit. Manufacturing knowledge was confined first to England, later to the United States and Germany and the other nations of Western Europe.

With the beginning of this century, manufacturing knowledge was extended to other countries. Machine tools and modern equipment were introduced throughout the world. India, Japan and China built up an extensive textile industry, followed by South America. Then other industries followed — a movement accelerated by World Wars I and II.

Every undeveloped country in the world is trying to balance an agricultural economy with some industrial economy and is trying to manufacture or process the basic elements of food, clothing and shelter for its population.

A close parallel to this occurred in this country. New England was our first manufacturer, and her industries, with those of the Middle Atlantic States, largely supplied the agricultural South, West and Pacific Coast throughout the greater part of the 19th century. Precisely what has taken place in Europe has occurred in this country. For 50 years, industry has been moving—first to the Middle West, then to the Southwest, and since World War II it has been moving to the Southwest and to the Pacific Coast. World War II has accelerated this movement.

I predict this migration of industry will continue and that it is a healthy occurrence for this country and its people. I do not believe that New England and the Middle Atlantic States will decline in population and wealth. I do believe that their rate of growth will be slower than that of the rest of the country. They will continue with their large population and accumulated wealth to be an important elemen in the economic life of this nation.

With this decentralization of industry have come new problems of control and management. Business, particularly that represented by large corporations, is prone to make the same administrative mistakes as our Government in trying to keep its controls and management highly centralized, instead of giving a full measure of autonomy and control to its branches, whether they be factories, stores, insurance companies or what not. There is a great national insurance institution, doing a large business in every state of the Union. It is absurd for it to concentrate 30,000 white collar employees in this city, and not to decentralize every function into the regions from where it draws its business. I use it only as an illustration of what is the usual attitude of most large national corporations.

I have mentioned the three most important forces that are influencing our economic life. There are other forces, some of them quite important.

Nation Needs Good Business Men

Most of the men present in this room have seen the tremendous changes in the life of this nation wrought by the two World Wars. Most of you have ssen the change in the position of business and businessmen effected by 16 years of the so-called New Deal. The fact remains that despite the complete lack of political power by businessmen, the real foundations of our economy still rest on them and if they live up to what they should do in a free, competitive system, the country cannot get along without them.

I have had the privilege and the honor of having directed the policies and management of a great American corporation for 22 years. Sears is a national business, with stores in every state of the Union but one. It reaches every class of customer in every part of this country, it deals in every class of merchandise, except food, and as such buys from thousands of manufacturers in every line all over this country. In my position, I have had a wonderful opportunity of viewing the whole industrial panorama and have had the opportunity of formulating a business philosophy which I believe is applicable to our present conditions.

Any business must make profits, or it ceases to exist, so we will presuppose that the management of every successful business has exercised proper business judgment. But the head of every successful business today should try to be a business statesman and not confine his viewpoint solely to the making of profits, necessary and essential as they are. In this connection, if the masses of this country really understood the functioning of the free enterprise system, they would regard profits as desirable and not as immoral. The larger part of the tools and equipment needed to provide a better standard of living must come from reinvested capital. On the other hand, businessmen must learn that too large a part of profits must not go into dividends, but must be reinvested in the building up of their business and their country. English capital made this mistake and the results show in the general obsolescence of British industry. While profits are essential to the existence of a business, a corporation or an individual must look after the welfare of employes and the welfare of the community in which his busines is located. A corporation must make profits, but it must also be a good employer and a good citizen.

The Parties to Any Business

There are four parties to any business—the customer, the employee, the community and the stockholder and the management of every business should preserve the balance of the interests of each. I have named them in what I regard as the order of their importance.

The customer comes first, for unless he gets good values, courteous and fair treatment, is satisfied in every respect, he will not continue as a customer, and the business eventually decays and dies.

The employee comes next. Every head of a business should consider himself as a trustee for his employees as well as his stockholders. If the business is well established and prosperous, he should try to do his utmost for his employees without their having to exert pressure on him to get their proper rights. He should regard as one of his objectives the constant raising of the standard of living of his employees. If employees have confidence in the fairness and sense of justice of their employer, and feel that he is truly interested in their welfare, that his feeling for them springs from his heart as well as his head, this employee will respond, and there is a vast difference in the quality and quantity of work performed and of the amount of supervision required between such employees and those who feel just the opposite to their employer.

Then comes the community in which are located the factories, stores, offices or headquarters of a business. Due to the changes in our tax laws, it is more and more difficult for the wealthy individual to support the charities and the welfare enterrpises of the community. A portion of that burden must shift to the corporation and I believe it the part of wisdom for every prosperous corporation to respond to the needs of the community, willingly and generously.

Last comes the stockholder. All I can say is that if the other three parties above named are properly taken care of, the stockholder will benefit in the long pull.

It was my privilege during the war to take five different foreign trips by air for General Arnold, two of them complete circuits of the globe, altogether 200,000 miles by air. I visited each one of the five continents, and every theatre of war.

On my return from each trip I was filled with renewed confidence in my own country. Nowhere in the world is there anything like our Mississippi Valley and Great Lakes region, with over 1,000,000 square miles of good soil, temperate climate and ample rainfall, with ample mineral resources, inhabited by an intelligent people, with standards of living and education far above that of any other people in the world. Until I made these trips, I never realized how much of the earth's surface was desert or arid land.

Australia has almost exactly the same area as the continental United States, approximately 3,000,000 square miles. One-third of that area has less than 10 inches of rainfall, another third, has ten to 20 inches of rainfall, about the same as our so-called dust bowl. The other third has the normal rainfall of the Temperate Zone but very little good soil. That country now has 7,000,000 to 8,000,000 people; the best authorities doubt whether it can ever support over 25,000,000 people.

I compared foreign factories with our own and saw how superior our machines, workmen and management, our know-how, were to theirs. The truth is that no other nation in the world except Germany understood mass production, and Germany had a mere fraction of our resources. The productivity of American industry really won World War II.

God has given us the most wonderful country in the world. While I see the uncertainties and problems that lie ahead of us, I have an abiding faith in the future of this country. I cannot understand how any man of intelligence can fail to have this faith. We may have our ups and downs, we can see many uncertain times ahead of us, but if we renew our faith, believe in God, courageously try to build up this great country, try to make it a better country for all the people, employers and employed, we will see it go to further heights, and we will be rewarded materially and spiritually.

Fred D. Blake Forms Own Firm in Los Ang.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Fred D. Blake has formed Fred D. Blake & Co. with offices at 215 West 6th Street, to engage in the securities business. Mr. Blake was formerly manager of the municipal department for Stern, Frank & Meyer.

Ivan Hay Joins Staff Of Bradley Higbie

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Ivan C. Hay has become associated with Bradley Higbie & Co., Guardian Building, members of the Detroit Stock Exchange. Mr. Hay in the past was with Andrew C. Reid & Co. and Wm. C. Roney & Co.

Nehring & Ricketts Add

(Special to THE FINANCIAL CHRONICLE)

ELGIN, ILL. — Richard F. Laycock has been added to the staff of Nehring & Ricketts, 4 South Grove Avenue.

Alvin A. Dykes With du Pont, Homsey Co.

Alvin A. Dykes

BOSTON, MASS. — Alvin A. Dykes, formerly Manager of the trading department for Whitney & Elwell, is now associated with the trading department of du Pont, Homsey & Co., 31 Milk Street, members of the New York and Boston Stock Exchanges.

Government Lending

By EARL R. MUIR*
President, Louisville Trust Company, Louisville, Ky.

Mid-western banker scores expansion of direct loans and guaranties by government agencies. Says it is another foundation stone in building a socialist state and asserts much government lending is unsound and of no social value. Says American banks have demonstrated their facilities to handle small business loans, and contends acceptance by banks of government guaranties in making loans divests banking of its risk-taking functions. Advocates opposition to expanding Federal lending agencies.

Fifty years ago, one of the leading bankers in this country handed down a definition of banking that has stood the test of time. His definition was simple and terse. "The banking business," he said, "consists of making decisions."

Earl R. Muir

We can, of course, develop a corollary that successful banking consists of making the right decisions; but today, half a century later, no one has been able to improve very much on that fundamental definition. Banking is decision. The decisions we in banking make go far beyond our daily job of determining whether this loan or that loan is good or bad, or what the chances of its eventual repayment are. Our decisions affect the welfare of our communities and influence the economic life of the nation. What is more, they determine the course and the ultimate fate of the banking business itself.

As the second half of the Twentieth Century opens, we are confronted with a decision that seems to me to be momentous. For nearly twenty years, ever since the Great Depression engulfed American business, industry, and agriculture, we have been postponing a decision which transcends the practice of banking and enters the realm of fundamental banking principle. It concerns government-guaranteed loans. I believe I am not overstating the case when I say that our decision will be vital in determining whether or not 20 years from now we are still the risk-takers, and hence the bankers, for the American people and their economy.

It was during the depression that the principle of government direct loans and loan guaranties for business and industry first was developed. It started as an "emergency" idea, intended to be temporary, and designed to help tide the nation safely through an economic crisis. But the development of the political habit of visualizing one national emergency after another, magnified by the extraordinary demands of World War II and capped with the inevitable period of postwar readjustment, gave tremendous impetus and growth to the government's loan and loan guaranty functions.

At the start of the depression, the total lending power of the few then-existing, government-sponsored credit agencies was only a few hundred million dollars. Today, the total of direct loans and guaranteed loans of nearly a score of government credit agencies exceeds $20 billion. To be exact, the total of these loans and guaranties at the start of last year, the latest data for which complete figures are now available, was $20,520,000,000, an increase of about one-third in one year's time.

*An address by Mr. Muir before the Second National Credit Conference sponsored by the American Bankers Association, Chicago, Ill., Jan. 25, 1950.

Expansion of Government Banking Operations

During 1949, government loans and guaranteed loans again expanded. We estimate their total now to be approximately $23 billion. This is an amount equal to well over half of the total loans of all types outstanding on the books of the nation's 14,000 commercial banks. It does not include any loans to foreign governments. It includes only loans and loan guaranties for domestic business and industry, transportation, home owners and farmers.

I think that no will challenge my statement that the United States Government, through its various lending agencies, is today the nation's — and the world's—biggest banker and guarantor of credit. Whether or not this is a healthy development, I leave to the political philosophers to decide. To me, as an individual citizen, it appears to be another foundation stone in the building of a socialist state. As I recall, it was Karl Marx's disciple Lenin who pointed out that one short-cut to socialism is the centralization of banking power in the hands of the government. "If you have seized the police and the army," said Lenin, "control the administration and granting of credit and you control almost everything." That is a cardinal element of statism.

Extent of Government Lending

When we break down the total figures of government loans and loan guaranties, we learn some interesting facts. Of the total outstanding, about one-fourth, or well over $5 billion, are direct loans to borrowers. The balance consists of guaranteed loans and loan insurance provided by government agencies. I will not argue the point that at least some part of the direct government loans are loans that cannot be made by private lenders, but I do insist that many of them are uneconomic loans which never should have been made in the first place. Although some may be said to serve useful, socially worthwhile purposes, others have turned out to be a permanent investment of public capital in projects of doubtful value today.

For example, no one will doubt that loans made by the government's Inland Waterways Corp. in the early 1920's, and still outstanding and unpaid, are of a questionable nature. I think no one will doubt that a loan made by a government agency to a furniture-manufacturing firm in my home town a year or so ago was not of "social" value. Today the firm is bankrupt, and the taxpayers are paying for its mistakes as well as for the government agency's mistake in making the loan to the firm.

But of a vastly more subtle nature, and with even greater, more far reaching consequences than the country's economic losses through direct government loans, is the debilitating influence on banking of government loan guaranties. While I do not for a moment minimize the danger of direct government lending, I believe we as bankers should direct our thinking to the consequences of government guaranty of banking risks. Here we are dealing not only with a principle about which we must make a decision; but we are also dealing with a very real, growing set of facts.

During the last session of Congress, the loan and loan guaranty limits of all government credit agencies taken together were raised about $5 billion. This includes authorization of an additional $1 billion for the RFC to use in acquiring mortgage paper through the FNMA. It includes an increase of $2 billion in the loan guaranty powers of the Public Housing Authority. It includes an increase of $1,275,000,000 in the loan-insuring capacity of the FHA. It includes an increase of $225,000,000 in the lending capacity of the Rural Electrification Administration.

More Government Lending Expected

Nor is the end in sight. During the current session of Congress, we expect legislation to be introduced which would authorize the Federal Reserve to take up to $500,000,000 of 90% participations or guaranties of loans to small business. We expect another bill creating a Veterans' Economic Development Corp. with a total lending capacity of $5 billion. Still another bill would create a new business loan insurance corporation to insure small business loans made by commercial banks, at a rate premium of 1½%, similar to FHA insurance of mortgage loans. This bill, sponsored by the Small Business Advisory Committee of the Department of Commerce, would also establish a "catch-all," paper-buying agency for small business loans similar to the FNMA. We are also anticipating another legislative overhauling of the RFC to curb its loans to large industries and to revitalize its lending services for small business. The President's Economic Message to Congress recommended more liberal RFC lending terms. It also implied the creation of still another government agency for loans to small business.

There was a brief period after the war when we believed that the lending activities of some government agencies might be curtailed. The Smaller War Plants Corp.'s assets were transferred to the RFC for liquidation, and its charter was allowed to expire. The ten-billion-dollar RFC was thoroughly examined in 1948 by a very able subcommittee of the Senate Banking and Currency Committee, and its lending capacity was limited to $1½ billion, with allowance for an additional $1,100,000,000 of its loans in liquidation. Those of us who were invited to testify before the subcommittee on behalf of banking pointed out that the RFC during the depression and the war had demonstrated distinct usefulness, but that the banks were providing adequate credit for large and small business, and the RFC should be continued only as a standby, emergency organization.

We demonstrated the extent to which the banks were taking care of the credit needs of small business by pointing out that 88% of all bank loans then outstanding were for less than $25,000, and almost a fourth of all loans were for less than $1,000. We testified against deferred participation loans by the RFC. We showed that they were a particularly vicious type of government-guaranteed loan to private industry, under a different disguise. This and other testimony helped bring about the best revamping of the RFC's functions that had been accomplished in its 16-year history.

Yet, less than six months ago, banking had to go before Congress again to oppose a bill which would have doubled the RFC's lending capacity, increasing it to a maximum of $5 billion, and granting it power to extend the maturities of its loans beyond ten years. Fortunately, we were at least temporarily successful in testifying against this proposal to reenlarge the RFC's powers.

We pointed out that a year earlier Congress had limited the lending powers of the RFC. We again showed Congress that the banks are willing and able to take care of the credit needs of business; that the temporary business recession last year by no means justified an increase in government loans to business; that loans by the banks had decreased because of reduced inventories, a lower volume of business, and price declines. We stressed that extending the maturity limits of RFC loans to business beyond ten years would tend to provide permanent government equity capital for borrowers, and would help keep submarginal producers in business in competition with strong and self-reliant producers. It would make it possible for the owners of these firms to divert from the business their own capital investment, leaving government funds as the sole capital.

In 1948, the Senate Banking and Currency subcommittee declared in its report that the RFC should not be used as a source of permanent equity capital for business, whether large or small. Yet when examining the RFC's lending record in 1949, members of the Banking and Currency Committee have been much interested in RFC loans to borrowers such as Waltham Watch Co., Lustron, and Kaiser-Frazer.

Largely because of these loans, one very able member of the Committee has indicated he will sponsor another inquiry into the RFC's lending activities, to determine why so large a portion of its loans are of this nature, and to stimulate its loans to small business. The Committee will be acutely aware of the fact that the RFC is no longer an emergency lending agency, even though some of its loans purportedly are intended to ease local employment problems. The distinction to be

Continued on page 27

The Credit Outlook

By WILLIAM A. McDONNELL*
President, Association of Reserve City Bankers
President, First National Bank in St. Louis

Though maintaining business and credit outlook is now more encouraging than year ago, Midwest banker finds fiscal policy pursued by Federal Government disturbing and contends short-term bank credit must be prepared to withstand adjustments following present inflationary period. Denies lending practices of banks are inflationary, and holds banks supply ample credit to small business. Cites recent survey showing banks are in position to handle financial needs of business and scores government lending as protecting inefficiency.

Wm. A. McDonnell

In attempting to appraise the credit outlook at the present time it would seem well to approach this problem from the standpoint of the borrower on the one hand and from that of the lender on the other. Accordingly, it shall be my purpose, first, to discuss this subject from the banking point of view; second, from that of the ordinary business borrower.

The credit outlook from the banking standpoint requires that one keep in mind the extent to which, quantitatively at least, total bank credit is controlled and managed by joint action of the Federal Reserve Board and the United States Treasury Department. The policy developed by these two Federal agencies, as it influences the general credit situation of the country, is a compromise between the special credit needs of the Federal Government from time to time, and the efforts of the Federal Reserve Board to meet its responsibilities in the maintenance of a sound monetary and credit condition for the entire economy. The Federal Government as the largest single borrower and with the need to continually renew its obligations, is anxious to have available to it cheap and abundant credit. If, however, credit is made cheap and abundant for the Federal Government, it necessarily tends to become cheap and abundant also for other borrowers, and if such an easy credit situation is continued too long, it can easily lead to inflationary excesses of the most dangerous character.

Credit Developments Last Year

The latter part of 1948 and the early part of last year will illustrate some of the problems faced by those charged with the proper handling of our fiscal and credit and monetary problems. In the latter half of 1948, inflation and its dangers became a major concern of governmental authorities. Late in that year restrictive credit policies, such as increased reserve requirements, were put into effect with the idea that they would retard an inflationary upsurge. Actually, by the time these definite monetary measures had been taken and their influence became effective, the underlying forces in business and industry had changed to such an extent that the real need was to prevent deflation and a business recession. The variations in business and the timing of credit controls last year should have a sobering effect upon the use of governmentally engineered credit policies except on rare occasions.

The business situation changed rapidly in the latter part of 1948 and early months of 1949, because it then became apparent that many of the war shortages had, temporarily at least, been overcome, with the result that in the first half of last year pessimism became rather widespread and there was a general uneasiness concerning the heavy inventories carried by business. At the same time both prices and industrial activity, as measured by the indices of production and employment, showed a declining tendency. Governmental authorities became apprehensive and the Federal Reserve Board took action to ease the money situation by reducing reserve requirements during the spring and early summer months, thus quickly reversing the measures of a few months previous. The principal result of these monetary measures was to lower rates for short-term United States Government securities and increase prices for bonds in general.

Inventory Problem Adjusted

What had loomed as a troublesome inventory problem for business was handled with little difficulty, however, and accumulated supplies were eliminated more quickly than had been anticipated originally. Replacement demands for goods and services developed at a level closer to that of the previous period when war-accumulated shortages, in addition to current demand, had to be overcome. By mid-year, the increase in the volume of incoming orders in most of the soft goods lines created a new situation. At the same time, a rapid expansion in the rate of residential building took place and brought that industry to boom proportions in the latter months of 1949. The improvement in the general business situation which had developed by the early summer gave rise to an optimism that neither subsequent strikes nor work stoppages in the autumn were able to discourage. Thus, while business in many lines was below that of 1948, the year as a whole was one of prosperity for the people generally. Personal income as computed by the U. S. Department of Commerce (seasonally adjusted, annual rate) averaged about $212 billion for the first nine months, close to the level of 1948 when an all-time high of $217 billion was reached at the end of the year. It is doubtful, however, if even the most ardent managed-economy enthusiast would be able to prove any causal relationship between the monetary policies adopted in the late spring and the business upturn of the summer and autumn.

Fiscal Policy Disturbing

The disturbing factor in the current business picture is the fiscal policy pursued by the Federal Government. With almost full employment and individual personal incomes close to the highest level in our history, business profits generally good and tax payments at extraordinarily high levels, Government expenditures (exclusive of defense costs and foreign commitments) continue to grow at a disturbing rate.

Such spending by the Government puts an upward pressure on prices, creates stresses and strains on labor relations, and produces innumerable economic inequalities which lead to general unrest and, in the final analysis, threaten a lower standard of living. Recent experience of European nations affords fresh ample evidence of the woeful results of deficit financing. Moreover, within our Government itself, present policies are producing irreconcilable tensions which seriously handicap sound national procedure. Between the Treasury's desire for cheap credit and the Federal Reserve Board's duty to maintain sound monetary and credit policies, there exists a conflict that cannot be satisfactorily discharged in the public interest. Obviously this monetary dilemma can be resolved only when our economic and political thinking in the field of fiscal policy has been soundly and realistically met.

So far as the business and credit outlook at the beginning of 1950 is concerned, it is much more encouraging than it was a year ago. Currently, demand in most lines is at a reasonably satisfactory level with a fair degree of price stability. The immediate prospect for the heavy industries continues good, and as a result it would appear that for the first half of this year at least, business should continue at satisfactory levels. It must be borne in mind, however, that with our large productive capacity, there will be a period of further readjustment when the shortages and backlogs still existing in some of the heavy industries are finally and definitely overcome. Whether the adjustment in this regard will occur in the next year or so, or is still several years off, is something that only the future itself can definitely reveal. As to the basic need for housing, expansion in the public utility field and numerous related lines, there is definite evidence of a potential demand that should carry along for a number of years. It must be remembered that the large current volume of business has been continuing now for a number of years; and that the substantial part of the support which it received from war-created shortages has been and is steadily being eliminated. Furthermore, to a considerable degree existing business activity gains support from the cold war and inability to reestablish peace. Short term bank credit, to the extent that it is based on an inflated price structure, must be prepared to withstand a period of drastic readjustments following a period such as that through which we are now going. Furthermore, the banker's position is made more vulnerable because of the monetary measures aimed at making credit easy because of governmental needs. When interest rates are low and business costs are high, there is every incentive to put as much of a bank's available credit to work as possible. Cheap money conditions so created, stimulate demand for credit but prevent from functioning the normal warning signs of danger in the form of higher interest rates. Thus, the whole economy is lulled into a false sense of security by this financial window-dressing. When the relentless force of economic law makes itself manifest, governmental authorities are then only too prone to become panicky and take quick and drastic measures, as they did when they dramatically pulled the plug on the support of government securities on Dec. 24, 1947.

Under a managed monetary and credit economy the banker is well advised who sails close to shore in boom periods so as not to risk the danger of being faced with sudden surprises in the way of arbitrary and drastic change in basic credit policy which may have far-reaching effects on bond and commodity prices. The times call for caution in granting credit despite the pressures put upon us to ignore warning signals.

Is Lending Practice of Banks Inflationary?

There is a natural tendency on the part of politicians to attribute every economic ailment to the lending practices of banks. The inflationary spiral in the immediate postwar period, it was said, was due to excessive bank lending. Immediately it was suggested that something must be done, in the form of law of course, to curb the unbridled extension of bank credit. The ink was barely dry on such statements and the legislative programs proposed to curb lending, when we ran into the readjustment period previously described in the first half of 1949. As soon as prices began to decline and unemployment increased, there was a hue and cry to loosen again the controls of commercial bank credit. Now the basic facts are that the lending policies of the commercial banks did not cause either the wartime or the postwar credit expansion and accompanying inflation. The banks were merely the medium used by the Federal Government in its deficit financing during the war, which resulted in about a threefold increase in the volume of money and bank deposits. The remaining causes of the inflation grew out of scarcities created by the heavy demand for all types of commodities during the war. It must always be borne in mind that commercial banks and their credit policies are secondary and subservient to the national credit policy established by the Federal Reserve Board and the Treasury Department. The commercial banks are always acted upon and are not initiators of either inflationary or deflationary policies, as these are commonly understood.

Accordingly, ordinary commercial bank credit had little to do with the economic readjustment that occurred during the first half of 1949. This downturn in business was not in any way related to a shortage or lack of ample bank credit. It was fundamentally due to the fact that most lines of business had produced enough goods to overcome the shortages under our wartime economy. Once wartime scarcities had been overcome in numerous lines of business, production, obviously, had to be readjusted to the levels of current demand. Actually, one of the main reasons that this readjustment turned out to be relatively mild, was the fact that American business was provided with ample credit at low rates so that prices were not endangered by distress merchandise, as had often occurred in the past. The service that the banking system rendered in this regard is amply demonstrated by the fact that between Dec. 1, 1948 and June 30, 1949 (the period when most of the readjustment took place) the total of all loans of all insured commercial banks declined only about 3½%, that is from $42 billion to $40.5 billion.

Credit to Small Business

The latest outcry is that there is not ample credit for small business. We have often heard this one before. Political solicitude for small business has a way of recurring periodically, especially as an election year approaches, and it always takes the same form —that small business does not have adequate access to bank credit. Just what constitutes small business or a small business loan has never been satisfactorily defined by our economic planners. From public statements it would appear that the limits of such a loan cover an extremely wide bracket, ranging anywhere from $10,000 to $44,000,000. I am quite sure, however, that most impartial students of the question would agree that when social philosophers contend that a loan of $44,000,000 is a loan to small business, their solicitude for small business is reaching a new high in absurdity. For the purpose of this discussion, any loan to business of $100,000 or less will be considered a small business loan. If this is a fair and reasonable definition, then it follows that out of some 15,000 banks in this country, the overwhelming majority, probably 90% or more, can make nothing but small business loans, for the simple reason that their legal lending limits would not permit larger loans. To state it conversely, practically every business loan in the portfolios of over 90% of the banks of the nation is a loan to some small business. If the limit of $100,000 which we have set for a small business loan is too low and we should raise the figure to $200,000, or $500,000 or even $1,000,000, it would merely add emphasis to the point. Our American banking system may have its weaknesses, but it cannot be said that it is not well equipped to make small loans. As a matter of fact, the system is better adapted to handle credit to small business than it is to take care of the requirements of big business, because, as has been previously stated, most of the bank units comprising our system are small banks which have legal authority to make only small loans. Furthermore, anyone familiar with the problems of the smaller banks should be well aware of the fact that their greatest difficulty is in securing an adequate volume of sound small loans, and most of their activities are directed toward overcoming this handicap.

The latest proposal for governmental loans to small business has one new wrinkle; that is to the effect that commercial bank maturities are not long enough to meet the needs of small business. It is being said that small business needs credit with maturities of 10 to 20 years. At this point the politician gets credit confused with equity capital, a mistake often made by those inexperienced in banking.

The major capital requirement of small business is for risk capital and not for loans having fixed maturities with a prior claim upon assets. Bank credit is never a substitute for risk capital and any attempt to use it as such invariably leads to difficulties for all concerned. Credit of the wrong type is never actually helpful to business. Small business at present has difficulty in attracting risk capital because of the unfavorable and penalizing conditions created by the government which unfairly taxes gains in relation to the hazards inherent in risk capital investment. In addition to taxes, there are numerous other barriers that either prevent the formation or discourage the use of risk capital. Small business finds itself handicaped by increased competition, minimum wage laws and the red tape involved in making out multitudinous government reports, acting as tax collector, attempting to overcome the burden of strikes, and restrictive labor practices. Added to this is the shadow of socialism that manifests itself in the present trend of government, and the monopolistic power that is permitted to be used by the labor unions. The present situation in the coal industry is a case in point.

Credit Is Good from Borrower's Standpoint

From the standpoint of the borrower, whether he be engaged in big business or little business, the outlook for commercial bank credit during 1950 is good. There is every indication that there will continue to be available abundant bank credit at low interest rates for all worthy borrowers. The Association of Reserve City Bankers,

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*An address by Mr. McDonnell before the 1950 Credit Conference of the American Bankers Association, Jan. 24, 1950, Chicago, Ill.

Continued from first page

As We See It

"This is what happened to the Federal Reserve System in the period of postwar inflation. The fact that the Federal Reserve System felt itself under compulsion to peg rigidly the government security market made it impossible for the system to take any effective measures to reduce inflationary pressures. It was barred from the use of open market selling to contract bank reserves. Instead, the Federal Reserve System was forced to resort to increases in reserve requirements which were in turn largely nullified by the fact that it was compelled to purchase the government securities which came on the market from the banks and others as a result of these increased reserve requirements.

"Deprived of the use of its most effective instrument of credit control, open market operations, the system not merely turned to an increased use of changes in reserve requirements; it also demanded legislation that would give it broader powers to manipulate reserves, including the power to fix reserve requirements of nonmember banks."

Those whose memory extends back over two or three decades will at once recognize in this exchange of views the elements of an old, old conflict. They will also find much that is familiar in this talk of "independence" of the Federal Reserve *vis-a-vis* the Treasury, although the old demand of "independnce" has now grown to be "reasonable independence." But such discussions now have a very different setting. In former years, most of us still clung to the concept of a really free economy. Although high tariffs and subsidies here and there marred the picture, the individual was still expected to look after himself, and natural forces were, by and large, left to control the economy. Interference by Government at any level was the exception rather than the rule. It was in this general setting and with this broad background that control of the banking system or systems of the country was argued.

Turning the Clock Back

But no longer! We still pay lip service to "free enterprise." We still have not summoned the courage to tell ourselves the truth—i.e., that we have turned our backs on American tradition. We still like to talk about individual initiative and all the rest, but when the cards are down the politician flees to paternalism and, at times, to semi-socialism to win votes—and wins them! A Harvard professor, long a member of the New Deal establishment, strikingly reflects the change in his reply to an inquiry by the so-called Douglas Sub-committee on Monetary, Credit and Fiscal Policies of the Joint Committee on the Economic Report. Here in part is what the Professor has to say:

"No monetary organization and no monetary policy can fail to take into account the Government's interest in monetary policy. . . . The objective of an independent central bank is scarcely even mentioned any more. That does not mean, however, that Treasury interests should dominate policy. . . . I would not advocate an increased independence for the Federal Reserve; but I would advocate improved coordination between the Federal Reserve, the Treasury, the Federal Deposit Insurance Corporation, the independent lending agencies (inclusive of ERP), with the best interests of the whole economy the objective. Perhaps as important as the relation of the various Government interests is that of the Federal Reserve Board and the Federal Reserve banks. If the various Government agencies and departments involved are frequently in conflict, they do at least presumably seek the best interest of the entire economy. This is not necessarily true of the Federal Reserve banks which to a substantial degree are under the influence of banks."

What Used to Be

Formerly, in times of peace in any event, natural forces in the private economy were supposed to govern the money market. The Treasury, if it was in need of funds, was supposed to accommodate itself to that market. If after World War II the Treasury made use of devious easy money strategy, it was not openly avowed, or if it was, it was apologetically admitted and set forth as an exception to the general rule. As after other devastating wars in history, the turmoil has again involved the bank and monetary thinking of the public—and this time with an added impetus. Even before the war began, the depression and the New Deal had evolved notions which placed upon Government the responsibility for the economic welfare of the individual. Even before Pearl Harbor, we had entered an era of managed economy, and in the forefront of that movement was what has become known as managed money.

Now the old, old controversy between the Federal Reserve and the Treasury takes on a quite different aspect. As viewed by the New Dealers and the Fair Dealers, both the Reserve System and the Treasury are instruments in the hands of Government for use in managing the economy of the nation. It is possibly as much contrary to present popular notions that the Reserve should be tied to the Treasury as before, but what is now wanted is not an independent Reserve System (whatever its freedom from domination by the Treasury) but a Reserve System which is pliable in the hands of the Administration and its wise-acres in Washington. Such is the plain implication of the recommendations of the Douglas sub-committee. It is plainly implied in many of the comments it has received from many men in high academic and other places.

In light of these circumstances, one is rather likely to lose some of his enthusiasm about what is now termed an independent Reserve System.

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Oil Industry Outlook in 1950

principal states in spite of the lower volume of production. Some decreased drilling did occur in California and the Rocky Mountain States areas and a fairly large drop in drilling occurred in Pennsylvania and surrounding states. The curtailment in Pennsylvania was tied into the disparity between crude oil and lubricating oil prices. It is quite significant that these declines were in areas where imports probably were an unimportant factor.

Employment was maintained generally over the year. Reserves found and assets created were probably better than average. Certainly that was true for Socony Vacuum. We had the best year in our entire history, gauged by oil discoveries.

International conditions are upset. The British are imposing restrictions on the sale of American produced oil in the sterling areas. Through these restrictions they hope to close the dollar gap. In picking on oil as the principal commodity with which to make their accounts balance, the British have severely affected the American companies operating abroad. Our country has fought for the establishment of freer trade and exchange operations and the imposition of restrictions like this may be a serious blow to these plans.

The industry is faced with attack by the Treasury and other government agencies in its depletion allowances. These have been so long established and are so well justified that they probably will stand a great deal of attack before any change will come to pass.

Some Department of Justice suits are being pressed, the results of which may affect the industry's operations. It is too early to evaluate those. The industry has taken similar attacks in the past in its stride.

Natural gas will compete more extensively with liquid petroleum. Some oil companies will benefit from these gas sales, while at the same time, they will lose fuel oil customers. Some companies will lose a lot more than they gain. We in Socony-Vacuum are not worrying too much about the composition of natural gas because our natural gas reserves are among the largest held by any of the oil companies. In fact, per dollar of market price we believe you can buy more natural gas through Socony-Vacuum stock than through any other of the larger publicly owned oil companies on the market, with one or two exceptions.

During 1950 the industry will continue to be harassed by investigations, inquiries and threats of control. That is nothing now and as long as the industry continues to sell more and better products at reasonable prices and pursues its sound policies of employment, good wages, social benefits, modest dividends, constant research and cooperation with the government and military authorities, it should have nothing to fear. It needs to tell its story better, more often and to everyone. The industry needs friends in government and more friends among the public. It has such a splendid record the wonder to me is why it hasn't got these friends eager to testify to the industry's good performance.

Ben Grody Now With Stanley Pelz & Co.

Benjamin Grody

Ben Grody has become associated with Stanley Pelz & Co. at 40 Exchange Place, New York City. Mr. Grody previously conducted his own business at the above address.

A Monetary Policy For the Opposition

By E. S. PILLSBURY
President, Century Electric Company

Asserting honest money has been absent from our economy since 1914, leading industrialist points out this has resulted in maladjusted prices and unbalanced economy. Cites difficulties of Britain and France in attempting to stabilize currencies without limiting supply by anchoring their money to a gold or metal standard. Advocates legalizing free market for gold.

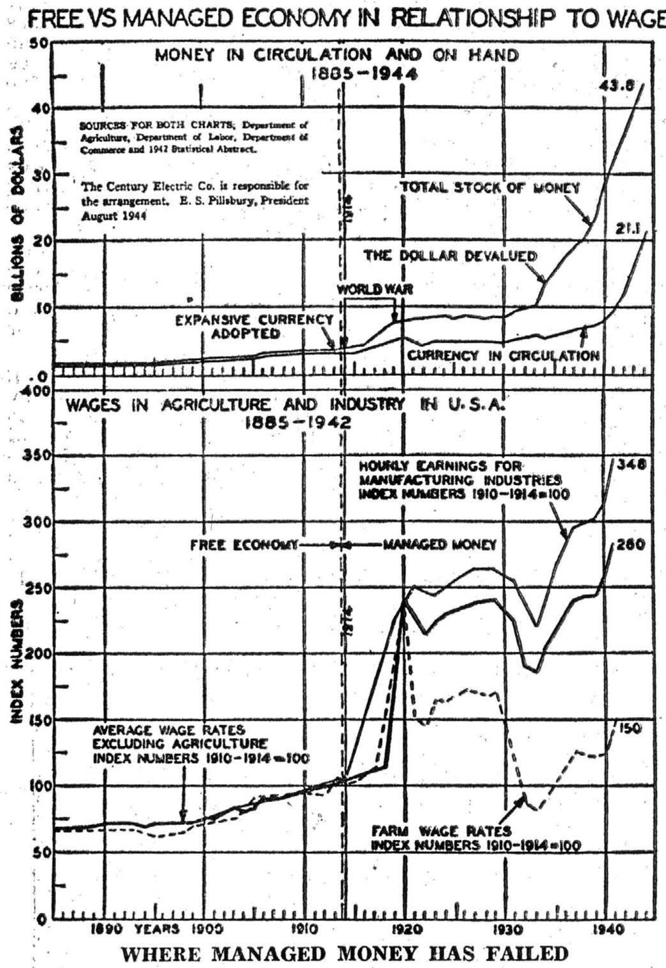
E. S. Pillsbury

Current monetary practices in the U. S. A. have come about primarily as a result of an unfortunate experience in 1907 when, after 10 years of unprecedented progress and prosperity, the nation went into an awful tailspin. The immediate cause appeared to be the absence of sufficient funds with which to carry on. In other words—tight money. During the succeeding years, both political parties and the Congress proceeded to study the problem with a view to legislation that would guard against a repetition of such a panic.

The Republican Committee, represented on the Senate floor by Elihu Root, proposed to get the additional elasticity deemed necessary by authorizing the issuance of additional national bank notes which were to be primarily an obligation of the bank issuing them. The first $300,000,000 of such notes issued were to pay Uncle Sam 1½% per annum. Any outstanding at any time, in excess of $1,200,000,000 not covered 100% by gold or its equivalent, were to pay U. S. A. 5% interest per annum. The 1½% notes were expected to take care of such fluctuations in the demand for money as are due to crop moving, etc. The 5% notes were for emergencies, panics, etc. The amount of 5% notes was unlimited; the 5% being deemed sufficient to afford protection against the permanent expansion of the currency, through promise-to-pay money.

However, the opposition party, while this was being worked out,

FREE VS MANAGED ECONOMY IN RELATIONSHIP TO WAGES



WHERE MANAGED MONEY HAS FAILED

This chart shows during 28 years, 1885 to 1913, with gold as the unit, wage rates advanced consistently, about 50%, from an index of about 67 to 100. During the next 28 years, 1914 to 1942, under managed money, wages continued to advance but inconsistently, so that by 1942, the average rate in manufacturing had been upped 250%, from 100 to 350, while in agriculture the average had been upped 50%, from 100 to about 150.

This 200%—five times greater advance in some than in other trades—accounts for the unemployment of 1930-40, during most of which decade from 5 to 10 million were without work. While this job-scarcity has been eliminated currently, it is bound to reappear with the termination of war activities, since we know that wage maladjustments are not being eliminated but increased.

The immediate cause of this unemployment is the impoverishment of the agriculturist and lower paid third of the population to where they are unable to buy enough of the product of the higher paid to provide jobs for the latter. A large percentage of both thus face short rations or a low standard of living.

Managed money, is putting part of the population on easy street while driving the others toward a status approaching peonage.

had gotten into the saddle and passed the Federal Reserve Act which, in the words of Senator Root at the time, contained provisions based on the economic heresy that "It is best for the country that the Government of the United States shall furnish unlimited money to the people of the United States," Senator Root characterized the monetary provisions of the law as "vicious," "greenback inflation," "expansive," "redundant," saying also that it interposed no influence against a period of "false and delusive prosperity which inevitably ends in ruin and suffering."

When this law was enacted in December, 1913, the country had a total of slightly less than $3.5 billion of currency altogether. We now have about $28 billion, an increase to around eight-fold, with bank deposits increased in similar proportions. A currency redundant to such an extent, of course measures no values. Instead, we guess at what to pay for goods and services as best we can. Most of us guess our services are worth more than we are getting, so one round of wage increase demands follows another, while business, realizing the risk involved, marks up its prices and profit margin proportionately, including extra wide margins for contingencies.

The overall result is a progressive (which can but ultimately become catastrophic) decline in the purchasing power of the dollar, thereby robbing depositors of savings, and investors in bonds, loans of every sort, inclusive of life insurance, annuities, pensions, and (mis-named) social security, of an ever increasing proportion of the purchasing power of their income from such savings and investments, as well as from their fixed wages and salaries. Public service companies, whose incomes are more or less definitely fixed by law; railways, street cars, telephone companies, etc., are especially hard hit by a depreciating unit of value.

David Lawrence, in an article dated Dec. 12, 1949, states the problem in part as follows:

"Democracies cannot spend their way out of trouble. Sooner or later they have to realize that there is no such word as 'cannot' when reduction of expenses becomes imperative. The slogan of the future is not going to be the 'New Deal' or the 'Fair Deal' but one that will make its appearance soon—the 'Honest Deal.'

"This means that the person who puts a dollar in the bank should be able to get back somewhere near a dollar in purchasing power in future years when he draws it out, or when the life insurance policies he now is paying for are paid to his beneficiaries."

This money problem, in its various ramificiations, should lead all others in the search for a remedy for the nation's economic ills. Honest money, as Mr. Lawrence defines it, has been absent from our economy since 1914.

If anyone questions that, he is referred to current cost of construction charts such as the American Appraisal Company's, which show, as of Jan. 1, 1948, construction costs in 22 of our typical cities as 504% of the 1914 figure. There are doubtless but few things as far out of line as construction; however, the very recent steel settlement, resulted in advancing the price of electrical sheets, for example, over 25%, on a price that was already over double the gold measurement price; thereby making more than a 50% advance on pre-inflation costs. This is indicative of what is going on. Starting with 5% advances, we are already taking 50% jumps and are likely to be taking 100% advances, on pre-inflation prices, at an early date.

We accept Mr. Lawrence's conclusions with reference to honest money and the honest deal at 100% of their face value. The most important function of money, and the one most frequently disregarded, is its capacity to generate prices that reflect the supply and demand relationship in terms of the monetary unit. You cannot dip such prices out of a limitless supply of promise-to-pay currency.

The chart entitled "Free vs. Managed Economy in Relationship to Wages," given herewith, shows that since 1914 wage rates in manufacturing, agriculture, etc., have been running wild, with little tendency to bring up "too low" or to pull down "too high" prices. Our dollar, which for many years prior to 1914, as this chart shows, had maintained a balanced economy, has practically ceased to be a corrector of maladjusted prices.

Since going over to money that could be expanded and contracted at the discretion of a board, such price corrections have been practically absent. Instead, we have a dollar that, in the building trades, has 20% of its former purchasing power in sundry lines, Consumers' Price Index, for example, 41½%. Such maladjustments, once in the system, are juggled about a little, but are not being eliminated. They tend, instead, to go from bad to worse.

This price muddle presents an opportunity and a challenge to render the nation a service comparable to that which the Republican Party rendered in making Abraham Lincoln president in its early years. The difficulty seems now to be to agree upon a policy. Too many Republicans want to beat the party in power by promising whatever is thought to be necessary to catch enough votes. However, the longer an unsound financial policy is pursued, the more evident it becomes that it is rotten at its core. Whatever of soundness the New and Fair Deals may have appeared to have, is rapidly vanishing. A little more time will leave them hanging in the air, with a few supporters aside from "yes" men who follow party leaders as a hound dog follows a trail.

The Difficulties

There are still other hurdles to be taken. Some think that all that has to be done to provide the country with "Honest Money" is to redeem the currency in gold on demand. Nothing could be further from reality. We redeemed our currency in gold, on demand, between 1914 and 1933, yet it was during this very period that our prices became muddled to where they provided President Roosevelt a reason (or excuse) for cutting the gold back of the dollar 41%, and for doing the other things that have resulted in the current much greater price muddle.

The Ricardo maxim, "If the State is to prosper, money must be anchored to a stable standard and the supply controlled by the automatic processes of trade, and not by the dictates of a government," must be followed if we are to generate prices that reflect the supply and demand relationship in terms of a standard. Gold, of course, has no rival as a standard.

There are several ways of returning to gold measurements. We can return, as John Sherman did about 1873, by setting a date several years ahead and refinancing. This was a terrible job. In Sherman's time, even with the assistance of a free gold market, it bred Greenbackers and imposed great hardship on debtors.

Since World War I, France and Britain, and most of the nations on the Continent of Europe, have, in one form or another, tried to stabilize their currencies without limiting the supply by anchoring their money to a gold or metal standard. The result has been 100% failure. It is doubtful if Sherman could have succeeded without the assistance of the free gold market that enabled him to see where he was going.

From this we conclude that a free gold market is a prime requisite for passing from a substitute, to real money. France, after many attempts to peg her currency at one level after another, with failure after failure, has recently opened up a free gold market in which her currency can be lawfully exchanged for gold. This has resulted in stabilizing the franc at about 50% above the price it brought before such comparisons could be lawfully made. The franc's purchasing power in U. S. dollars, was just about 1% of its original purchasing power before the free gold market was opened. Thereafter, it was about 1½%; later still, it increased further. Britain's recent devaluation of her pound from $4.03 to $2.80 disturbed this advance slightly, but even now, Jan. 17, 1950, the franc is quoted at .00287, or nearly 3/10ths of a cent, against a low of 2/10ths prior to her free gold market.

The overall result of this higher purchasing power and greater stability of French currency, has been to speed up business in France wonderfully. To try to bring currency back to a higher level after allowing its purchasing power to depreciate, except as may be effected automatically by the restoration of confidence, is a formidable task as well as one of doubtful expediency. To let the public work out the problem in its early stages by opening up a free gold market seems much more promising. Here is a quotation from a report by Mr. Ernest T. Weir, with reference to conditions in France where he has been a visitor from year to year. This report is dated July, 1949. The French free gold market was opened February, 1948.

France

"Conditions in this country have greatly improved; in fact there has been a surprising comeback. I have been in France a number of times and have never seen the countryside looking better or more prosperous. Certainly, this year the crops will be good.

"The City of Paris appears to be in as good condition as I have ever seen it, and there is a general air of well-being. The repair and painting of buildings goes on at a brisk rate. The streets are crowded with automobiles, resulting in traffic congestion much like that of New York. On the 1947 trip, very few cars were in evidence. Now there is no restriction whatsoever on gasoline, so that everybody who has an automobile is making good use of it. The stores now have plenty of good-looking merchandise, and, judging by the number of shoppers, are all doing a satisfactory business. Hotels, restaurants, night clubs, and all places of entertainment, are doing a record volume. There is no rationing in France; the black market and its prices are gone. Food is good and plentiful and, therefore, is freely available not only to the well-to-do, but to the people generally.

"French production in all lines has advanced materially and is still on the increase. There is active rebuilding of the devastated districts in Normandy, and communities which looked quite dilapidated 22 months ago are now beginning to take on a normal appearance.

"So much for the physical condition of France!"

* * *

Our country's immediate monetary needs can be best served by throwing our markets open to lawful trading in gold. This would enable the public to know, from day to day, what the world ap-

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Government's Challenge To Private Banking

By F. RAYMOND PETERSON*
President, American Bankers Association
Chairman of the Board, First Nat'l Bank & Trust Co., Paterson, N. J.

Asserting there is no cause for overoptimism in bank credit policy, ABA President urges bankers to realistically appraise every individual loan from viewpoint of quality. Warns Treasury's fiscal policy low cost financing and government subsidized loans leads to credit inflation, and advocates restraint on government loan guarantee and lending functions. Scores further increase on bank cash reserve requirements and new legislative proposals for restrictions on banks.

The business atmosphere this year appears to be one of restrained optimism. Businessmen, bankers, and economists seem generally agreed that the immediate outlook for the heavy goods industries, as well as for retail trade, is encouraging. The business readjustment last year was relatively mild. In many respects it was a healthy and overdue realignment of prices and inventories as production filled the supply lines. There appears to be a growing belief, based on our mild business readjustment experience last year, that future readjustments may not be as severe as those of prewar years. However, this long-range optimism develops out of a very broad assumption. This assumption is that the economic controls and fiscal operations of the government have been perfected to the point that the business cycle has been brought under fairly effective control. Only the actual events of the rather distant future can prove whether or not this is true. Meanwhile, banking's best policy is to follow the fundamental rules of sound credit, adequately granted and wisely administered.


F. Raymond Peterson

Although many lines of business went through their first postwar readjustment in a satisfactory way, real tests are yet to come in the future in the automobile, steel and construction industries. These industries maintained high levels last year. They are potent parts of the economy as a whole. They have yet to experience any serious readjustment, except temporary production lags brought about by labor difficulties.

Although prices of farm products and food have been steadily going downward for more than a year and a half, agricultural production continues high. Accumulated surpluses of farm products are beginning to be a real problem, for both farmers and the government's farm price support program. Farm income has declined about 15% during the past year, making a total decrease of 30% since its postwar high. This of course has produced lower consumer demand among farmers. However, this decrease in consumer income will be partly offset this year by the payment of $2,800,000,000 of veterans life insurance dividends. Most of this money will enter the consumer spending stream. Also, food price reductions have made it possible for all consumers to divert more of their income into other retail buying.

More Easy Mortgage Credit

The government's policy of easy mortgages credit will probably be intensified again this year. We do not know at present exactly what housing credit measures Congress will pass. Nevertheless, it appears probable that the construction industry will experience continued heavy demand, due in large measure to more government-sponsored, easy mortgage money. In addition, a substantial increase appears likely in public works and construction by state and local governments.

Continuation of the strengthened demand for business loans, which developed during the last half of 1949, depends on the volume of activity of the heavy goods industries and the inventory policies of manufacturers, wholesalers and retailers during the next six months. Of course, we can expect the normal seasonal decline in business loans during the first half of this year; but, nevertheless, continued high production levels in most of the heavy goods industries appears probable. Consumer purchasing power will also continue on a high level. The government's budgets for the balance of this fiscal year, and for next year, indicate a large volume of deficit spending. We all have very serious objections to the government's continuing policy of deficit spending. Nevertheless, it must be reckoned a definite influence on the volume of business. All these factors indicate a continuing business volume at comparatively high levels. They also mean that a relatively firm demand for commercial loans appears probable for the foreseeable future.

There is no cause for overoptimism or overconfidence in bank credit policy, however. The fundamental rule that every loan must be sound from the viewpoint of the bank, the borrower, and the community applies with increasing significance. It had not been modified by our favorable experiences in recent years. The good business conditions which have generally prevailed since the war have tended to lead some borrowers and lenders into false optimism in granting and using credit. Many of our borrowers today, as well as a large number of our lending officers, have never experienced the lessons of a real business recession. Bank credit policy cannot be entirely based on general business conditions or on the outlook for commercial credit as a whole. Sound credit policy begins with a realistic appraisal of every individual loan from the viewpoint of its fundamental quality.

Is Present Credit Sound?

We might well give particular attention to the credit soundness of the thousands of new operators in recent years in almost every line of business and industry. Because of a few satisfactory experiences in using bank credit, many of them are tempted to overborrow. They are inclined to rely on bank credit as a source of what really amounts to fixed capital, as business expands.

The same holds true with respect to many of our farmer borrowers. Farm price declines in recent years have accentuated this fact. There is to day a fairly large amount of unsecured agricultural credit outstanding which might better be tied down in amortized mortgage loans. Many farmers have used short term loans to add to their farm equipment and structures. A continuing downturn in farm income may easily make these loans embarrassing.

Other than maintaining sound loan policies this year, the main concern of banking is its relations with the government. Our interest in Washington is two fold. We are concerned on the legislative front. We also have deep interest in the government's fiscal and monetary policies. We watch with concern the growing difference of opinion that has developed in the area of Federal debt management and open market support of government security prices. We have been much interested in the recent hearings held on this subject by the joint Committee on the Economic Report.

On one hand, Secretary of the Treasury Snyder, who has administered the debt with remarkable competence and skill, feels that the market for government securities should receive continued support. He believes it is essential to maintain a low pattern of interest rates and low carrying charges on the Federal debt. At present, these costs add about $5½ billion to the government's budget. An increase of ½ of 1% in the average interest rate on the debt would be an additional taxpayers' burden of nearly $1½ billion a year.

Federal Reserve and Credit Control

On the other hand, the Joint Economic Committee's report asserts that Federal Reserve authorities have lost most of their credit control through the necessity of supporting the open market. According to this viewpoint, the effectiveness of the Board's power over reserve requirements is nullified. Banks can acquire reserves by selling their government holdings in a guaranteed market. Most of the legislative proposals to increase the Board's authority over reserves have been based on this argument.

The report of the Joint Economic Committee urges that the Federal Reserve be given full authority to adjust interest rates through open market operations. It acknowledges the Treasury's need for low cost financing; but, in effect, it urges that the final powers of monetary and credit control should rest with the Federal Reserve, regardless of the Treasury's requirement for low interest rates. The President's Economic Report to Congress, a few weeks ago, requested legislation increasing the Board's powers over bank reserves. It also urged that the Board's powers should be broadened to include fixing the reserves of non-member, state chartered insured banks. In addition, the President asked permanent restoration of Regulation W.

If, as the Joint Committee recommends, the Federal Reserve is given final authority with respect to monetary policy, there clearly can be no justification for increasing its authority over bank reserves. On the other hand, if it were given additional authority over reserves, there can be no justification for giving it control of monetary policy. But the viewpoint of banking is that neither of these extreme measures is justifiable. There is some merit in the argument that a reasonable degree of flexibility at times is desirable in open market operations. Yet there should by no means be a subjection of the Treasury's interests to the will and opinion of another agency. The nation has a quarter of a trillion dollars debt. The Treasury has the responsibility of managing that debt. Interest rate policies are a vital element in debt management.

Nor can the credit control question be answered by increasing the authority of the Federal Reserve over bank reserves, as the Joint Committee also recommends. Let me emphasize that no real credit control problem exists today. All the arguments for increasing the Board's authority are based on the assumption that there will at some future time be a strong renewal of inflationary pressures. Certainly there is now no need for—and there should not be — any effort to curtail the amount of bank credit presently outstanding. The administration is committed to a policy of a high level, fully productive, and expanding economy.

The amount of bank credit outstanding now is not excessive. The nation is not confronted by any dangerous inflationary possibility. The banks are fulfilling the actual needs of business, industry, farmers, and consumers for credit. The entire economy is geared to a far higher level of production and prices than those of bygone years. Yet the amount of bank credit outstanding is no greater today in relation to prices and the volume of production than it was ten years ago. Certainly, Federal authorities cannot be seeking a curtailment of present production volume or a further lowering of the general price level. There is no present or indicated need for credit restriction.

Reduce Government Lending

Any restraint on lending should be directed at loan guarantee and lending functions of nearly a score of government agencies, rather than toward the commercial banks. These agencies now have about $23 billion of loans and loan guarantees outstanding. They are asking Congress for authority to make or guaranty an additional $6-billion of loans this year. The loans and loan guaranties of these agencies now amount to more than half of the total of bank loans outstanding.

Proposals to restrict credit by increasing bank reserve requirements in any future period of inflation can have no effect on other, non-bank private lenders. Their conversion of government securities holdings into commercial and real estate credit contributed greatly to the total credit expansion that took place after the war.

We are particularly concerned with the proposed recommendation of the Joint Economic Committee to broaden the powers of the Federal Reserve to include fixing the reserve requirements of non-members. The Committee points out that the reserves of more than half of the nation's commercial banks are outside the Board's control and should be brought within its control. The actual amount of deposits outside its control is only 15% of the total volume of deposits in all banks. To imply that even this small area is without any reserve control is misleading. State chartered, nonmember banks observe the reserve requirements established by state laws and state banking authorities. In most instances, these requirements approximate those set by the Federal Reserve for member banks.

Moreover, in 21 states, banking authorities are permitted by law to vary reserve requirements to conform with those of the Federal Reserve. The Model State Banking Code of the American Bankers Association is in part responsible for this fact. Additional states are enacting legislation of this type. Regardless of whether reserves are maintained under Federal or state regulation, they can-

Continued on page 41

*An address by Mr. Peterson at Midwinter Conference of the Louisiana Bankers Association, Baton Rouge, La., Jan. 31, 1950.

Joins Schwanz & Co.

(Special to THE FINANCIAL CHRONICLE)

AURORA, ILL.—Lewis D. Peace has been added to the staff of Schwanz & Company, Inc., Merchants National Building.

Mutual Funds

By ROBERT RICH

Mutual Funds and Labor Pensions

Signifying a new sales approach for Mutual Funds are two articles on Mutual Funds and Labor. One is Henry J. Simonson's article in the February issue of "Commerce Magazine," entitled "The Pension Drive and Trusteed Plans." Mr. Simonson is President of National Securities and Research Corp.

The second article is in booklet form (15 pages) entitled "Labor's Partnership in Industrial Enterprise—A New Approach to the Investment of Union and Pension Funds" by Dr. Alexander S. Lipsett, Eastern Editor and chief editorial writer of the International Labor News Service, a news agency serving the AFL and independent labor press. Floyd L Carlisle, Inc., will handle the distribution.

New Mutual Fund

Formation of Hudson Fund, Inc., the first mutual investment fund to be managed by a trust company, was announced in Chicago. The newest addition to the rapidly developing mutual fund field, will be managed by Fiduciary Trust Co. of New York, while distribution of its shares will be by Hudson Distributors, Inc., with headquarters located in Chicago.

"The vital task of providing investment funds essential to the growth of American industry is a serious economic challenge which Hudson Fund, Inc. is designed to meet," James W. Maitland, President, declared. Hudson Fund, he said, "is dedicated to making progressive, growth-conscious investment management by an established banking institution available to the small as well as the large investor. Bringing the experienced management of Fiduciary Trust Co. of New York to the public in this manner is certainly a forward step in the development of mutual funds."

Officers of Hudson Fund

The directors of the Fund are: Mr. Maitland, President—director of Maine Central Railroad and Central & Southwest Corp.; Chester D. Tripp — Chicago mining engineer and financier; President of Consolidated Copper Mines Co. and Grip-Nut Co.; Chairman of the Board of Titan Metal Manufacturing Co.; Director of Victor Chemical Works, Inc. and several other corporations.

Richard K. Kane—Member of the New York law firm of Cadwalader, Wickersham & Taft. Franz Schneider—Executive Vice-President of Newmont Mining Corp.; Director of Continental Oil Co., Lehigh Valley Coal Co., Gas Industries, Inc., Chemical Fund, Inc. and others. Stuart N. Scott—Member of the New York law firm of Root, Ballantine, Harlan Bushby & Palmer.

Hudson Fund, Inc. had net assets of $1,016,847 at Dec. 31, 1949, prior to any public offering of its shares, including $761,438 in common stocks at market value. Shares will be sold to the public nationally through security dealers, with Hudson Distributors, Inc. as the principal underwriter.

Directors of the distributing organization include Albert D. Farwell, Ralph A. Bard, Paul A. Just, Russell H. Matthias and William H. Cooley.

Chester D. Tripp is President of Television Fund, Inc.; Russell H. Matthias is a Director of TV Fund and Secretary and Director of the management company, TV Shares; Paul A. Just is Executive Vice-President of TV Shares, and William H. Cooley is Treasurer and Director of TV Shares.

The Fiduciary Trust Co. of New York, established in 1930 and operating under New York state banking charter specializes in personal trust work and does no commercial banking.

Custodian of the Fund is the First National Bank of the City of New York.

Results of Wellington Fund Surveys

Accumulated savings were indicated as the major source of funds used to purchase open-end mutual fund shares in 1949, according to a spot survey of security dealers by Wellington Fund, Inc.

The dealers reported that upward of 70% of the funds used to purchase Wellington Fund shares by their clients last year were derived from liquid cash savings.

In the survey dealers from every section of the country were asked to determine the origin of the funds used by their clients to buy Wellington Fund shares in 1949, when sales of the Fund amounted to $36,000,000.

"While we made no attempt to obtain from the dealers information on other open-end mutual funds," Walter L. Morgan, President of the Fund explained, "we queried dealers with the thought in mind that their findings with respect to Wellington Fund would hold with little variation for the mutual fund industry as a whole."

The final tabulation showed that on the average 71.9% of the funds used to buy Wellington Fund shares last year came from savings; 20.8% from sale of other securities and 7.3% from money derived from the sale or redemption of government bonds.

Women Are Majority Shareholders

Wellington Fund also found women predominated among the 43,000 of its shareholders. Women according to a classification of stockholders in the Fund's annual report, constitute 43% of the individual shareholders; men, 38%; and the remaining 19% is made up of joint accounts.

On the basis of these percentages, Wellington Fund has approximately 18,500 individual women shareholders, and upward of 8,000 more who own their shares jointly with husbands, or a male relative. This makes a total of 26,500 women shareholders for a clear majority.

Institutional Shares Reports

Institutional Shares, Limited, in its letter to shareholders, said of its Insurance Group Shares that "Blue-chip insurance stocks are again demonstrating that, over long-term periods, they invariably prove to be about the soundest and most profitable of investments. For example, during the period from the lows of 1942 to the Summer of 1947, reasons occasioned by the war and its aftermath, insurance stocks lagged behind the market rise of high grade industrial stock by about 50%. During the last two and one-half years they have closed this market lag to about 17%. However, they show an appreciation in market value during the long-term period from the lows of 1932 until December, 1949, including the last seven and one-half year period, amounting to 531.2%, in comparison with an appreciation of 364.7% for high grade industrial stocks. Thus the gain in market value from insurance stocks for this long-term period of seventeen and one-half years has been greater than that of industrial stocks by 166.5%, or by a yearly average of 9.46%. (Based on Standard & Poor's and the Dow-Jones indices.)"

Eaton & Howard Assets Rise

Eaton & Howard Balanced Fund said its assets were at $50,624,338 on Dec. 31, 1949, an increase of $13,595,016 from the same date in 1948. Asset value was $27.14 a share contrasted with $23.65 at the end of the preceding year.

The Eaton & Howard Stock Fund had assets, Dec. 31, 1949, of $3,189,671, increasing by $1,146,929 in 12 months. Asset value was $18.22 a share, Dec. 31, 1949, compared with $15.34 at the end of 1948.

Commonwealth Investment Company Sets New Record

During 1949 Commonwealth experienced its greatest growth in its 17-year history, with the net assets of the company increasing during the year from $5,397,360 to $11,623,115. The number of shares outstanding increased from 1,017,422 to 2,032,583.

The Issue of Honest Money

By LELAND REX ROBINSON*

Vice-President, Economists' National Committee on Monetary Policy
Adjunct Professor of Political Economy, New York University

Dr. Robinson, in stressing importance of restoring nation to "honest money," contends it will be check on deficit spending and mounting debts. Contends, if all forms of money are made convertible into gold at defined coinage rate, public would be able to hold reins over governmental and private extravagance.

The question of honest money is not academic but one of deadly seriousness. It is brought home to us with telling force by two facts of gravest import centering in Washington and reinforced by the President's recent economic budget messages to Congress. These imply a point of view and a tolerance of fiscal abuses, by no means confined to one party, which may engulf our country in economic quicksands if an intelligent and aroused public opinion does not demand remedial action.

Leland Rex Robinson

The first of these facts is continued deficit financing by our Federal government, to the tune of ten billion or so this year and next. Here are some of the greatest gaps between income and outgo ever known outside years of active hostilities. They will mark the eighteenth and nineteenth such failures to balance the budget since 1930.

The second of these facts is closely tied with the first. It is the obsession that an allmighty, all-knowing, and highly centralized government should manage the affairs of the people by using money which ought to be the people's *stable* medium of exchange and dependable store of value, as an instrument of overall political and economic control imposed from above.

*Excerpts from an address by Dr. Robinson before Rotary International of Los Angeles, Los Angeles, Cal., Feb. 3, 1950.

There is the dangerous illusion among us that expanding commerce, agriculture and industry must be accompanied, if not actually financed, by mounting public debts. Thus the deplorable results of bumbling or outright dishonest fiscal policies are converted, by strange perversions of reasoning and experiences, into essential conditions of progress.

They are rather the portents of disaster. In a healthy human being, the blood stream, which may be compared to a nation's monetary and credit system, develops with the whole body, participating in and reflecting its growth. Financing the requirements of government by continued expansion of monetary and credit bases is a pollution of the economic bloodstream. It is like injecting air or water into the arteries.

Our money remained honest as long as it was redeemable into gold. Since 1933, when we went off the gold standard, and 1934 when the dollar was given its present reduced but non-convertible value of one-thirty-fifth of an ounce of gold, the drift away from its gold anchorage has permitted a frightening dilution of its purchasing power.

This comes about, Professor Robinson explained in a variety of ways, all of which increase the output of money, or of circulating media, without any corresponding step-up in the output of goods and services. The popular term for this is "inflation."

Thus a vast range of government subsidies and services is undertaken with inadequate or even pernicious economic results, like the fantastic proposals for payments and controls in the Brannan plan. These costly experiences, like the billions tied up in loans and purchases of the Commodity Credit Corporation, are to be paid for at the expense of hugh revenue gaps plugged by issusing government "IOU's" which are transmuted into currency through bank purchase or, worse yet, become a part of the nation's banking reserves.

So long as all forms of money were convertible into gold at the defined coinage rate, the public were able to hold the check reins over governmental and private extravagances when these resulted in inflated purchasing power which threatened the value of their money. A movement to convert into gold, with its intrinsic and universal worth, could sound a timely and automatic warning. Continuous pressure was exerted toward balancing of budgets, repayment of debts, and borrowing through sale of obligations to real investors, rather than through monetizing debt.

Without the gold standard these wholesome checks and balances are missing. Nothing operates automatically to keep fiscal policies within bounds of realism and of prudence. What the late Paul Warburg once referred to as "an acute infection of the body economic by the germ distrust" may run far in its disastrous course without appropriate danger signals supplied by the freedom, if we chose, to convert dollars into gold.

The disastrous consequences of thus playing fast and loose with the people's money may be partially put as follows:

(1) Governments may spend about as they like, while the voters are lulled into a false sense of security in the deluded belief that the demands of clamorous and politically powerful special interest groups will somehow add up to the public interest, that is, to the interest of all of us who are taxpayers and consumers!

(2) Government evidences of indebtedness are priced at artificially low interest rates and placed in ways that cheapen credit and make more difficult the application of flexible credit policies by Federal Reserve authorities in the interest of the entire economy.

(3) The great and growing majority of our people who have a stake in fixed incomes are mulcted. This applies to labor, now involved in farreaching pension demands which, if they are not to turn into cruel mockery, must rest on faith in the dollar. It applies to life insurance policy holders who must pay more in premiums because interest rates on their companies' earning assets are made arbitrarily low, and whose claims are paid in money of depreciated purchasing power.

(4) This use of less than honest money undermines business and therefore employment in insidious ways. It pads corporate earnings statements because inadequate allowances are made for depreciation and for inventory replacement costs. It reduces the margins of net earnings on gross, and raises business "break-even" points because of the rise and the greater rigidity of production costs. In fact, it puts many businesses in the same position as a cyclist whose center of equilibrium is being raised by expansion of his wheels and who must as a result pedal faster and still faster if he is to maintain his balance!

(5) Futhermore, failure to make dollars freely redeemable into gold at the statutory rate fixed in 1934, and recently strongly reaffirmed by President Truman, helps delay the coming of international monetary order. Only foreign governments and foreign central banks may demand gold for their dollars at the statutory rate of $35.000 a fine ounce. This drastic limitation in convertibility causes fluctuating premiums on gold in widely scattered so-called "free markets" and encourage hoarding of gold. It reduces the reliability of the dollar as the world's basic currency.

Ample gold reserves exist in our country concluded the speaker to permit establishment of a genuine gold standard now. If we delay, the ineptness of present policies and the ignorance or indifference of most of us may result in a new devaluation, with its violent repercussions throughout the world,—or in further impairment of our present gold ratio making convertibility impossible.

Placing the dollar on a firm gold basis ought not to add to the hoarding of gold. On the contrary, once good faith has been established between our government and holders of dollars, once really honest money has been restored to our people. once gold reserves have been used in test cases for the intended purpose of proving redeemability, a growth of public confidence, now, as in the past, will minimize hoarding in either metal or paper, and ease the flow of money into productive investments.

While return to the gold standard should discourage rather than encourage hoarding, it must not be relied upon as the singly efficacious means of restoring economic health and sanity. This would be a gross over-simplification of confused and confusing problems. What the restoration of honest money *will* do is to set the stage, provide the props and furnish the very pointed and timely cues for those many additional accompanying drastic and courageous measures needed to set our economic and fiscal affairs in order, and to give our people the greater sense of initiative and personal responsibility called for in these times of crisis.

Securities Salesman's Corner

By JOHN DUTTON

Earl M. Scanlan & Co., of Denver, Colorado, are starting a series of advertisements that they are running in their local papers. They will endeavor to drive home the idea that the small investor, or the large investor, can now make his investment decisions in the privacy of his own home. We reproduce the first ad in the series which they are now beginning.

The above ad is about four and a half inches double column. However, it still tells the story and, due to a sound layout and type selection, it does not look over-crowded. As for the copy we would be very pleased to know the results from this campaign. It is quite unlikely that at the beginning they would be too favorable. Although there is always the possibility that one, or a few good leads, might come in at any time.

In our humble opinion, the approach is sound. The idea of offering a service as a **Privilege** is certainly putting the shoe on the right foot. For too long it seems to me the investment dealers have been going around **Asking People If They Could Do Business With Them.** Securities dealers have offered **Free** reports, statistical check-ups, portfolio analysis, quotation service, making up income and state tax reports for clients, besides investment advice which took years of experience and study before a person could qualify as an advisor, and scores of other services outside of the pale of buying or selling securities. We've not only made these FREE offers, but in some instances I feel certain that we have increased our sales resistance by almost begging for orders. Now Scanlan & Co., comes along and says, "Yes, we'll be glad to see you, we'll even come to your home, at any hour of the day or Evening. We'll do it as a favor to you." It is a good idea . . . it may take some pounding to get it over, but if this approach were carried out all the way through our sales efforts (making securities service something special, something on a pedestal, instead of a constant chase between elusive investor and salesman) the results should be improved sales volume and, more important, better customer relations.

Getting back to the ads . . . I like the naming of school teachers, doctors, dentists, lawyers, business men and women, **These People Can Best Be Seen in the Evenings.** One very slight improvement (in our opinion) could be made in the copy. In the line "This service is for all investors, large or small, whether they have $10 or $10,000 to invest," why not omit reference to such a sum as $10? Nobody in their right mind would ever call any broker on the phone and ask him to send a representative if they desired to invest $10. An improvement could have been made by just mentioning "several hundred dollars or many thousands to invest."

This is the kind of advertising that we have always believed would pay dividends. But it must be consistent, it must continue to talk "home folks" but with restraint and sincerity. This ad is excellent—I hope that we will hear more from Earl M. Scanlan & Co. about this campaign as it develops.

SELECT YOUR SECURITIES

...in Your Own Home!

To help you in making the selection of your investment securities as easy and pleasant as possible, Earl M. Scanlan and Co. announces a new service—***investment selection at home.***

Many investors cannot take the time to visit our offices during business hours. They are busy with their own work—school teachers, doctors, dentists, lawyers, business men and women. Besides, downtown buying is becoming more and more difficult, what with parking and other problems.

But under this new idea of Scanlan's you don't worry about such things. Merely phone us to send one of our trained representatives to your home,

...at ANY HOUR of the day or evening.

He is a well-qualified man and has available any statistical information you may desire. **Make your selection at home.**

This service is for all investors, large or small, whether they have $10 or $10,000 to invest.

Will you write or call and have us show you how convenient and profitable it is to use this new

HOME INVESTMENT SERVICE

EARL M. SCANLAN & COMPANY

300 COLO. NATIONAL BANK BLDG. • DENVER • MAIN 3211

"No, No, No" Policy

"Nobody in this country wants to be mollycoddled; nobody wants the Government, or the National Association of Manufacturers, or the American Medical Association, to tell him how to run his life.

"But by their very independence, by their insistence on the rights of freeborn men and women, the people of this country insist on equal opportunity — opportunity for employment, opportunity for education, opportunity for health, opportunity to provide for old age or disability. This is the mainstream of American liberalism; it is part of the American tradition. . . .

Oscar R. Ewing

"During the past few months there seems to have developed an increasing intransigence among the Republican leaders, who are now bent on stubbornly and blindly resisting every forward-looking proposal for domestic progress. They say they want to end their 'me-too' policy; and they are replacing it with the 'no, no, no' policy.

"I am sorry to see them take this course. The country needs two strong parties and it is inconceivable to me that the opposition party can ever be strong if it consistently refuses to offer any kind of constructive program to the American people."
—Oscar R. Ewing, Federal Security Administrator.

For our part, a "no, no, no" policy to Mr. Ewing and all his ideas is the essential beginning of any really "constructive program."

The gentleman certainly has strange ideas of "the American tradition."

ITO and Point Four Guarantees Opposed

U. S. Inter-American Council charges Trade Charter undermines free enterprise, and that Point Four's proposed guarantee technique is impracticable.

Strong opposition to the International Trade Organization (ITO) Charter, and to U. S. Government Guarantees of Investments under Point Four, was made known this week by the United States Inter-American Council.

The United States Inter-American Council is this country's representative in the Inter-American Council of Commerce and Production, a hemispheric Chamber of Commerce which will hold its Fifth Plenary Meeting at Santos, Brazil, April 23, with attendance from all of the Americas. The position of the United States members will be put forth at that meeting.

The position of the U. S. Membership on ITO was expressed in effect that "there is inadequate recognition of free enterprise; the charter authorizes the organization to take action which could mean interference in domestic policies; the charter fails to place adequate curbs on the operation of certain international agreements; the general tone of the charter favors state socialism as against private enterprise."

Regarding guarantee of investments under Point Four, it was stated that "This program is basically unsound and objectionable; the capital exporting country makes improper use of its taxpayers' money to underwrite risks; it is not practical to insure against confiscation or expropriation commensurate with speculative exploration of mineral and/or timber reserves; the recipient country may attempt to protect itself against making payments, and while participation of local capital may lessen adverse possibilities of collaboration with imported capital, with government capital it could tend towards socialistic ventures, the recipient country knowing that foreign investors would fall back on guarantees; serious international complications may result if the capital exporting nation is forced to take over any of the assets of its nationals, forcing the government of the exporting nation to participate in ownership or operation in the territory of an independent nation, causing widespread repercussions on the credit, finances and politics of that country."

It was further stated that "the basic error is compounded if guarantees are limited to new investors, when old investors have operated under the risks involved without government assistance. Finally, the old investors, as taxpayers, would be helping to pay the cost of guarantees of new investments, possibly even to competitors. Guarantees should be given by the recipient country instead of the capital exporting countries."

Oppenheimer & Co. To Be Formed in N. Y.

On February 17th the New York Stock Exchange firm of Oppenheimer & Co. will be formed with offices at 25 Broad Street, New York City. Partners will be Max E. Oppenheimer, Adrian Ralph Kristeller, member of the Exchange, Albert Deuble, and Hugo Heksch, general partners; and Beatrice Winston, limited partner. Mr. Kristeller has recently been active as an individual floor broker. Prior thereto he was a partner in J. B. Hanauer & Co.

Storb-Irvine Co.

Storb-Irvine & Co., Inc., is being formed with offices at 527 Fifth Avenue, New York City, to engage in the securities business. Officers are Raymond C. Storb, Rutledge Irvine and Donald E. Wilcox.

C. J. Devine Reviews 1949 Treasury Market

The year 1949 witnessed the Treasury's return to deficit financing for the first time in four years with the largest annual total of Treasury bond refundings since the war, C. J. Devine & Co. observes in the 1950 edition of its review of U. S. Government financing operations.

A major highlight of the government bond market during the past year and one which may possibly signalize the end of the Treasury's policy of extremely short-term refunding, the booklet points out, was the offering last December of an issue which had the longest maturity of any offering of public marketable Treasury securities since the close of 1945. The low coupons of the issues offered in refunding operations during 1949 emphasized the endeavor on the part of fiscal authorities to keep the cost of Treasury borrowing at a minimum.

Statistics on ownership of marketable U. S. Government securities show that such holdings by commercial banks on Sept. 30, 1949, increased approximately $4.2 billions over the previous year while decreases were noted for life insurance companies and Federal Reserve banks.

The booklet includes a graph of market prices of representative U. S. Government issues covering the last 10 years and a discussion of occurrences which influenced market prices during this period. Other sections contain a chronology of important financial and economic events which took place during 1949; details of public offerings of marketable U. S. Treasury issues from January, 1947 to February of 1950, and tabulations of receipts and expenditures of the Treasury by fiscal years, with actual records covering 1939-1949 and budget estimated for 1950-1951.

Marriage and Divorce To Be Discussed

Economic elements included in New School meeting

The New School for Social Research announces a dinner forum on "Marriage and Divorce" sponsored by the New School Associates, at the New School, 66 West Twelfth Street, on Thursday, February 9, 6:30 p.m.

Speakers at the forum are the Honorable Hubert T. Delany, Justice of the Domestic Relations Court, New York City; Dr. O. Spurgeon English, professor of psychiatry, Temple University Medical Shcool and author "Psychiatry's Contribution to Family Life"; Honorable Henry Clay Greenberg, Justice, Supreme Court New York State; Dr. Margaret Mead, anthropologist and associate curator of ethnology, American Museum of Natural History; the Rev. John C. Murray, S. J., professor of theology at Woodstock College; Dr. George Shuster, president of Hunter College; Richard H. Wels, member special committee of the New York City Bar Association on The Improvement of the Divorce Laws and author, "New York—Poor Man's Reno." A. Wilfred May, economist and writer, who is chairman of the forum committee, will be moderator.

Corn Exchange Promotes

The Corn Exchange Bank Trust Co. announces the promotion of George W. Bunce, C. Bernard Lindstrom, York Kildea, John A. Murphy and Richard L. Salzer to Assistant Vice-Presidents.

Schafer, Miller to Admit Harry J. Long

Harry J. Long will become a partner in Schafer, Miller & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on February 16th. Mr. Long is manager of the firms investment department.

Bankers Securities Corp.

PHILADELPHIA, PA.—Albert M. Greenfield, Chairman of the Board of Bankers Securities Corp., 1315 Walnut Street, announced that at a stockholders meeting, David Bortin, was elected to the Board of Directors.

All other Directors were re-elected.

A Proposed Reduced Federal Budget

By HON. HARRY F. BYRD*

U. S. Senator from Virginia

Scoring President Truman's 1950 budget along with his recent tax proposals, prominent economy advocate and member of Senate Finance Committee, outlines a revised budget reducing Federal expenditures from $43 to $36 billion, and thus wiping out estimated deficit. Points out excessive government spending and deficit financing is leading to socialism and insolvency, and stresses balancing of Federal budget as first and vital requirement for preservation of our own security and security of democracy throughout world.

Shock and Alarm

If this nation is not shocked by the President's recommendations to the current session of Congress it is because we are stupefied by over-indulgence in debt and deficit spending.

Harry F. Byrd

Our government has been in the red 18 of the last 20 years. By inadvertence — not by retrenchment — we had surpluses in fiscal years 1947 and 1948. This resulted from under-estimating revenue. We then started deficit spending again in fiscal year 1949.

Against this background, it is alarming enough that the President would launch us into a third deficit decade by his admitted incapacity—for the third consecutive postwar year — to hold expenditures to the level of revenue. The President three times in the past 23 days, has deliberately recommended that Congress refrain from balancing his budget for the coming year!

The ominous part of this postwar deficit spending is that we are unable to balance the budget in time of peace and greatest prosperity. If we can not balance the budget now, I ask you, when can we?

Adversity and Prosperity

There are a few businessmen—or heads of families—who have not experienced the necessity of borrowing in times of adversity, but there are no successful men of integrity who have not hastened in periods of prosperity to liquidate their lean year debts.

From their own experience, there may be many men who could sympathize with some of the deficit financing in periods of depression and war, and even in periods of prewar emergencies and postwar foreign aid. But, none of these emergencies confront us now. The President himself recommends reductions in war-related expenditures for foreign recovery and veterans. And he says we are in a position where we can look forward to early reduction in defense costs. No recession in business is on the present horizon. National income is at or near its all-time peak, and so is employment, with the exception of those who choose the idleness of strikes precipitated by the distorted ego of a labor czar.

The country is admittedly prosperous, but the prosperity is suspended dangerously from the unpredictable economics of a Federal debt already more than a quarter of a trillion dollars. The sound course is obvious to every prudent person. Yet, the President proposes that we pile up more debt with the continuation of deficit spending at the rate of nearly a half billion dollars a month.

Solvency at Stake

The influence of the President of the United States and the prestige of his office must not be under-estimated in consideration of the fact that the sound fiscal course under existing conditions is not obvious to him at a time when the solvency of the nation may be at stake.

The President brought in an expenditure budget and urged Congress not to cut it to meet revenue. Then, this week, he brought in his tax proposals which admittedly were not even designed to meet expenditures.

If we follow this advice we would nullify one of the fundamental tenets which have safeguarded this government from its beginning. In their infinite wisdom, the founding fathers tied all the fiscal procedure of our government to what they believed was a fool-proof system of checks and balances. They believed excessive spending would be checked by excessive taxation; that the hardships of taxation would act as an irritant to compel the Congress to spend less and thereby keep the budget in balance on a basis of taxation within the ability of the people to pay.

This official embrace of chronic deficit financing written into Presidential messages in time of peace and prosperity poses the question: How long can we continue to add to our debt and remain solvent?

Violence by Spenders

One principal reason this nation is greater than others in all respects, including living standards, individual security, civil rights, and personal privileges, is the productive capacity of our private enterprise system, operating under a democratic form of government. Neither can exist in insolvency. Solvency requires balanced budgets.

You may be sure that under a balanced budget, within our ability to finance it, the havoc irresponsible spenders could wreak upon our system and form of government would be limited to misdemeanors. But an unjustifiable policy of indefinite deficit spending such as the President proposes would invite violence by the spenders to our system, our form of government, and our way of life.

Thus nothing at this time is more important to democracy and freedom in the world, than for Congress to balance the federal budget for the year beginning July 1, and then while keeping it in balance start gradual reduction of the public debt.

A balance can and must be achieved by reduction in expenditures. It cannot wait until deficit financing inflates income up to 300 billion dollars to make the revenue available, as the President suggests. Insolvency would inflate money far more than that, and sooner. Let us remember, too, the new inflation will be reflected in all government purchases.

Taxes

If the President thought the nation could take the taxes to pay for his expenditure proposals, he would have asked for them. He did last year. When he forecast a deficit of only $800 million he asked for $4 billion in new taxes, and a recession in business followed. It lasted until he withdrew the proposal.

In the present volatile state of our economy new taxes could easily accelerate a minor business decline into a major business recession. Federal revenue from taxes on corporation income now totals more than $11 billion. If we attempted to cover the President's expenditure requests with additional taxes on corporation income it would require an increase of 50% on this source. And if the deficit were erased by increased taxes on individuals, it would mean an average increase of nearly 30%.

This would be in addition to a 24% increase in postage rates and a 43% increase in payroll taxes which the President already had proposed.

It is certain that indisputable calculations by the staff of the National Industrial Conference Board would confirm my estimate that such an increase in individual, corporate and payroll taxes would raise the total tax take — Federal, state and local — dangerously close to the confiscatory level.

Even the existing tax rates are drying up the nation's venture capital, which is the life blood of the expansion of production required to produce more of what people need at prices they can pay.

Expenditures

Thus, it is clearly seen that reduction in Federal expenditures to balance with revenue is the only sound course open to us. To say that this can not be done is not fatalistic. It is inaccurate. It can be done if there is the will to do it. It can be done if the President and the Congress believe that a solvent government should be preserved. As proof I submit that in the 18 months of peace and prosperity since the end of fiscal year 1948 we will increase Federal expenditures by $9 billion if we enact the Persident's recommendations.

I have proposed an overall expenditure budget totaling $36 billion. This is four times as much as we expended the year before the war and nine times as much as we spent when I came to the Senate in 1933.

I give below the Byrd budget as contrasted to the Truman budget.

It is in the domestic civilian programs detailed in the table that the spenders are having their field day. And, it is in these programs that we are chasing a mirage of easy money in the form of deficit dollars flowing through expanding Federal programs which are undermining the will of individuals, regimenting the production of agriculture and labor, controlling the practices of business, curtailing the sovereinty of states and reducing the self-determination privileges traditional in our local government.

Make no mistake. It is socialism which lies at the end of this rainbow and the predominating color in the spectrum before us is the red of 19 Federal deficits in 21 years, including the one now proposed by the President in this time of peace and highest prosperity.

When debt destroys confidence, insolvency sets in. Our private enterprise system cannot survive in an insolvent nation. The private enterprise system is fundamental to our form of government, and without it democracy, as we know it, cannot exist. The alternative is socialism.

The Foundation

The foundation for socialism in this country has been well laid by legislation enacted over the past 20 years usually in the name of temporary expedients to meet emergencies. But almost invariably it has been this type of legislation which opened the gate leading to the socialistic destination now looming ahead. A few of these government programs—not many—have been repealed but their objectives almost without exception have been picked up and reincarnated in the legislation for the next emergency.

As We Stand

As we stand today there are 100 different programs spreading out from among 60 principal federal departments and agencies (with a thousand units), and the President has just announced that *payments to the public* through these programs this year will total $46½ billion. (correct)

These payments are being made in federal aids, grants, subsidies, payrolls, pensions, and virtually every other form of government advance, contribution and expenditure.

Too many of us regard this deluge as easy money overlooking the facts that a great part of it is in deficit dollars from borrowed billions, and that binding strings are attached.

It is through these give-away programs that federal plans, administration, control and regimentation are extended over individuals, their private lives, their agriculture, their labor, their business, their state and local governments, and their general welfare.

The extent to which we have gorged ourselves is indicated by the fact that 17 million individuals are now receiving regular direct payments from the Federal Government and government payments to business are equal to more than half of corporate profits after taxes are paid. The number of people receiving regular payments increases to 25 million

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$36 BILLION BUDGET FOR PROGRESS

A $36 billion budget for progress, in tabular form with comparisons

(In Billions of Dollars)

Expenditure Categories—	Fiscal Year—†1948 (Actual)	‡1950 (Estim.) 1-9-50 Revision	§1951 Byrd $36 Billion Budget	§1951 Pres.'s Jan. 9 Proposal
I Domestic-Civilian (exclusive of veterans and interest)	$6.9	$11.4	$8.9	$12.2
Social welfare, health and secur.	1.9	2.3	1.9	2.7
Housing & community facilities (incl. RFC secondary mtges.)	0.1	1.0	1.0	1.3
Education and general research	0.1	0.1	0.1	0.4
Agriculture & agricultural resources (including CCC)	0.6	2.7	2.2	2.2
Natural resources	1.1	1.8	1.2	2.2
Transportation and communication (including postal deficit)	1.3	1.9	1.2	1.7
Finance, commerce & industry	0.1	0.2	0.1	0.2
Labor	0.2	0.2	0.2	0.2
General government	1.5	1.2	1.0	1.3
II National Defense	11.0	13.1	11.3	13.5
Military Establishment	10.6	12.3	10.3	12.5
Activities supporting defense (including stockpiling)	0.4	0.8	1.0	1.0
III Veterans	6.6	6.9	5.3	6.1
IV Foreign	4.8	6.0	4.8	4.7
V Interest on the Federal debt	5.2	5.7	5.7	5.6
*Grand total Expend. Budget	$34.2	$43.3	$33.0	$42.4
Revenue	¶42.2	**37.5	**37.5	**37.5
Deficit or surplus	¶+8.0	††—5.5	**+2.0	††—5.1

*Detailed figures may not add precisely to totals due to rounding and omission of reserves. †Ended June 30, 1948. ‡Will end June 30, 1950. §Begins July 1, 1950. ¶Actual. **Maximum. ††Minimum.

*An address by Senator Byrd before the 310th Regular Meeting of the National Conference Board, New York City, Jan 26, 1950.

Public Utility Securities

By OWEN ELY

Southwestern Public Service

Southwestern Public Service Company's electric system extends from the southern boundary of Kansas south and west to the Pecos Valley in New Mexico, and includes the regions known as the Oklahoma Panhandle, the Texas Panhandle, the South Plains area in Texas and the Pecos Valley, New Mexico—a section as large as the combined states of Pennsylvania and Rhode Island. The primary portion of the system extends about 300 miles north and south, and about 120 miles east and west, and is connected with the Pecos Valley properties by a 115,000-volt transmission line.

Population of the area served is estimated at approximately 600,000, with 36 principal communities. Larger communities served Amarillo, Lubbock, Pampa and Borger, Texas and Roswell and Clovis, New Mexico. The electric properties comprise a fully interconnected system except for Santa Rosa, New Mexico. The primary system extends about 300 miles north and south, and 120 miles east and west.

About 92% of operating revenues were derived from electricity in the 1949 fiscal year. The company also produces, purchases and sells natural gas and provides water service, these accounting for approximately 5% and 3% of revenues respectively.

Principal activities in the territory served are farming and the processing of agricultural products, the production, transport and processing of oil and natural gas, and cattle and sheep raising. In addition, there are many diversified industries and commercial enterprises, including the mining and refining of potash and the refining of zinc. In the fiscal year ended Aug. 31, 1949 about 21% of revenues were derived from sales of electricity to the 25 largest customers, Phillips Petroleum being the largest and accounting for about 7% of revenues.

Electric energy for the integrated system is generated by 10 principal power plants, efficiently located at intervals averaging about 100 miles. Natural gas is used for fuel in the principal generating plants, most of the gas being purchased from non-affiliated interests under contracts with an average of about four years to run. The average gas price to the company for the 12 months ended Oct. 31 was 6.2c per Mcf.

The company has enjoyed what was perhaps the most rapid growth of any important utility company in the postwar period. Following is the record:

	12 Months Ended 8/31/44	12 Months Ended 10/31/49	Percent Increase
Output (million kwh)	551	1,031	87%
Electric Revenues (000)	$7,494	$15,436	106
Electric Customers	68,084	116,571	72

The company has grown so rapidly that a substantial part of the plant is only a few years old. Thus nearly half of the capacity (110,000 out of 245,000 kw) was installed during 1946-49. Of the transmission lines nearly 1,000 out of 2,717 miles have been constructed or rebuilt since 1942 (principally high voltage lines). The company is continuing its expansion program, since thus far there is no sign of a let-up in the growth of demand. Following is the schedule of estimated completion dates for generating plants:

July	1950	18,750 kw
October	1950	18,750
March	1951	37,500
February	1952	50,000
Total		125,000 kw

This generating capacity when completed will represent an increase of 50% over the current capacity.

This rapid growth has necessitated frequent financing, but the company has maintained a balanced capital structure. Including current bond and stock financing, the capital structure is now about as follows:

	Millions	Percentage
Debt	$58.8	64%
Preferred Stock	9.5	10
Common Stock	24.2	26
	$92.5	100%

The company has offered new-money common stock on a subscription basis early in each of the past four years, including 1950. The subscription price is usually sufficiently below the market price to give the rights real value. Over-subscriptions are also permitting (Southwestern having pioneered in the use of this technique) and the offering in each case has been underwritten by a syndicate headed by Dillon, Read & Co., historical bankers for the company. The offering of a year ago was 210% subscribed—possibly a record—with 93% taken under pre-emptive rights. This year stockholders subscribed for 95% under the pre-emptive rights, and the over-subscriptions had to be allocated on the basis of 1-for-13, making the total subscription 158%. This method of equity financing, which gives stockholders a better "break" than in cases where the rights have little or no value, should build up considerable good-will for the company in its stockholder relations.

In the State of Texas, where Southwestern's principal properties are located, there is no state commission to regulate utility rates, which remain under the judisdiction of the municipalities. A state law indicates that earnings up to 8% on the rate base may be considered reasonable. In the 12 months ended Oct. 31, 1949 net operating income reflected a return on the present estimated rate base (net plant excluding intangibles, plus construction work in progress and estimated working capital) of only about 5.5%. Despite the steady increase in share profits on the common stock in recent years, therefore, earnings still seem quite reasonable in relation to investment.

The stock is currently around 33½, paying $2.20 to yield 6.6%. Earnings of about $2.80 on the increased number of shares have been forecast for the fiscal year ending Aug. 31,1950.

Dual Price on British Coal

By PAUL EINZIG

Commenting on American objections to British practices of discrimination, Dr. Einzig points out that these actions arise from necessity of protecting Britain's gold and dollar reserve, and are not fundamental disagreements on multilateralism. Cites dual pricing of British coal as induced by need to hold down domestic industrial costs, while increasing sterling exchange required for imports from abroad.

LONDON, ENG.—From time to time the harmonious economic relations between the United States and Britain become disturbed by some highly controversial issue. At the time of writing there are several such issues under lively discussion. There is the question of the British effort to cut down the purchase of dollar oil. There is the British desire to limit the multilateral character of the proposed intra-European payments clearing. There is the British opposition to a too drastic removal of quotas on intra-European trade. And, above all, there is the British practice of charging higher prices for coal for export than for the domestic market.

Dr. Paul Einzig

In all these and other instances the British attitude is not due to any fundamental disagreement with the American conception, but to the immediate situation which calls for a departure from that conception, for the time being. Britain would like to be in a position to buy oil wherever it is cheapest, but she has to cut down somewhere her dollar expenditure before her gold reserve is exhausted. She would like to return to full multilateralism, not only in Western Europe but all over the world; at present, however, it would mean loss of gold to Belgium, Switzerland and a few other countries, and she can ill afford to spare the gold. Fundamentally Britain is not in favor of quantitative discrimination, but is afraid of the effect of their too sudden removal on her balance of payments.

As for the dual price of British coal, its removal at the present stage would be most awkward both politically and economically. There can be no doubt that, should the difference between domestic and export price of coal be eliminated now it would affect the government's chances at the coming general election. If the difference is eliminated through an increase of the domestic price the result would be an outcry against dear coal and against the all-round increase of the cost of living through higher cost of industrial production and of transport. Should the situation be dealt with through a reduction of the export price it would mean that the National Coal Board could no longer claim to be working on a profitable basis, which again would weaken the government's case for nationalization.

The Washington correspondent of the London "Times" actually alleged in a recent message that the reason why American opinion is in favor of doing away with the dual price of British coal is that as a result the nationalized British coal industry would cease to be able to show a profit. Even those quarters in Britain which are often inclined to criticize American economic policies and the efforts to thrust such policies upon Britain feel that this attack on the American attitude is grossly unfair. For one thing, it is by no means certain that the removal of the dual price of coal would deprive the National Coal Board of its profit. If the gap between the domestic and export prices is bridged to some extent through an increase of the domestic price then there the Coal Board would continue to work at a profit. In any case it is possible to make out a very good case for the removal of the dual system without falling back on political motives. Surely, nobody can claim the continued existence of such an abnormal discrepancy as a healthy state of affairs. It is possible to argue that the domestic price is kept artificially low because foreign buyers pay for the disguised subsidy to British domestic consumers and industries. Indeed, since an increase in the export price of coal is usually followed by an increase in the price of goods exported to Britain by countries importing British coal, it is arguable that the high export price is really paid ultimately by the British taxpayer in the form of food subsidies or by the British consumer in the form of higher food prices.

On the other hand, those who criticize the British Government's policy should bear in mind that the price of British imports has risen much more since 1938 than the price of British exports, even allowing for the higher export price of British coal. It is possible to argue, therefore, that the rise in the export price of British coal is the consequence and not the cause of the rise in the price of British imports of food from countries importing British coal. Beyond doubt, coal is one of Britain's staple exports. Unless it can be sold abroad at reasonably high prices there is very little hope for the balancing of Britain's international accounts. It is true, the normal procedure would be to raise the domestic price of coal to the level of the export price—which latter, incidentally, varies from country to country—so as to be able to export profitably without maintaining the unnatural system of dual prices. But the result of such a policy would be a very sharp all-round increase of British costs, which again would deprive Britain of a large part of the benefits derived from the devaluation of the pound. So evidently the choice is between evils.

It seems, therefore, that even after the general election it will not be easy for a Socialist Government—or, for that matter, for a Conservative Government, if such should be returned — to comply with the American demand of doing away with the dual price system. Britain is working at present with such a narrow safety margin that she can ill afford to discard a system which appears to facilitate her difficult task to some extent, even though that system is thoroughly unsound from a theoretical point of view. In order to induce a British Government to drop the dual price system it would be necessary to produce arguments showing that the loss suffered in one direction would be offset by at least corresponding immediate gains. And it would be very difficult to argue that convincingly. Otherwise the argument in support of the American demand boils down to urging Britain to relinquish a much-needed immediate advantage for the sake of the vague hope that if only normal methods are restored all will be well in the long run. Unfortunately Britain is not in a position to sacrifice much at present for the sake of ultimate gains in the distant future.

Robert Mason Joins Merrill Lynch in Chi.

CHICAGO, ILL. — Robert Mason, a 30-year veteran of La Salle and Wall Streets, and a well-known Chicagoan, has become associated with the underwriting division of Merrill, Lynch, Pierce, Fenner & Beane in the Chicago office, Board of Trade Building.

Robert Mason

Mr. Mason was recently Vice-President of Central Republic Co. in charge of their New York office. He is well known in investment banking circles, having been Chairman of the Public Service Securities Committee of the Investment Bankers Association for two terms and former member of the Executive Committee of the Central State Group of IBA.

Curb 5 & 20 Club Elects New Officers

James J. Hopkins, a regular member of the New York Curb Exchange for over 27 years, has been elected President of the Curb Exchange members' Five and Twenty Club, it was announced. Vice-President of the group last year, Mr. Hopkins, succeeds Edward A. O'Brien, becoming Third Vice-President of the club, which was formed in 1947.

Walter E. Kimm of Kimm & Co., last year's Treasurer, has been elected Vice-President, succeeding Mr. Hopkins, while Lawrence M. Stern is the new Treasurer. Jacob Feinstein succeeds Mr. Stern as Secretary for the coming year.

Ten members of the Exchange, who will complete 25 years as curb members during 1950 have been inducted into the club, bringing to 162 the full membership. The new members include Edward J. Bowler, Thomas F. Cahill, Ezra R. Frost, Lewis S. Kerr, Jr., Bertram R. Lowenfels, Richard K. Kaufmann Alsberg & Co., Schuyler Pardee, Vanderhoef & Robinson, Robert J. Smith, Raymond A. Bau, Charles M. Finn, Adriance & Finn, and Carry Onderdonk, L. A. Mathey & Co.

Mr. Hopkins, who was elected to membership on the Curb Exchange in May, 1922, less than a year after the Exchange had moved indoors, served on the Board of Governors of the Curb from 1937 through 1939. He was a partner of Kohn & Co. from 1925 until the firm's dissolution in 1932.

E. G. Phillips With Carl M. Loeb, Rhoades

Carl M. Loeb, Rhoades & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announce that E. Gordon Phillips is now associated with the firm, and will be in charge of its preferred stock trading department. Mr. Phillips was previously with Shields & Co.

P. G. Evans Resigns From Tax Council to Resume Law Practice

Peter Guy Evans, an original Member of the Excess Profits Tax Council, Bureau of Internal Revenue, has resigned to return to the private practice of law. Mr. Evans, a member of the New York and Federal Bars and Certified Public Accountant of New York and New Jersey, will establish his office at 46 Cedar Street, New York City, where he will specialize in Federal and State Tax Matters.

Peter Guy Evans

As one of the original fifteen members comprising the Council in July, 1946, when it commenced operations, Evans served on a number of important committees, including the "Bulletin Committee," which formulated and established the early rules and principles governing the Council's methods and procedures. The Council was set up for the purpose of administering corporation excess profits tax refund claims filed under the Relief Section 722 of the Internal Revenue Code.

During his tenure with the Council, Evans made many addresses on Council procedures, its policies, and its progress.

Prior to his appointment to the Council, Evans practiced law in New York City and lectured on taxes at Columbia, Rutgers and New York Universities. As a speaker, he brought his tax sentiments and understanding to lawyers, accountants and businessmen. He co-authored the Evans and Halperin best-selling Tax Guide "For Personal Income Tax." His published articles, which total over a hundred, appeared in leading periodicals and magazines.

As a member of numerous legal, accounting and professional organizations, Evans has served on many of the important tax and other committees.

FHLB Notes on Market

A new issue of $97,000,000 Federal Home Loan Banks noncallable 1⅜% consolidated notes, series A-1951, was offered on Jan. 31, through Everett Smith, fiscal agent. The notes, dated Feb. 15, 1950, maturing Feb. 15, 1951, are priced at par. A countrywide selling group of securities dealers participated in the offering.

The entire proceeds from the offering together with $12,500,000 from cash resources of the Bank, will be used to refund the $88,500,000 Series B-1950, 1¼% consolidated notes and $21,000,000 Series D-1950, 1¼% consolidated notes, each maturing on Feb. 15, 1950.

Upon completion of this financing and the retirement to be effected on Feb. 15, next, the Federal Home Loan Banks will have outstanding on that date consolidated obligations in the amount of $172,000,000. This compares with outstanding obligations of $416,500,000 on Dec. 31, 1948, a reduction of $244,500,000 during the 13-month period.

Two With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Harry E. Guth, Jr. and Norbert E. Holtzmann are with Barrett Herrick & Co., Inc., 418 Locust Street.

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Government Lending

drawn is whether the RFC should attempt to pump equity capital into small or dying businesses in normal times, or whether it should make its loans only when there is a national emergency of depression or war.

All of us have from time to time been impressed with the anomalous position of business when it demands that the government ought to get out of business, and at the same time asks government aid through loans, grants, and subsidies. One of the greatest obstacles that has confronted banking in seeking to limit the lending power and authority of government credit agencies is the fact that many borrowers — and even some bankers — have been educated to look to government guaranty to satisfy the credit insistence of a submarginal borrower, to reduce losses on loans, and to increase bank earnings. But what justification can there be for reliance on government guaranty as a standard, permament lending practice?

As bankers, we are supposed to take credit risks—risks which in our judgment stand or fall on their own merits. We, as well as some of our borrowers, are too often tempted to regard government guaranty as a crutch to support uneconomic loans that cannot stand on their own feet. The borrower, the banker, and the economy would be better off without these loans. They are in effect subsidized risks, which too often become socialized losses.

Too few people realize that there is risk in any economy. There must inevitably be social losses as well as social gains. The welfare state can easily become the woeful state. If bad loans are to be paid off by the taxpayers, then it seems to me preferable that the loans ought to be made directly by the government to borrowers in the first place — if they are made at all—and not by private lenders with government guaranty. The fact that a guaranteed loan may eventually turn out to be a good loan does not offset the fact that there are losses to the public on the bad loans. It is only common sense, of course, to say that government loans to private enterprise ought not to be made at all—either directly by government, or by private lenders with the artifice of government guaranty. Both types of loans are socialized credit.

The real issue involved in government guaranty is not whether a borrower gets his loan, or whether a bank's earnings are modestly aided by that loan. The real issue goes far deeper. By accepting government guaranty, we as bankers divest ourselves of the risk-taking—our fundamental function in an enterprise economy. At the same time, by accepting government guaranty, we endorse government participation in business. If society, through the lending agencies of government, assumes the credit risks of business, then business and banking have taken a long step down the road to socialism. At the end of that road lies nationalization. We can arrive there by default as well as by intent. If government takes the risks of enterprise, then who can argue that it should not have a seat on the board of directors?

It is not a question of to what degree we accept government guaranty of loans. If we accept 50% guaranty, then why not 90%, or even 100%? If it is 100%, what justification is there at all for the continuance of chartered banking? Banking, not government, is intended to be the risk-taking agency for business and industrial credit. We cannot really dilute the risk by sharing it with government. Either we accept it or we reject it, and the issue is one which must be faced squarely.

Earlier this month, the RFC published its annual report. The report shows that during the past fiscal year, the RFC increased its direct and guaranteed loans to business and industry, and its mortgage paper, by almost half a billion dollars. The interesting fact is that more than $400,000,000 of this increase resulted from the acts of private lenders in divesting themselves of the risk on loans that they had undertaken. To me, this escape from risk means that these lenders are not facing the facts squarely—not even enough to realize that they are taking on a greater risk, by unloading the credit risks that they are supposed to carry. They are risking their own future as lenders.

So today—at the start of a new decade and a new half century—we are faced with a decision. The 1930's were a decade of depression. The 40's were a decade of discontent. The 1950's are a decade of decision. In less than twenty years, we have seen government lending and government-guaranteed loans to business, industry, home owners, and farmers grow from a few hundred million dollars to well over $20 billion. They have grown through depression and war, in good times and bad, in peace and prosperity.

In this year of 1950, we shall probably see government credit agencies go before the Congress to ask for additional loan and loan guaranty authorizations of at least $6 billion. We are not in a depression. We are not at war. We have no national emergency. What justification is there for this further sapping of the vitality of private credit? To what extent is it due to the willingness of private lenders to accept government guaranty, to cast aside the risk-taking function which sustains them, and, by default, go down the road toward nationalized credit? There are turning points on that road, but the turn cannot be made without a decision to make it.

If a loan cannot be made by a bank to a borrower without the guaranty of government, then the loan is not worth the risk to any one, including the taxpayers. That is the decision each of us faces at his desk back home day in and day out. How shall we make that decision—as risk-taking bankers, or as purveyors of government credit?

Practitioners of American medicine know that health cannot be nationalized. Either it is present or it is absent. If it is absent, it may be restored, but not by the unctions of benevolent government. So the doctors are fighting a trend which they know to be a threat to the integrity of the art and science they practice.

The farmers know that they can never evade the risks of soil, weather, and the market. Some of these risks may be diluted by government guaranty, but the National Grange opposes the guaranties of the Brannan Plan because it knows the price agricultural enterprise would pay to bureaucracy in exchange for those guaranties.

We in banking cannot evade risk. We can try to dilute it by accepting government guaranty, but we take on the greater risk of eventually being displaced from the nation's economic life and replaced by the very guaranties of government we accept. We must make our decision. Banking is decision. Successful banking consists of making the right decisions. We must make the right one, and make it now.

Railroad Securities

Last week's meetings of railroad directors were, to say the least, disappointing. There had been many rumors that Atchison, Topeka & Santa Fe common would be split. This has been one of the favorites for quite a long time. As it is recurring, it rarely has any particular influence marketwise. A split of the stock appears logical both on the basis of the high earning power of the company and on the theory that marketability would be improved materially. This, in turn, would naturally redound to the benefit of the stockholders. Eventually the split will presumably come. The timing is relatively unimportant. Failure of the directors to act last week was, therefore, of little moment. The other two meetings, however, did cause some concern.

The first, and actually the most disconcerting, was the action of Southern Railway in cutting the annual rate from $4.00 to $3.00 on the common. The $4.00 rate had been instituted as recently as the last quarter of 1948. The management gave a number of reasons for the reduction. Nearby maturities were mentioned, as were increased wage rates, claims against the railroad industry by the government (presumably the reparations cases), and the continuing adverse effects of the coal strike.

The maturities and the government claims were certainly just as pressing when the dividend was raised from $3.00 to $4.00 as they are today. In fact, the maturities appear as less of a problem now than they have been for many years due to the general improvement in the railroad bond market, epitomized by the recent Rock Island refunding operation. Wage rates are no more onerous than they have been for many months past. Actually, most railroads have discovered that the 40-hour week for nonoperating employees instituted on Sept. 1, 1949 is costing very much less than had originally been estimated. This leaves the continuing labor strife in the coal fields as the only really new factor.

Last year's figures are not available but it appears likely that bituminous coal accounted for less than the 12.7% of freight revenues it supplied in 1948. So far this year coal loadings of the system have run some 17.5% below the 1949 level. With this background, and considering that the company was able to earn close to $7.00 a share last year, the decision to reduce the dividend rate came as rather a shock. Railroad management regularly decries the inability of the industry to finance capital improvements (excluding equipment purchases), particularly through sale of equities. Erratic dividends are hardly calculated to improve this situation.

The other meeting that had attracted considerable interest was that of the directors of St. Louis-San Francisco. At their January meeting in 1948 directors had declared a dividend of $1.00 a share on the common, the first since the company had emerged from reorganization. This year the meeting was postponed until Feb. 2. At that time the preferred dividend for the full year was declared but no action was taken on any common stock distribution. Possibility of a payment was not precluded—it was merely announced that action had been deferred. There appears to be a good possibility that within a fairly short time a dividend (either $0.50 or $1.00) will be declared.

It seems hardly likely that any further dividend surprises are in store for railroad stockholders over the visible future. Probably the most important meeting this month is that of the directors of Chesapeake & Ohio. The last time dividends were considered (at the November meeting) it was decided that payment dates would be changed and that the next action would be taken at the February meeting. The announced objective was to schedule payments so that they would all come within the calendar year in which earned.

Prior to this announced change in schedule the company had been paying at the rate of $0.75 quarterly. Last year earnings amounted to only $1.64 before adjustments, and $1.36 a share after adjustments. There is little question in the minds of railroad analysts but that the company will reduce dividends below the earlier $3.00 annual rate. At best it is hoped that a $2.00 rate will be established. It would not come as much of a surprise if action was deferred entirely due to the chaotic labor conditions in the bituminous coal industry. The meeting is apparently scheduled for Feb. 24.

$30,000,000 Central Bank for Cooperatives Debentures Offered

Macdonald G. Newcomb, fiscal agent, on Jan. 10 publicly offered an issue of $30,000,000 1⅝% collateral trust debentures, dated Feb. 1, 1950, and due Feb. 1, 1953, of Central Bank for Cooperatives, a government agency operating under the supervision of the Farm Credit Administration, which is under the general direction and supervision of the Secretary of Agriculture. The net proceeds will be used by the Bank in financing its lending operations. The debentures were priced at 100 and accrued interest. They are not redeemable before maturity and are not guaranteed by the government.

The function of the Bank is to make and service loans to eligible cooperative associations, owned and controlled by farmers, engaging in marketing agricultural products, purchasing farm supplies, or furnishing farm business services, and to make loans to the district banks for cooperatives.

Freehling, Meyerhoff & Company Partner

I. Herbert Schaumber will acquire the New York Stock Exchange membership of Reginald B. Rives, and on March 1st will become a partner in Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago, Ill. He will make his headquarters in New York City.

Gillen & Co. to Admit

Gillen & Company, 120 Broadway, New York City, members of the New York Stock Exchange, has admitted Edwin R. Wallace to partnership in the firm. Mr. Wallace has been doing business as an individual floor broker.

William T. Kirk retired from partnership in the firm on January 31st.

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A Proposed Reduced Federal Budget

when state and local employees and other recipients are included.

A Look in the British Mirror

Those who think they are benefiting from federal payments and expanding federalized programs should take a look at England. In all that great country there are 70 Britons with net incomes of $16,800 after taxes. The so-called well-to-do in England have already been liquidated. But the worst of the British situation is that the liquidation of the middle income group has extended to an alarming degree. There remain only 320,000 Britons with incomes of $2,800 to $5,600.

If we like what we see in English socialism, we are justified in stuffing ourselves with gratuities from a paternal central government until we bankrupt the greatest nation in all history.

If socialism is what we want there are three more federal programs pending in Congress at this moment which, if enacted, will irrevocably commit us to a state of socialism from which there is no retreat.

The first of these clincher programs is for more socialized housing. Part of this vast public housing program has already passed and, exclusive of the new proposals, the program as it stands is estimated to cost $20 billion.

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

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

Evil Companions

While insolvency resulting from deficit financed federal programs which stifle individual initiative and private enterprise will be the overpowering force behind our capitulation to socialism, if that is to be our fate, evil loves company.

The evil companions of this unbridled deficit ogre are: (1) confiscatory taxation; (2) government competition with private enterprise and business; (3) federal usurpation of state and local prerogatives; (4) government invasion of private privileges; and (5) disregard of constitutional processes.

Continuous deficits and growing public debt in company with these natural sidekicks are virtually synonymous with socialism.

Government Competition

We have already discussed confiscatory taxes as such, but they should be considered in conjunction with the fact that along with higher and higher taxes goes more and more government competition such as that which results from the development of huge valley projects and tremendous so-called business loans such as those to Lustron and Kaiser.

The spenders make capital of this type of expenditure, and have been influential in having a whole section set up in the budget to list them. They claim they are capital investments in the form of loans. The government is not in business for profit and therefore it has no reason for capital investments. If they are sound loans they are expenditures and must be regarded as such on the federal books.

As if this were not enough government meddling in business there is also the continuing threat of government controls such as those requested at the beginning of the 81st Congress on prices, wages, commodity allocation, consumer credit, bank requirements and employment practices.

State, Local and Personal Prerogatives

If you think these threats are dormant, your attention is invited to the pressurized maneuvers for the so-called Civil-Rights program which in its entirety would be the greatest mass invasion of states' rights, local prerogatives and the privilege of individual self-determination ever perpetrated on this nation.

I am a Southerner but I think my record will clearly show that I have never been guilty of any public act or attitude persuaded by racial intolerance. I think also the fact that as Governor of Virginia I was instrumental in the enactment of the tightest anti-lynching law of all time, along with my public advocacy of poll tax repeal by state action, demonstrates that I speak without bias on this subject. Following this preface, I assert that the Civil Rights program, as proposed by the President and his Committee of Advisers, would invade the states' prerogatives with respect to the franchise and invade local prerogatives with respect to police powers.

As to invasion of personal privileges, the FEPC would establish another costly powerful and inquisitorial federal bureau to extend the strong arm of the national government from Washington into the daily transactions of virtually every man's private business, dictating to employers as to whom to hire, whom to fire, and whom to promote.

Constitutional Processes

Government regimentation of individuals and government control of business is socialism, whether you choose to call it welfare state, collectivism or give it some other meaningless name.

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

And with socialism goes frequent disregard for our constitutional processes which have made ours a government of laws and not of men.

We have just experienced a fore-taste of this by-product of our socialistic tendencies when prompt invocation of the law in the case of the coal strike would have averted an unnecessary assault on the general welfare.

The Key Is Solvency

I do not believe the people of the United States want socialism. Despite the fact that we are moving rapidly toward this end, I believe the American people, as always in the past, will awaken to their danger, and that when they do they will smite down all government programs and actions which can lead only to socialism.

This will take a lot of doing at this late date, and I realize that it cannot be done suddenly. But I am convinced by my own careful study of the whole federal fiscal situation and all of the government's programs that a start on federal retrenchment can be accomplished now with neither harm nor great inconvenience to anyone involved, and the plan I have submitted with great detail would achieve this immediate objective. The plan requires only that members of Congress be encouraged by their constituents to retrench within existing federal policies and programs and to allow no unnecessary new ones.

This is not all that I desire and it is not all that is required to put this nation on a long-term program of sound prosperity and constructive achievement, but it would balance the budget in the coming fiscal year, break the Strangle-hold of chronic deficit financing, and snatch the nation from the clutches of the irresponsible spenders who would stifle us into socialism.

The Follow-Through

To follow through from this beginning we must search every federal program and policy and throw out all of those which were not soundly conceived and all those which our economy cannot afford.

It is true that more than $27\frac{1}{2}$ billion of the President's $42\frac{1}{2}$ billion expenditure budget for the coming fiscal year is for items tied to long-term commitments or other obligations carried over from prior years. Relatively few people regard all these programs as sacrosanct; but millions of people regard one or more of these programs (those affecting them) as sacrosanct.

To accomplish the job which has to be done to make this nation sound for the future will require some unselfishness on the part of the vast majority of this nation on a personal basis.

For example, in this meeting, we may as well start with businessmen who must withdraw from the easy money of some of the federal subsidies, nonessential federal contracts, and their advocacy of useless expansion of federal activities to their localities.

States and localities must withdraw from federal aid which has been increased from little over $1\frac{1}{2}$ billion in 1947 to nearly $3\frac{1}{2}$ billion proposed by the President for the year beginning in July.

Farmers must withdraw from some of the lucrative federal payments which are not required as insurance against price decline that would precipitate depression.

Young and able-bodied veterans must withdraw from political pap programs having no connection with the bona fide obligation the nation owes them for war-connected sacrifices.

Government employees must withdraw from non essential public jobs and we must see to it that they are not refilled.

And the government itself must withdraw from competition with private enterprise in the name of housing, banking, development of natural resources, etc.

A New Generation

These are the things required to make this country financially sound, to guarantee our permanent solvency, and to provide the true democratic progress of which this country is capable.

But it cannot be overlooked that in the coming fiscal year a whole new generation will have reached its majority under a deficit financed Federal Government, and while children have been growing up young men have been growing old. Two decades of Federal handouts by a paternalistic government are bound to influence the philosophy of all of us.

To change this philosophy, now so deeply rooted, may require some individual sacrifice during the period of readjustment, and it certainly will require complete and continuous devotion to the objectives, and the constant dissemination of facts presented in a manner which may be universally understood.

I know we do not want to go the way of England and I believe that so long as we can keep this country financially sound the door will not be closed to recovery of the freedoms of private enterprise in democracy.

We must keep constantly before us the fact that the last hope of freedom loving people in the world hangs upon maintaining the integrity of American money. The key to our fiscal solvency is balanced budgets in time of peace void of emergencies.

Thus, balancing the Federal Budget is the first and vital requirement for the preservation of our own security and the security of democracy throughout the world.

With John B. Joyce Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—Robert F. Reusche is now affiliated with John B. Joyce & Co., Huntington Bank Building.

Nicolson Appointed

Herbert L. Nicolson has been appointed an Assistant Cashier in the brokers loan department of the Chase National Bank.

FIC Banks Place Debs.

A successful offering of an issue of debentures of the Federal Intermediate Credit Banks was made Jan. 17 by M. G. Newcomb, New York fiscal agent for the banks. The financing consisted of $41,495,000 1.30% consolidated debentures dated Feb. 1, 1950, due Nov. 1, 1950. The issue was placed at par. The proceeds, together with $10,620,000 cash in treasury, were used to retire $52,115,000 debentures maturing Feb. 1. As at the close of business Feb. 1, 1950, the total amount of debentures outstanding amounts to $448,935,000.

Chase Men on Trip To South America

David Rockefeller and Otto T. Kreuser, Vice-Presidents of the Chase National Bank, have left New York by air on a seven-week trip to six South American countries. They will call on bankers, governmental authorities and industrial leaders in Ecuador, Bolivia, Peru, Chile, Argentina, Uruguay and Brazil in the interest of the Chase's banking relationships and also to discuss ways and means of aiding the flow of inter-American trade.

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A Monetary Policy For the Opposition

praises our dollar at, in terms of gold—the most dependable commodity. Such quotations would inspire confidence without disrupting current operations, and could but, in due course, lead to a return to measurements in terms of a gold standard of value. Thirty-five years of experience shows that, under current monetary practices, no bottom for our dollar's purchasing power is likely to be found.

We would expect slight or no immediate disturbance in the purchasing power of the dollar, as a result of making it lawful to buy and sell gold; however, there would be a definite stabilizing effect as confidence was built up, although the principal gain would be the fact that with the dollar quoted hourly in gold, no administration could afford to adopt practices that continued to definitely undermine its unit of value, and, in consequence, the whole economy. Nothing herein proposed would interfere with building the purchasing power of the dollar up to whatever height was deemed most practical, by limiting the money supply.

We realize that many of our citizens are more prosperous than ever before, and that many are more successful than they ever expected to be, and that to cry calamity is dreadful. Nevertheless, the further we go down the road we are traveling, the faster we shall go, and the more evident it will be that a crash is inevitable, unless our course is changed.

We are recommending that we tackle the job of straightening out our price muddle at the point where the Republicans were forced to abandon the effort in 1913, but not in the same manner. The exact pattern will have to be tailored to fit current conditions at the time. The immediate requirement is to get headed in the right direction.

We have outlined the fix our nation is in as a result of a limitless supply of printing press money. Those who have followed our analysis to this point can certainly stand one other observation, even though it is slightly off the beam.

A Tariff Policy

There is a point in connection with our tariff policy to which a party formulating a policy in opposition to that of the party in power should give consideration.

President Coolidge told the Canadians to disregard our views in formulating their tariff policy; to, instead, make their tariff to build up their own industries. He said we would take a chance on profiting through their success. The result has been that we do more business with Canada than with any other half-dozen nations, except where we give them the stuff free.

Of the 60 to 80 nations in the world, few produce half, and none produce many things that will be needed by all as living standards advance under the progress civilization is making. Furthermore, most nations are small and the average size seems to be getting smaller as the big ones are carved up, so that international trade can but increase enormously as it is given freedom to function. Such being the outlook, it is a short-sighted policy to try to tie up trade with individual nations through reciprocal trade agreements. It would be far better to say to all nations, "Make your tariffs to build up your own industries—develop your natural resources, and we will take a chance on profiting through your success. We want trade because we offer the best for the least; not on the basis that if you will scratch my back, I will scratch yours."

We have things other nations do not have; but we cannot sell them much unless they, in turn, have something to sell. If they have built up their own natural resources, they will have things to sell that other nations want, whether we do or not. "Help others and they will help you," applies to nations no less than to individuals; furthermore, it is good religion as well as common sense.

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The Security I Like Best

cally the entire income applicable to its common stock, as indicated by the following table:

Year	A Common Share Earned	Paid
1949	$258.63	$258.60
1948	182.72	182.70
1947	148.56	148.60
1946	129.27	129.30
1945	95.55	95.55
1944	95.24	95.25
1943	75.48	75.70
1942	75.50	74.10
1941	131.14	132.65
1940	132.94	134.50
1939	134.67	136.60
1938	58.58	57.50
1937	119.78	119.80
1936	118.04	118.10
1935	85.34	68.00
1934	56.94	57.00
1933	49.66	50.00
1932	49.94	50.00
1931	75.29	76.50
1930	79.87	56.00
1929	122.56	107.00
1928	99.96	88.00

So long as the policy of Christiana Securities is to distribute to its own stockholders virtually all of the income which it receives in the form of dividends from its investments, less expenses and taxes (which represents the entire net income of company), the only Federal income taxes which Christiana has to pay (under the present laws) are the normal and surtaxes based on an amount which is approximately 15% of the dividends received from its investments, less expenses. With the normal and surtax rate at 38%, this means an effective tax of about 4.7%.

Christiana Securities Co. common stock is not listed on any exchange but it is traded in the over-the-counter market. The market for this stock has become more active year by year. The number of holders of Christiana common stock has increased rapidly and at the end of 1949 was 3,528 compared with only 132 at the end of 1934.

HERBERT E. HARRIS
Dayton, Ohio

What stock do I like best? If you were to ask a doctor what he would recommend as his best treatment, he would, of course, first have to know what it is you are to be treated for. I like several stocks best but for different reasons. This Forum being indirectly, at least, for the benefit of investors who, naturally, have many and varied investment objectives, I would not venture a "best" stock that could meet every requirement. There is none.


Herbert E. Harris

There are three things one can do with money: invest, speculate or gamble. My business is concerned with those who want to invest. Now, there are innumerable stocks which qualify as investments and I deal in several, but the person (particularly the investor with nominal capital) who is really serious about his money will, in my opinion, fare better if he does not buy stocks—he should buy management.

Any one who has had long experience with investment knows that successful investing is not simple even under conditions and circumstances much less confusing and complex than face us now. Today it is difficut for an individual to, first, select investments that best meet his investment requirements and, second, to ably supervise his investments so as to assure results above mediocrity. There have been few times in investment history when economic welfare has required such unremitting management and the ability to properly interpret developments, as now. Although I know of no "best" stock for the astute and prudent investor, I do know there are several good managements in the investing company field that will keep his money invested in many "best" stocks, relieving him of the worry and work that selection and able supervision requires and will produce far better results than he could hope to achieve through his own efforts.

We live not only in a complex world but in a complex economy and eternal vigilance is indeed the price of econmic security. In the light of such conditions therefore, I suggest to those who want capital protection, not "get rich quick" gambles; assurance of satisfactory income, not great expectations; reasonable capital growth opportunity, not will-o-the-wisp profits; in short, results instead of hoop-la, not to buy stocks but to invest in able and experienced management.

HAROLD A. LONG
Manager Canadian Dept., McMaster Hutchinson & Co., Chicago, Ill.

Capital used for the construction of newsprint production has had a most disappointing experience in the past thirty years. Bankruptcy, followed by drastic reorganization, was the vogue for a large number of the producers (most Canadian).


Harold A. Long

The industry so badly disorganized in the thirties, is now in an enviable position. Financial strength and operating efficiency today are the reverse of the position fifteen years ago. Unlike the postwar period of the first great war, the industry conducted itself in a far different manner, as was evident from the outcome of the conference in Toronto between producers and the United States House of Representatives Select Committee of Newsprint Supply. There has been no governmental allocation, no price gouging, and no real hardship because of lack of supply. All recognized responsible mills charge one price, with territory differentials, based on the triumvirate average price of $100 per ton for standard rolls by International Paper Co., Abitibi Power & Paper Co., and Consolidated Paper Co.

Newsprint, as distinct from pulp and paper, is a commodity in balanced supply and demand in North America. It is in short supply in the rest of the world. The prospects are dim of increased supplies for the many countries short. In addition to the shortage of Canadian and American dollars which exist in these countries, there are few areas in the world which have the essential wood, water and power necessary for production.

It is also true that the capital cost of creating new capacity, if the essentials are available, is a deterrent. Only one new mill has been built in North America since 1938. This cost is estimated at about $80,000 per ton of daily capacity, almost double prewar cost.

The newsprint makers have a bright outlook, both near and long-term. There is no indication of unbalance or over-production. The base price of $100 per ton provides a satisfactory operating profit for the manufacturer, and a fair price to the publishers. To those who think the price is excessive, Bureau of Labor average wholesale prices are 151.5% of 1926, whereas newsprint is 142.8% of 1926.

Production costs, which mounted steadily from 1945, leveled off in 1949 and should decline this year. Wood costs are expected to ease this Summer. The modernization programs largely completed in the industry should increase the efficiency and tend to lower production costs in the industry, which is operating at full capacity.

The company we recommend you use to participate in the profit period we envision is Abitibi Power & Paper Co. It is a major producer, the second largest in the world. It has excellent management under the direction of Douglas Ambridge. Its mills are in fine physical and competitive position.

The balance sheet position (expected about March 15) should show working capital as of Dec. 31, 1949 at over $21,000,000. During 1949:

Cash in:	
From sale small Kam Power Co.	$5,000,000
Retained depreciation and depletion	5,100,000
Cash earnings retained after all charges, taxes and preferred dividends	7,800,000
Total	$17,900,000
Cash Out:	
Retirement prior preferred	$1,885,000
Capital expenditures	6,750,000
Bond retirements	2,400,000
Retirement $1.50 preferred	2,411,000
Common dividends	1,342,000
Common dividends paid 1/1/50	721,000
Preferred dividends paid 1/1/50	459,000
Total	$15,768,000

Earnings

1947	$5.18 per share
1948	5.79 per share
1949 (estimated)	6.30 per share

Earnings outlook for 1950 is better than for 1949.

Because of the company's fine physical condition, it is likely that for several years capital expenditures will be more than covered by normal depreciation charges. It is logical to expect in 1950 the payment of 50% of earnings. The market today is $18\frac{1}{4}$-$18\frac{3}{4}$.

By A. J. MESSING
Herzfeld & Stern, New York City

If you happen to be a widow, a trustee, or one whose primary interest in securities is income, you can safely skip this article. However, if you are in a position to assume an ordinary business risk and are interested in the possibility of a great potential capital gain, the common stock of Western Maryland Railway offers extraordinary possibilities.


Arthur J. Messing

Within the past two years the common stock of the New York, Chicago and St. Louis Railway has advanced from around 30 to 110. This was accomplished in the face of two obstacles: (1) a generally declining railroad market, and (2) a large accumulation of arrears on the preferred stock. A similar situation now presents itself in the common stock of Western Maryland. It faces the same obstacles as did Nickle Plate, but its prospects are equally bright.

When a railroad stock in these times breaks through the highest levels it has sold at since 1931 in spite of the fact that it has never paid a dividend, and has accumulations of $136.50 per share on the first preferred stock, and has never paid a dividend on the second preferred stock, it is much more than a chart accident. It probably is the beginning of a major upward move. As I write this, Western Maryland common is selling at $17\frac{1}{2}$. In spite of the obstacles above mentioned, a price of 50 within a year or two would be conservative with relation to the recent advance in Nickle Plate.

Western Maryland is a strategic and valuable property. Its earnings record is excellent, in spite of its failure to clear up arrears on the preferred. In only one year within the past two decades has it failed to show a profit on the common stock. Prospects of increased importation of ore into the port of Baltimore should geratly enhance the earning power of this road. Earnings of $8.66 per share were reported on the common stock for 1948, and about $5 is expected for 1949. A quick settlement of the coal strike could bring 1950 earnings up to the 1948 level. An extension of nearby bond maturities has been recently effected. The Baltimore & Ohio Railway owns a great part of the first preferred issue, and some of the second preferred and common. A change of ownership and a recapitalization are rumored. These would appear to greatly enhance the value of the common stock, and pave the way for dividends. The common stock has compelling appeal for probable very large capital gain.

JOHN P. O'ROURKE
J. P. O'Rourke & Co., Chicago, Ill.

Commonwealth Edison Co. stock is, by all means, my favorite security.

This business of ours was started Oct. 1, 1932, and since that date we have sold thousands of shares of Commonwealth Edison Co. stock. Not once since 1932 have we recommended to our customers to sell their shares in this company. In fact with some of our customers, their purchases of Edison, during these years, looks like a chart on market averages.


John P. O'Rourke

When we come into a decline in the market averages (1937-1947) it is a great relief to look over the list of Edison holders and for us to realize these people are on the top of the heap. Edison sold as high as $36\frac{1}{8}$ in 1946 and since that year it hit a low of 25 twice.

Some one and rightfully so, is bound to raise the question, "Why all this pep on Commonwealth Edison"?

1st: Consider the product distributed. Many others manufacture and sell the same.

2nd: Working on a franchise—no competition. This is also true of many utility companies.

3rd: Commonwealth Edison was put in working order by the marvel of the utility business, Samuel Insull. It was his planning and ideas that the output of electricity should always be ahead of consumption. His foresight becomes more and more consequential as time passes.

4th: The management of Commonwealth Edison today is, in my opinion, the tops in this country and that means the world. Edison officers and directors several years ago commenced working and converting their substations to the newest process of producing more electricity with a ton of coal and these improvements are still under way and expected to be concluded in 1953 or 1954. The management from Chairman Charles Y. Freeman, President Edward J. Doyle, Vice-Presidents Messrs. Gale, Evers, Jr., Reace, Bailey, Lambert, Gressens, Williamson and Creutz with Treasurer J. H. Wardis, are a hard-hitting and alert group and we feel they will not be lacking as newer theories and ideas come to the fore. If some of my readers have any score on this subject, please may I suggest you attend one of the annual meetings, conducted by Chairman Freeman. No hurrying to get it over with, any stockholder has plenty of time to put questions direct to the skipper.

5th: A very important issue to consider. Commonwealth Edison with its subsidies, Northern Ill. Public Service, Western United Gas & Electric, Ill. Northern Utilities, Sterling Hydraulic Co., Chicago District Electric Generating Corp., Edison Marquette Co., and Chicago & Ill. Midland Railway Co., sells electricity to Chicago and practically all the cities and towns in northeastern Illinois. Gas is also distributed in many towns in this area. Whichever way northeastern Illinois grows, Commonwealth Edison will likely expand their utility service.

In passing we have another local situation we like very much: Illinois Bell Telephone Co., common stock. With only some 19,000 shares out with the public, interest is mostly on the buying side. This stock we have retailed for about four years, but at times buying orders are on our books for three or four weeks before stock appears and usually in odd lots.

Robert Morton Partner In Bailey & Davidson

SAN FRANCISCO, CALIF.—Robert E. Morton has been admitted to partnership in Bailey & Davidson, 15 Sansome Street, members of the San Francisco Stock Exchange. Mr. Morton who joined the firm in 1949 was formerly with Wm. R. Staats Co. and Merrill Lynch, Pierce, Fenner & Beane.

Wm. E. Pollock Adds Honig and Lussey

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, announce that Jack Honig has become associated with them in the corporate bond department, and Harry W. Lussey has joined their staff as analyst.

Joins Reinholdt Firm

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—John R. Gardner has become associated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. He was formerly with the St. Louis Union Trust Co.

With Hogan, Price

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Walter R. Gayner is now with Hogan, Price & Co., 118 South Beverly Drive. He was previously associated with William Van De Carr.

Now With Marache Sims

LOS ANGELES, CALIF.—Alex G. Anderson is now with Marache Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Herrick, Waddell & Reed.

Perry T. Blaine Adds

(Special to THE FINANCIAL CHRONICLE)

ASHTABULA, OHIO—Robert T. Blaine is now associated with Perry T. Blaine & Co., 221 Center Street.

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, Jan. 26 and Feb. 2—*Editor.*

JOHN W. BARRIGER

President, Chicago, Indianapolis and Louisville Railroad Co.

At this time last year, 1949 was viewed with serious apprehension. It was generally feared that the incoming Congress would repeal, or seriously modify, the Taft-Hartley Act and increase the national tax burden; perhaps even reestablish the excess profits taxes of wartime years and thereby impose a harsh, if not an impossible, burden upon generating the capital required for business expansion and development. Had these two contingencies befallen, serious economic repercussions would have occurred.

John W. Barriger

After it became apparent that Congress would not take adverse action on these important public questions, business began to recover from the decline which first manifested itself late in 1948. As confidence was regained, more and more plans that represented capital additions and betterments to industrial and commercial enterprises were made effective. Meanwhile a moderate readjustment of prices and inventories corrected unbalances in each which relieved strains that otherwise could have weakened the economic structure. Due in large measure to the factors just outlined, the level of business in 1949 was satisfactory even though below recent peacetime peaks.

The primary determinant of economic conditions is the availability of capital for the continued growth and improvement of the means of production. The great depression of the '30s followed shutting off access to capital which occurred when corporate earning power withered under the deflationary forces of the period. Further increases in taxes beyond the rates which now burden the economy of the country would again dry up sources of capital so effectively as eventually to produce a major depression. It was for such a reason that the proposals to divert a greater proportion of the national income through taxation were viewed with alarm and a corresponding feeling of relief followed after this danger was averted.

Repeal, or serious modification of the Taft-Hartley law would have produced many labor problems and disturbances in addition to those which were actually experienced; with equivalent further curtailment of natural production and income.

Memories of the depression decade of the '30s are still so vivid that every current economic or political development is carefully scanned to recognize symptoms or causes that might foreshadow a prolonged recession in business. Price trends were anxiously observed since these were interwoven with the liquidation that entailed and characterized deflation and depression. Some feared that the downward movement of prices which began to appear a year ago might forecast such consequences.

In a free enterprise system of economic organization business rivalry also lowers prices but price declines following the normal working of competitive markets builds business volume. The price declines of 1949 were of the latter character and not of the deflationary type which destroys business. The war-produced demands for goods to fill the continuing economic vacuum which that conflict caused prolonged the sellers' market through 1948. The great public advantage of the private enterprise system is competition; the driving force of all economic progress. Competition requires a buyers', and not a sellers' market. The re-entry of competition into business in 1949 entailed a transition which was effectively accomplished. At first the change-over was anxiously regarded by some who mistakenly considered it to be a harbinger of depression when buyers had to be actively solicited and their favor sought once more on the basis of relative price and quality and other commercial considerations. It was soon realized that it is but the normal status of American business for sellers to strive with one another for the privilege of supplying buyers and not to have buyers compete for the privilege of obtaining goods.

The new year opens with widespread belief in the probability that industrial and commercial activity will be well sustained. Purchasing power of individuals and of corporations is high; even in relation to the current level of prices. It appears therefore that basic conditions will assure the production of adequate potential rail traffic.

There has been a long-continuing erosion of it by subsidized agencies of transport; temporarily stopped by war but the railroads are becoming increasingly alert to protect themselves against greater inroads and recover some of that which has been lost. The basic economic superiority of the railroads for long distance inland mass transportation is sometimes obscured by the heavy but unseen public expenditures which are continuously being made to absorb a large part of their competitors cost of doing business. Moreover regulatory and rate-making practices and procedures, that have been rendered obsolete by modern transportation conditions, remain to handicap the railroads. These no longer protect the public but have become an umbrella to shield competitive transportation agencies and give them undeserved advantages.

While rational public action that will relate transportation subsidies and railway regulation to current conditions is not immediately in sight, there are reassuring indications that the railroads will be gradually unshackled and placed in a status of reasonable competitive equality. When this is done their pre-eminent place in transportation will be immediately reestablished and their financial anemia cured.

Meanwhile the railroads have been making important progress, particularly in effectuating good control of expenses. The 1949 record is proof positive of this, especially when the cost equivalent of extraordinary weather and strike conditions are considered. In achieving this result they have been greatly aided by the continuing improvement of their plant and equipment, but principally by more than 3,000,000 additional horsepower of diesel locomotives that have gone into service during the past year. This has had a vitalizing effect upon railroad service and together with the fleet of 10,000,000 horsepower of diesels previously owned have produced sufficient operating economies to shield the railways from much of the impact of the pos-war period inflation of wage rates and material prices that otherwise would have reduced railway earning power to dangerously low levels.

The combination of advancing operating efficiency and satisfactory general business conditions permit the railways to believe that they will share in the general prosperity which is expected to continue through 1950; and it is hoped over many succeeding years, too.

V. J. ALEXANDER

President, Union Planters National Bank & Trust Co.

Business conditions in the mid-south territory continued at a high level throughout 1949. Crop conditions were affected by the boll weevil damage to the cotton crop, but livestock, forage, and grain crops were excellent. Industry in this territory continues to operate at a high level of capacity. Conditions in the cotton seed oil industry were hampered by inferior seed, the short cotton crop, and deterioration of the oil prices on account of the more plentiful world supplies of oil. Bank deposits and loans at the local banks were at new peaks for the postwar period.

V. J. Alexander

Industrial production during the past year remained at a high level in spite of the coal and steel strikes. As far as it is able to predict for 1950, production should remain at a high level at least during the first six months. The automobile, steel, and building industries are all entering 1950 at or near capacity levels. These conditions will undoubtedly continue, provided there is a steady flow of raw materials, available labor, and finished products into the plants.

The demand for credit continues at a high level. Many industrial companies have completed their expansion programs as well as their financial plans. Any further increases in the price level will see a renewed demand for bank loans to carry the increased receivables and inventories as a result of larger sales. As a consequence, it is difficult to foresee any material change in interest rates during the immediate future. Consumers credit loans continue to rise, but they are not causing any undue concern. It is anticipated that they will continue to increase in 1950 with a larger supply of products available for purchase. There will be continued demand for longer term credit to meet the expansion program of the public utility industry. Mortgage loans will continue at a high level in view of the excellent building prospects during the coming year. The Treasury Department will continue to be the major factor in the new money market in order to take care of the refunding operations, the projected deficit in this fiscal year, and international complications.

There is a strong need for balanced fiscal operations by the Treasury Department, a reduction in the Federal excise taxes, and the elimination of double taxation on corporate profits and dividends to individual holders. The Hoover Commission has pointed out the advisability of reducing the high cost of government, overlapping of governmental bureaus, and the need to realign the executive department. An outright reduction of expenditures will allow fiscal operations to be in balance without the inflationary prospects of deficit operations. Business would certainly be helped, not hindered, by these changes in fiscal policies and taxation during 1950. Finally, free enterprise and the capitalistic system demand a high level of industrial production and good wages to maintain our system.

Banking faces the New Year with confidence. Bank deposits remain at a high level and are only slightly under the war time peak. Bank earnings have been maintained in spite of lower interest rates by better demand for credit. Operating expenses of banks have been kept in line and the efficiency of banking staffs is increasing with the smaller turnover and better training of new employees. It is expected that bank deposits will remain at a high level during the coming year in view of the present volume of industrial production, income payments, and large dividend disbursements by corporations.

EDWIN J. ANDERSON

President, Goebel Brewing Co.

There is considerable merit in the opinion expressed by leading economists that despite possible strikes, production cutbacks in some industries, and subsequent loss of individual income, there is a distinct possibility that 1950 will be a year in which national income may exceed that of any previous year by several billions of dollars.

Edwin J. Anderson

High wages will continue to lend strong support to inflationary trends, as will government spending, upon which many businesses are now heavily dependent. The automobile industry is planning on a goal of about six million cars, the steel industry expects to approximate its tonnage figures of 1949, and the demand for housing should continue on the 1949 level. Moreover, the present high rate of population increase establishes itself as another factor in high national income for 1950.

To be sure, there are clouds on the horizon, such as the fact that many consumers have been spending from savings and future earnings. Also, there is always the danger that rising prices may weaken real purchasing power. But $170 billion of savings in bonds, bank accounts, property and stocks represent sufficient buying power to cushion any foreseeable economic shocks.

Recent surveys have shown that urban centers of 10,000 inhabitants or more have the highest percentage of regular beer drinkers. Furthermore, the urban centers where industry is located are heavily populated by the skilled and semi-skilled workers who represent occupational groups high among the heaviest consumers of beer.

It would therefore appear that the above market factors favor these groups. And the conclusion may be drawn that beer consumption in 1950 will remain stable at the 1949 level or increase slightly.

In most consumers' goods prices and in spendable consumer income, there have been marked rises, yet the price rise of malt beverages in general has been relatively small when compared with other commodities. And this price and income relationship must be regarded as another plus factor when considering the outlook for 1950. Unfortunately, that relationship has certain drawbacks, too. For smaller breweries have been caught between a rise in the cost of materials and labor on the one hand and inelastic selling prices on the other. The only answer to the problem created was increased volume and many of those who were not able to step up sales considerably were forced to go out of business. That deprives the industry of many companies that are valuable as factors in stability and community goodwill.

Within the industry, a trend that has been rapidly developing since 1948, our first real postwar year, will undoubtedly be more pronounced yet in 1950; that trend is one toward more intensive and extensive competition.

Many breweries have completed or will soon complete large-scale expansion activities, and the pressure of maintaining at least a break-even point on these capital investments will necessitate an increase of advertising, selling and allied activities. This, plus the fact that many companies are more intent than ever before on winning a larger share of the market, leads to the conclusion that the brewing field in 1950 will be more competitive than at any time since before the last war.

C. A. BEUTEL

President, South East National Bank of Chicago

Although a large Federal cash deficit in time of prosperity increases the ultimate prospect of renewed inflation, a general price rise in 1950 appears unlikely. Business spending will probably shrink by at least as much as public spending expands. Unless weather is bad for crops farm prices will probably decline further. Exports appear likely to be slightly lower. With productive capacity high the prospect is for keen competition for a large volume of business.

The wholesale price index of the Bureau of Labor Statistics will probably change less in 1950 than in any year since the war. Any strength it may possibly show in the first half of the year is likely to be slightly more than canceled in the second half. Although the volume of production will change more than prices, it, too, will be stabler than in 1949. The average of the Federal Reserve Board index of industrial production for 1950 will probably not be very different from the 175 average for the year just closing. The national income, too, will be comparatively stable. I share what seems to be the prevailing view that the first half year is likely to be slightly better than the second.

In general the effort of last year to reduce inventories seems unlikely of repetition this year, while the increased ability of industry to fill orders promptly minimizes the incentive that prevailed in 1946-48 to increase them. Consumption has been so well maintained that the production of non-durable goods as a whole may be slightly higher this year than last. This seems quite certain for such products as textiles, shoes and foods.

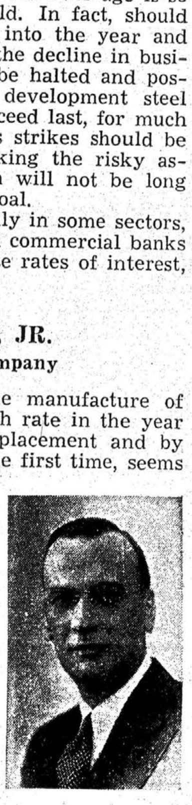
Probably the greatest single factor in the general confidence for the early future is the expectation that the total of private and public construction will in 1950 approximate the record for 1949. If it does so, it seems fairly clear that construction in the first-half will be at a higher rate than in the first-half last year. Automobile output may not equal the 1949 record, but, with the number of over-age cars in use still very great and with national income so high, any decline in car output should be moderate. All signs point to some reduction in business spending for equipment, but, here too, the amount of equipment now in use that is over-age is so great that the decline should be mild. In fact, should stock market strength continue far into the year and lead to substantial equity financing, the decline in business spending for equipment might be halted and possibly reversed. Even without this development steel production this year may slightly exceed last, for much of the tonnage lost during last fall's strikes should be made up this year. I am here making the risky assumption that this year's production will not be long hampered by a critical shortage of coal.

Private debt, though growing rapidly in some sectors, is not yet high by past standards, and commercial banks are in position to extend, at moderate rates of interest, funds for sound undertakings.

EDWARD G. BUDD, JR.

President, The Budd Company

From every present indication the manufacture of automobiles should continue at a high rate in the year 1950. The demand for cars, for replacement and by buyers coming into the market for the first time, seems still to be far from satisfied, and the plans of all the automobile manufacturers which are our customers are for continued high production for many months ahead.



Edward G. Budd, Jr.

As the world's largest independent manufacturer of automobile body components, and suppliers to most of the the principal factors in the industry, our own prosperity is inevitably dependent upon the the people's ability to buy cars.

We had a satisfactory year in 1949. Interruptions to planned production were at a minimum, except for the steel strike which did effect the output adversely during the last quarter. New high production and sales records were set during the year.

In 1949 as in the years since the resumption of domestic production following the war, the staggering of the shutdowns necessary for model changes by the various manufacturers has been most advantageous. As a result the supply industry was able to maintain steady production, and we were able to keep our plants operating most efficiently.

It has been suggested that the industry return to the "auto show" basis in planning the automobile year. Should this occur, with most of the new model presentations being made at auto show time, then it will mean that the automobile supply industry's annual production would be necessarily crowded into 8 or 9 months, the remaining 3 or 4 months being given over to the changeover to the new models. This would also mean that the orderly place, at which we have been able recently to operate would be disarranged. That is, the change would affect the rate of our production but not our total volume. The detrimental effect on our present steady rate of employment is obvious.

So far as new designs and developments are concerned, there seems to be a question whether anything basic is likely to come to a head during the year. Today there is one new development of great importance under consideration by the industry as a whole and that is the "unitized" or "frameless" body construction. This, of European origin, is creating increased interest in this country. Only one domestic manufacturer has adopted it so far, although it is being considered by other builders. There are certain advantages which cannot be overlooked and eventually the idea will probably be adopted generally.

Automobile production counts for roughly 80% of Budd's overall volume. Manufacturers of all-stainless steel railway passenger cars for leading railroads here and abroad is 16% and the balance is contributed by the manufacture of all-stainless steel motor freight trailer bodies, and agricultural equipment.

In the year just closing Budd's output of railroad cars was the largest in the 15-year history of that division of the business. A total of 310 cars was built and delivered through Dec. 16 and the total will probably reach 325 for the year. This compares with 197 in 1948 and 156 in 1947.

Passenger cars have been delivered during 1949 to: Central of Brazil; New York Central; Western Pacific; Pennsylvania Railroad; Board of Transportation of the City of New York; Seaboard Air Line; Southern Railway; Missouri Pacific; Norfolk and Western; Delaware, Lackawanna & Western; Florida East Coast; Louisville and Nashville; Atlanta and West Point; Cincinnati, New Orleans & Texas Pacific; Fort Worth and Denver City; Chicago, Burlington & Quincy; the Wabash; International-Great Northern; Texas & Pacific; and Western Railway of Alabama.

During 1949, the Budd Co., in common with other railway-car builders, has faced a declining backlog of orders. It entered the year with orders for 474 all-stainless steel passenger cars on its books. At present there are 194 cars on order. During the year orders were received for 30 cars.

To anticipate the situation created by this declining backlog, the company developed, built and introduced in September of 1949 to the railways of the country the revolutionary rail diesel car, RDC-1. This self-propelled passenger car makes available for the first time an economical, comfortable, modern, air-conditioned vehicle which is qualified for main-line or branch-line operation in all types of services except those requiring deluxe sleeping-car facilities.

The first of these RDC-1 cars is presently touring the country in a series of demonstration runs for the principal United States railroads. Ten more are in course of fabrication. Reception by railroad men has been good. It is expected that production of cars of the RDC-type will furnish an increasing proportion of the output of the company's Red Lion plant, devoted principally to the manufacture of railway passenger cars.

H. S. BROWN

Chairman of the Board and President, Foster Wheeler Corporation

During World War II, especially the years 1940-1945, we all talked of and heard much about oversold markets and saturation points in our field of furnishing capital goods to power producers, oil refiners, and industrial processors. It was argued that the rate of buying of capital goods in those years could not be maintained and that the postwar years would be very lean ones.

After a temporary lull in late 1945 and early 1946 demand from domestic purchasers for our products increased sharply, except for shipbuilding use, and in 1947 and 1948 orders in large volume were booked for export as well as for home use.

We are again in a position of a declining volume plus severe competition for the orders that are available, and once more we are concerned chiefly about sources of new business, especially domestic. There seems to be a fair amount of export business in prospect, mainly projects financed by E.C.A. allotments. The total in prospect does not appear to be as large as it did two years ago, but compares favorably with our appraisal of early 1949. This is only a guess, as there is little tangible data to serve as a guide.

The outlook in respect to profits has a direct relation to volume, of course, but is also seriously affected by keen price competition for the smaller number of orders available. Considerable discussion has taken place as to the dividend policy of this Corporation because of the high earnings "per share," but in this discussion too little weight has been given to the small number of shares outstanding which makes possible the "per share" showing. The total dollars added to Surplus appear substantial, but it must be considered that the large volume handled in the last ten years has required a great expansion in personnel and office facilities, which is now a major problem to mould and shrink into an organization of more normal size. We are set up to handle a large volume—if we curtail too much we must face an inevitable lowering in volume because of lack of personnel to handle the numerous types of apparatus in which we now deal. The undistributed earnings have not been invested in fixed assets, but are being held available for current use. We look forward to the coming year as one bringing new problems, or old ones in a different form, and trust that our organization will be able to meet these problems in a creditable manner, and that our undistributed earnings will provide sufficient working capital for our needs.

SAUL COHN

Vice-Chairman, City Stores Company

Retailers look optimistically to 1950. They expect little appreciable change in sales volume, although there is a minority group which believes there will be slight variation downward. The majority feeling is that units will rise about 5%. Since unit sales on the whole are expected to be at somewhat lower prices, it will not be easy to match 1949 dollar volume. Most retailers look for a slight gain in homefurnishings so long as private residence building keeps at or near present pace and lively demand for men's and women's furnishings and for budget merchandise generally sold in basement stores.

Saul Cohn

The factors affecting the economy generally have been pretty well hashed out in various newspapers and journals. It is sufficient to say that dominating factors should bring an upward trend in consumer income; that savings and liquid ability to buy is still with consumers and merchandise which conquers the price-conscious feeling of the selective customer still finds a market.

The essential difference in retail circles is that in the first half of 1949 there was a more sombre feeling on the part of merchants. The courage and optimism necessary to create business is now more in evidence than it was a year ago. Merchants, generally, also feel that 1950 will be a more competitive year and that competition will not only be with other stores and other methods of distribution, but will involve an ever-increasing promotional skill to get that proportion of disposable income which should be spent in independent department stores instead of elsewhere. Since the price structure is more stabilized, a better job can be done in markup, markdowns and in final gross margins.

Merchants realize turnover and inventory commitments must be more keenly handled and controlled; that while business will be more difficult to get, volume will respond to realistic aggressiveness and to development of sales in outlying territories. Merchants will get only the business for which they plan.

The road ahead is clearer for the first half of the year. Buying power will come out of substantial liquid savings in cash or government bonds; increase of consumer debt; the veterans' insurance refunds; the relatively quiet peacefulness of labor relations and general production outlook and backlog of the automobile, steel and housing industries, all of which insure a high level of employment. As to the second half, there is possibility of a gradually declining food index as a favorable factor. There is a chance that there may be some variation in consumer income because of increase in unemployment and reduction of agricultural income.

Profits will depend materially upon expense control. There has been the beginning of a sense of industrial engineering in store operation; a better understanding of required flexible adjustments and keener study of what is waste and what is motion. There will be a better utilization of space wherever it can be done, rather than reliance upon capital for expansion. The real trick is to get greater productivity out of space and out of personnel in view of trends towards higher costs. The personnel job will be a keener one than in the past. Profits and dividends should not appreciably change as compared with 1949. The first half of the year will be comparable with an unsatisfactory first six months of 1949 and should be better. Dividends in many industries may be higher in view of reduction in capital outlays. The fiscal problems will involve an increase in receivables, but inventory should not require any further investment.

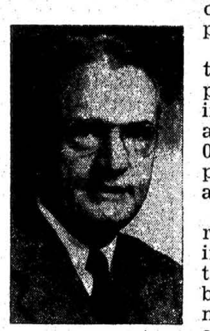
Instalment buying is at a high level and bids fair to become higher. There ought to be a revision of credit-making techniques and a realization that there is some limitations to what can be done in this field and how much the stores can carry.

The result for 1950 should be satisfactory. Merchants are generally up on their problems. For this reason retailing gave a good account of itself during the postwar readjustment period and took the bumps rather smoothly. Perhaps the most refreshing sign and the biggest factor against losing volume and profits is the "know-how" that has been acquired in this field.

RALPH S. DAMON

President, Trans World Airline

Although final returns for the year 1949 are not yet all in, it is clear that the industry as a whole will show a profit for the first time since the war. We in the industry have high hopes that this trend will continue and that our earnings will be further improved in 1950.



Ralph S. Damon

According to present indications, the trunk airlines will report a net profit of approximately $22,000,000 in 1949. Although this is by no means a large return on total assets of $500,000,000, it is encouraging when compared with the losses of 1945, 1947 and 1948.

Three major factors were largely responsible for the improved earnings in 1949. One was a sharp reduction in operating costs accomplished by careful and economical management, together with the installation of new and more efficient equipment. Another factor was an increase of approximately 12% in domestic passenger traffic over 1948. Domestic air passenger miles for 1949 are estimated at about 6.5 billion, the highest on record.

The third factor was a marked increase in foreign travel, as a result of the continued improvement in the international situation under the influence of the Marshall Plan, and because the speed, comfort and economy of the airplane have made it possible for thousands to travel abroad who could not previously do so. During fiscal 1949 more passengers entered and left the United States by air than by ship for the first time in history.

Provided that the industry is able to depend upon a stable regulatory policy from Congress and the Civil Aeronautics Board, the year 1950 should be a better year for air travel than 1949 and should lead to continued improvement of airline finances.

It is generally agreed that the airline troubles of the first three postwar years resulted primarily from two factors—the chaotic competitive situation created through indiscriminate certification of additional carriers and the almost totally unregulated operations of so-called "irregular" carriers, and from the unrealistic fares and mail rates established by the wartime Board on the basis of abnormal load factors.

The international air travel picture especially is en-

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couraging for 1950. With the continued recovery of Western Europe, the reduced costs of tourism resulting from currency devaluations, and the impetus of the Holy Year in Rome, it is expected that travel to Europe will be substantially higher in 1950.

Special Holy Year tours and organized pilgrimages to other shrines and points of interest will further stimulate travel abroad by Americans. For instance, TWA, the only United States airline certificated to serve Rome, has arranged a number of low-cost Holy Year tours, some of which provide all-expense trips of two weeks for under $650.

All airlines and shipping companies will share in this increased travel and the European economy will benefit from it. In the last three years the scheduled airlines of the United States and of other countries have opened new markets for travel and goods, have set high standards of service and operation which has encouraged the use of air travel generally and generated new potentials of air transportation. And competition—regulated, orderly competition—has been responsible for this development of international air transportation.

This policy of competition is the policy of our government. It was laid down by President Truman when he approved in 1945, the basic pattern for trans-Atlantic air operations by three United States flag carriers to the British Isles, Europe, Africa and Asia. Regulated in an orderly fashion by the Civil Aeronautics Board and by the industry itself, through the International Air Transport Association, this competition has stimulated traffic on all airlines and has kept standards of responsibiltiy, safety, schedule frequency, on-time operation and passenger comfort and service high at the lowest air fares in history.

In line with this responsibility to its obligation to serve adequately the routes for which it was certificated under the President's decision, TWA has been planning all during 1949 to accommodate Holy Year travel to Rome throughout 1950. Part of this preparation has been the purchase of 20 new Constellations at a cost of $20,000,000. We will begin receiving delivery on these this spring and will put the new Constellations into trans-Atlantic service beginning in April. By this summer TWA trans-Atlantic schedules will be the most frequent in our history, including four to five flights daily to Rome. All in all, we will have more than 51,000 seats to offer the traveling public to Rome throughout 1950.

Early in 1949 the Civil Aeronautics Board issued a statesmanlike document which indicated a thorough understanding of the industry's basic problems and enunciated policies for dealing with them. Some of the Board's recent actions have indicated an inconsistency with these policies. However, we are hopeful that these will be corrected and that the Board and the government will continue the sound program which resulted in a healthy industry in 1949 and on which the future stability of the industry depends.

BYRON DUNN

President, National Bank of Commerce, Lincoln, Neb.

This article is written after the year 1949 has been completed, and to us it is more than necessary to review the past year in order to know what is ahead for business in 1950. We will speak principally for the banking business, which should be the leadership in every community for every business in that community, and you can pretty well judge the community by the leadership that is taken by the men and women in the banks. If they are active in promoting business for themselves and their neighbors, you will find a good community. To us here at the National Bank of Commerce we feel keenly our responsibility to our depositors and stockholders as well as the people in the community, and everyone of us is educating ourselves to take our place in the bank as well as in the community; and I would like to urge every bank in the nation to educate their clerks in order to make officers of them. There are a lot of good, fine schools in each community as well as in the larger centers that can be used.

Byron Dunn

There will be no trouble about future prosperity for this nation if we can keep the bankers educated to the things that need to be done in order to keep everyone prosperous. 1950 to us looks like a good prosperous year because we have a lot of livestock and grain in the hands of the farmers. We have several fine agricultural colleges in the Middle West that are doing the research necessary to increase production at less expense and to control the pests that destroy our agricultural products. To these men and women doing this research work we wish to say thanks and to the bankers we want to urge them to use the experiments and help get them into the farmers' hands for use.

The men and women in our farming communities and in our industrial communities in the Middle West are all at work. Strikes and idleness destroy our economy and we are very greatful that that is not in the thinking of the people in the Middle West.

Political tinkering wiht the economy does considerable damage, but I don't believe our senators, congressmen and political leaders will do too much experimenting with ou reconomy when the present rules and regulations are serving the people well.

R. L. FITZGERALD

Editor "Boot and Shoe Recorder"

Since 1946, which witnessed the all time peak in peacetime operations of the shoe industry, sales and production have followed a remarkably stable and uniform pattern. 1946 was the great year of postwar inventory replenishment and production in that twelve months period passed 525 million pairs. The total dropped to 468 million pairs in 1947, followed by 462 million in 1948 and approximately the same in 1949, with the final U. S. Census Bureau figures not yet available. The most interesting trend during this period has been a rather noticeable decline in production and sales of conventional types of all leather women's shoes and a corresponding increase in the newer casual types.

According to the best informed industry opinion, there appears to be little present prospect of any marked change in this pattern of stability in shoe trade operations during 1950. The industry, both at the manufacturing and retail levels, is exceedingly active in promoting its products to consumers and distributors. The National Shoe Institute, organized a little more than a year ago and jointly sponsored by the national associations of manufacturers and retailers, is carrying on an extensive public relations program to make consumers more aware of the importance of footwear and the need for more varied and extensive shoe wardrobes.

But the industry recognizes that this project must be regarded as a long-term program, supplemented by much individual effort along the lines of better styling, more effective promotion and more efficient selling. Methods of production in many factories are likewise being subjected to critical scrutiny and re-examination to determine the possible effects that improved production procedures might have on the shoe cost structure. But in many respects, salesmanship and selling are regarded as the weakest links in the chain of merchandising. Every possible effort will be made to strengthen them.

In its January 1, 1950 issue, "Boot and Shoe Recorder" published a comprehensive study of recent trends in shoe production and consumption, concluding with the following comment on the outlook for the coming year:

"If the character of general business developments in 1950 is not marked by unusual or startling change, both the production and the consumption of shoes can reasonably be expected to approximate the volume gained in 1949. It is not believed that any excesses sufficiently important to cause a substantial adjustment in production existed at the end of 1949. Caution and restraint during the past year have prevented the appearance of maladjustments which could lead to prolonged curtailment in the rate of activity needed to meet the stable per capita level of demand.

"Manufacturers' operations may be aided somewhat in the coming year by the possible improvement in supply conditions which may occur with the easing of foreign trade barriers. Signs of hope in that connection made themselves manifest in the last quarter of 1949; a greater degree of normalcy in foreign trade would tend to restore the freer flow of hides and skins to the United States and thereby contribute to increased stability in leather and shoe markets.

"Whether the shoe industry can reach a higher objective both for physical volume and dollar sales than in the preceding two years may well depend entirely upon the efforts of the industry and of its most progressive elements. There are new paths to be marked out in elevating the status and prestige of footwear, in energizing the merchandising impact of the industry throughout consumer markets. If any real growth is to be recorded by the industry, it must be the product of conscious and determined effort because the operation of normal economic forces cannot produce an end result in 1950 substantially different from the record of 1949."

FREDERICK V. GEIER

President, The Cincinnati Milling Machine Co.

Any appraisal of the 1950 outlook for machine tools should be based on an understanding of the position of the industry during the war years and since. Because of the poor health of the industrial economy in the 1930s, America failed to keep her productive equipment up to date. Then the lack of industrial preparedness prior to Pearl Harbor contributed further to the eleventh-hour pyramiding of wartime requirements for machine tools. Nevertheless, the industry managed to organize wartime production in its own and sub-contract plants so as to reach a 1942 output of $1,340,000,000, over seven times the prewar peak volume. As a result, the extreme war-period production of machine tools in effect anticipated a number of years' future production of certain standard types of machines.

Frederick V. Geier

The redistribution of several hundred thousand of these war surplus machines has materially lessened the number of new postwar design machines that would otherwise have been built new to meet the expansion and replacement demand of the past four years. During this period in the United States capital investment in plant and equipment has been running at record levels yet, largely for the reason indicated, the proportion of funds invested in new type machine tools has been below normal.

Perhaps it is as well for the machine tool industry that the redistribution of war surplus machine tools has been accomplished, but now that the American economy is once more back to highly competitive conditions at home and in export markets, it is unfortunate that so high a percentage of America's productive machines are of prewar age or design.

Within two years from V-J Day the machine tool builders had designed and brought out many new models considerably more productive than the prewar types. Many of the postwar machines and tooling methods show startling increases in productiviey, in precision of work done, and in cost savings. They are generally conceded to average at least one-third more output. Yet comparatively few of the postwar machines have been installed and as a result over 95% of the machine tools in use today are of prewar type, embodying ideas and mechanisms prevailing more than 10 years ago.

This means that U. S. production costs are at least half a billion dollars a year more than they would be if up-to-date machine tools were doing the work.

With the return of highly competitive conditions, industry is showing increasing interest in the cost-saving possibilities of new design machine tools. The need for cost-savings and production economies, which sooner or later should be translated into orders for new machine tools, will be a major factor in the industry's picture for 1950. Those machine tool companies whose product and engineering know-how meet these needs enter 1950 with substantial orders on the books and encouraging prospects.

America can hardly hope to maintain a rising postwar standard of living with production based on prewar machines. If America is to go forward, it will take a lot of highly productive, up-to-the-minute new machine tools.

CROIL HUNTER

President, Northwest Airlines, Inc.

I expect that air carriers of the United States, in both domestic and foreign operations, will do more business in 1950 than in any previous year—carrying more passengers more miles, having heavier hauls of cargo, and taking in greater revenues.

Croil Hunter

I think that figures in all these items will exceed those of 1949, a year which itself broke previous records.

In every year of recent history, with the exception of 1948, the domestic air trunk lines have increased their passenger business over the previous year. This has been true despite the shifting competitive positions of surface transportation, as reflected in increases or decreases of railroad Pullman or coach service, or inter-city motor bus travel. This airline growth should continue in 1950 and for a number of years to come.

This growth in domestic airline travel is the result of many factors. The airlines, have made it possible for the economy-minded to enjoy air travel within the limits of their budgets. Substantial fare reductions have been provided through coach service, commutation books, the family plan, round-trip reductions. One of the outstanding trends has been toward the growing acceptance of coach service. This has been tried out by Northwest Airlines on various types of runs, to Alaska, transcontinentally, and in local heavy density traffic. Its acceptance under these diverse conditions has demonstrated the public need and support.

Air service will be more attractive to more persons in 1950 than in 1949, for there will be a greater use of newer, faster, more luxurious types of aircraft, like the Martin 202s and the Stratocruisers which Northwest Airlines is flying on its domestic and overseas routes.

Improved navigation aids will make air travel more dependable, with fewer cancellations and delays.

In predicting more air travel in 1950, I realize that in recent years one transportation index—total inter-city travel—has been declining. Yet, so far as airline business is concerned, the effect of this decline in inter-city travel has been more than offset by increasing advantages offered by the air carriers.

Most of the comments I have made about domestic air traffic apply also to international air travel. This international travel will be stimulated by the many persons going to Europe to observe Holy Year. It will be promoted also by new overseas services, like the overnight flights to Honolulu through the Pacific northwest gateway of Seattle, Tacoma and Portland inaugurated by Northwest Airlines; by the continued development of Alaska; and by many improvements which are evident in the Orient despite the instability in China.

So far as the Far East is concerned, Northwest Airlines, with its short-cut route, is in a strategic position to benefit by the growing though unspectacular improvement in some parts of that area.

In addition to anticipated growth of passenger travel in 1950, I expect that the industry will also develop its air cargo business to a large degree. It is only recently that the scheduled airlines have had enough planes to attempt to expand air freight to the fullest extent.

The year 1949 saw great strides being made in this field, and 1950 should show the cumulative effect of this groundwork and of the establishment of new and improved air cargo facilities.

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The State of Trade and Industry

ment and increase in unemployment is caused by many people dropping out of the labor force.

Pointing out that a sizable increase in unemployment is to be expected between December and January because of seasonal developments, Secretary of Commerce Sawyer added, that it was noteworthy that industrial employment did not, appear to be materially affected. A year ago industrial layoffs were an important factor in the rise in unemployment.

According to the Census Bureau unemployment rose to a postwar high of 4,480,000 persons in mid-January. The 991,000 increase over the mid-December, it said, appeared "to be due primarily to curtailment in seasonal industries." Bad weather in many parts of the country, the bureau added, also cut down construction and farm employment.

STEEL OUTPUT TO DECLINE FOR FOURTH CONSECUTIVE WEEK DUE TO COAL STRIKE

Buyers are not breaking down the doors of mills and warehouses to get steel but they certainly are knocking with a heavy hand according to "The Iron Age," national metalworking weekly, in its current summary of the steel trade. The racket is coming from the men who make consumer goods.

The pattern is not he same as it has been in previous postwar days when the steelmaking rate was in the 90's. In the capital goods line the drive is on improving existing facilities—on costcuting machinery and equipment, the magazine states. Materials handling equipment sales are rising. So are machinery sales, with emphasis on automatic welding machines and fast new machine tools, many with automatic indexing, transfer and handling devices —all designed to lower labor costs.

In sheet and strip steel the demand is more than a flash in the pan. It reflects the growth of the consumer durable goods market—motor cars, refrigerators, washers, etc., this trade authority observes. That it is a long-term trend is verified by announcements within the past two weeks that more than a million tons of additional sheet and strip rolling capacity are being installed by two major steel companies. The increase will be over two million tons when U. S. Steel's Eastern seaboard mill plans are announced.

With consumer goods production still booming and with most observers predicting a good first half, a few capital goods prospects are getting a little brighter but much of them are still prospective. Inquiries for generating equipment are up sharply. Backlogs of manufacturers of food processing equipment were falling fast last fall but the picture changed in December and picked up a bit more last month.

Chemical plant construction is still off, along with most other plant construction. But steel demand for the oil and gas industries is stronger than it was a few months ago. Bridge and public building construction are keeping structural steel fabrication at a fairly good level, and promise to do so for at least another five months. But all in all, the heavy equipment picture can best be described as an executive of a big industrial equipment firm put it, "We'll be happy to start work right now on anything anybody orders."

The slump this week in the national steelmaking rate is nothing compared to what will happen to steel production next week if the miners do not go back to the pits. Even this week's rate may be revised downward. Only the fact that steel companies had better than average coal stocks going into this labor trouble prevented a sharp cutback some weeks ago. However, "The Iron Age" declares, they are fast approaching the danger point themselves and if there is no assurance of a quick return of the miners they will soon begin banking blast furnaces to protect them.

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 91.5% of theoretical capacity for the week beginning Feb. 6, 1950. This is a decline of 1.6 points from last week's rate of 93.1%.

This week's operating rate is equivalent to 1,744,200 net tons of steel ingots and castings for the entire industry compared to 1,774,700 net tons one week ago. A month ago the rate was 94%, a revised figure based on the industry's increased capacity on Jan. 1, and production amounted to 1,791,900 tons; a year ago it stood at 100.1% and 1,845,400 tons and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT RECOVERS TO ESTABLISH A NEW ALL-TIME HIGH RECORD

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 4 was estimated at 6,062,095,000 kwh., according to the Edison Electric Institute.

This figure represents a new all-time high record in the industry's history.

It was 90,433,000 kwh. higher than the figure reported for the previous week; 283,619,000 kwh., or 4.9% above the total output for the week ended Feb. 5, 1949, and 649,734,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS 2.8% HIGHER THAN WEEK AGO

Loadings of revenue freight for the week ended Jan. 28, 1950, totaled 636,415 cars, according to the Association of American Railroads. This was an increase of 17,465 cars, or 2.8% above the preceding week this year.

It represented, however, a decrease of 42,887 cars, or 6.3% below the corresponding week in 1949, and 89,930 cars, or 12.4% below the similar period in 1948.

AUTO OUTPUT IN LATEST WEEK CUT BY 33,000 UNITS DUE TO CHRYSLER STRIKE

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada is estimated at 127,656 units compared with the previous week's total of 141,036 (revised) units.

The Chrysler strike accounted for 33,000 units of lost production, the report stated.

The total output for the current week was made up of 98,434 cars and 21,789 trucks built in the United States and 5,293 cars and 2,140 trucks built in Canada.

The week's total compares with 102,981 units produced in the U. S. and Canada in the like 1949 week.

BUSINESS FAILURES EASE MODERATELY

Commercial and industrial failures declined to 199 in the week ended Feb. 2 from 232 in the preceding week, according to Dun & Bradstreet, Inc. Although casualties declined from the postwar peak established in the previous week, they continued above the 145 and 97 which occurred in the comparable weeks of 1949 and 1948. They were noticeably below the 318 failures in the similar week of prewar 1939.

WHOLESALE FOOD PRICE INDEX POINTS SLIGHTLY HIGHER

The wholesale food price index, compiled by Dun & Bradstreet, Inc., edged one cent higher last week to stand at $5.79 on Jan. 31, only 1.5% under the comparable 1949 figure of $5.88. Except for Nov. 29, when it also registered $5.79, the current level of the index is the highest since Sept. 13, when it stood at $5.85.

The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX TOUCHES HIGHEST LEVEL IN ALMOST TWO MONTHS

While continuing to move in a narrow range, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., edged slightly upward the past week to reach the highest level in almost two months. The index closed at 246.95 on Jan. 31, comparing with 245.25 on Jan. 24, and with 261.72 on the corresponding date of last year.

Cash wheat was quite active with brisk demand noted from mill and elevator interests.

Crop reports showed a continued lack of surface moisture in western and southwestern winter wheat areas with some deterioration actually indicated in some sections. Cash corn prices were somewhat firmer aided by fairly persistent export demand. Shipping demand continued light.

Stocks of corn in all positions as of Jan. 1 were estimated at about 2,830,000,000 bushels, according to the Bureau of Agricultural Economics. This was said to be the largest on record, exceeding last year's comparable figure by 188,000,000 bushels.

The domestic cotton market displayed continued firmness last week with spot prices rising to new high ground for the season.

Although there was some hesitancy at times due to uncertainty over Washington developments, the market was stimulated by active buying for mill and export account and further favorable reports from the goods market.

Sales in the 10 spot markets last week totalled 260,500 bales, only slightly less than the 263,600 reported the week previous, and considerably above the 228,000 bales in the corresponding week a year ago.

Loan entries of cotton in the week ended Jan. 19 were up slightly to 152,000 bales, from 145,000 bales a week earlier. Aggregate entries for the season to date were reported at 2,784,000 bales, as compared with 4,307,000 bales entered to the same date last season. The undertone in cotton textile prices remained strong. Offerings were reported scarce for first and second quarter delivery.

RETAIL TRADE ADVERSELY AFFECTED BY UNSEASONAL WEATHER — WHOLESALE TRADE SPURRED BY EASTER BUYING

Unseasonal weather continued to affect retail buying adversely in the period ended on Wednesday of last week. Dollar volume for the country was fractionally below last week's level and slightly under the level for the comparable period a year ago, Dun & Bradstreet, Inc., states in its current summary of trade. A favorable response to house-furnishings promotions forestalled a more noticeable decline following the severe cold in the Northwest and unusually mild weather in many other areas.

Television sets, refrigerators and other large appliances were in considerable demand with promotions figuring heavily in their popularity.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 2 to 6% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages.

South and Midwest —3 to —7; Northwest and Pacific Coast —4 to —8; New England —1 to +3; East —1 to —5 and Southwest 0 to —4.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 28, 1950, advanced 2% from the like period of last year. In the preceding week no change was registered from the like week of 1949. For the four weeks ended Jan. 28, 1950, sales reflected a decrease of 8% from the corresponding period a year ago, but for the year to date show a decline of 5%

Retail trade in New York the past week held close to the volume set in the comparable week a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Jan. 28, 1950, showed no change from the like period last year. In the preceding week no change was likewise registered under the similar week of 1949. For the four weeks ended Jan. 28, 1950, a decrease of 9% was reported from the like week of last year. For the year to date 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."

Continued from page 14

News About Banks And Bankers

member of the Executive Committee of Affiliated Retailers, Inc.

* * *

The New York State Banking Department approved on Jan. 13 the certificate of increase of the capital stock of the **Trade Bank & Trust Co. of New York** from $1,800,000 to $2,000,000. The stock is in shares of $10 each.

* * *

Approval by the New York State Banking Department of the certificate of increase of the capital stock of the **Pennsylvania Exchange Bank of New York** from $600,000 to $700,000 was granted on Jan. 13.

* * *

George A. Macomber, Vice-President and a director of the **Cambridge Trust Co. of Cambridge, Mass.**, has been elected President, effective Oct. 1, 1950, it was announced following a meeting of directors held on Jan. 30. He will succeed Alvan B. Hathaway, who has been President for the past 30 years and who retires Sept. 30, 1950, in accordance with the bank's retirement plan. Mr. Hathaway will continue to serve as a director. Directors announced that other executives of the trust company will continue in their present capacities. Mr. Macomber has been a Vice-President and the bank's secretary for the past 15 years and a director for 10 years. Formerly, he was associated with the National City Bank of New York, the Federal Reserve Bank of New York and the National Shawmut Bank of Boston.

* * *

Announcement has been made by Ostrom Enders, President of the **Hartford National Bank & Trust Co. of Hartford, Conn.**, that Maynard T. Hazen, a director of the bank since Oct. 2, 1940, had requested that his name be withdrawn for nomination for election for the coming year, and had submitted his resignation as Senior Vice-President in charge of the trust department. His place as director was filled by the election of Lucius F. Robinson, Jr., who was originally elected a director on March 3, 1944, and became an honorary director on July 15, 1949, at the time of the consolidation with the First National Bank. Mr. Hazen's request was due to his desire to lessen his responsibilities incident to the loss of his eyesight; he, however, consented to serve as an honorary director, and has also been designated by the directors as Trust Counselor. The Board at its organization meeting elected Barclay Robinson, as Senior Vice-President in charge of the Trust Department. Mr. Robinson, a partner of the law firm of Robinson, Robinson and Cole, has been associated with that firm since his graduation from Yale Law School.

* * *

The **Connecticut Savings Bank of New Haven, Conn.**, announces the death on Jan. 29, of Harold K. English, a Vice-President since 1933.

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Osborne Atwater Day, for 29 years a member of the staff, and Vice-President and a Director of the **Union & New Haven Trust Co. of New Haven, Conn.**, when he retired on Jan. 1, 1949, died on Jan. 30. He was 72 years of age. Mr. Day, said the New Haven "Register" of Jan. 30 was the son of the late Wilbur F. Day, a former President of the New Haven Bank (N. B. A.).

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The Supervision and Follow-Up of Salesmen

or from something he learns from material you present to fortify your case.

Self-Supervision

More important, even than that, is the supervision that a man gives himself, and gives his territory, and the service that he gives prospects and customers.

Self-supervision can only be taught, I contend, if the supervising sales executive has enough know-how to actually meet field conditions with the salesman, talk his language, and not give him a lot of hoorah about things he should do—things the sales executive, himself, has never done. You know, even the raw recruit can see through the sales executive who deals in theory, or who does not know what he is talking about. He can always see, with a clearer pair of eyes, the sales executive who knows what he is talking about, and, on self-supervision, he will take advice from that type of man.

In our business, my chief, Mr. Thomas J. Watson, has always preached the gospel of operating on the firing line with the salesmen. In our business the sales executives are always on their toes, and always up-to-date, not only with marketing conditions, but competitive selling conditions in the field, because it is a definite rule of our business that we do not try to direct the sales organization from soft swivel chairs in the home office.

Usually, all that we do with the salesmen, on the firing line, is to assist them on different jobs. Mr. Watson has taught all of us in IBM that if a salesman is to lose an order, he should lose it with his sales supervisor. They should go down together, each sharing the responsibility and the experience gained in the loss.

So, therefore, it is necessary to keep up-to-date, in selling, particularly at a time like this. I believe that men who have entered selling during the past nine years have had little experience in the type of market that we are in at the present time—a buyer's market. They have enjoyed the fruits of a seller's market, and it is questionable whether a seller's market is good for a salesman's career. Of course, I know, and many of us know, that it is good for his pocketbook, but I, personally, do not think that it is good for his future stability.

If selling is to be learned the salesman must face conditions in a realistic way. It is the only way he can really learn the profession.

Also, during these nine years, some sales managers have become smugly complacent, and have done little if anything to aid, guide, and counsel salesmen in doing a well-rounded job. We should consider what a salesman is, and what a sales manager is.

Work of Sales Manager

I like to look upon a salesman as a man who develops sales, and a sales manager as a man who develops men. You can develop men only by working with them, helping to supervise them properly, and teaching them self-supervision. In this buyer's market era, I believe it is the time to review, put into effect, and sell ourselves, as salesmen, by returning to some of the foundamental principles of selling—by using every possible sales tool.

You know, when the buyer's market struck, there were many companies that were quite unprepared for it. Even their executives were not prepared to do selling in a buyer's market, and they had to find out, in the hard way, what it takes, what were the necessary changes that had to be made in order to meet conditions they suddenly faced in their business.

I think it is an important thing to be awake to the conditions, as salesmen and as sales executives, because you salesman have to realize that in a buyer's market you may have to change your thinking. In a seller's market you may have been doing a swell job of selling at a 200% rate, while in a buyer's market, if you are still doing a good pob and selling at a 100% rate, it may not be good enough to sustain you, and sustain your family.

So I realize that the salesman and the sales executive have a problem, a problem in human relations as to whether salesmen are going to be satisfied, operating at a 100% rate as against what they earned at the 200% rate.

But more important, I think, is whether those men will remain in the business and also whether you, as a salesman, would do better in some other business. If you have the right product, if you have selling ability, and you are able to apply yourself properly and will follow one of the fundamental principles of selling, which is—more calls, more demonstrations—then you will make more sales.

I firmly believe that the law of averages takes care of a salesman, in that case, but I also believe that it is the main difficulty with salesmen. The average salesman does not look upon his own little territory as his business, and I know of nothing in this country, under our free enterprise system, that is more of a separate entity and a little business of your own, than sales management, or handling a sales territory. When I was a salesman, here in New York City and had the territory between 32nd and 42nd Streets, that, to my mind was my little kingdom. It was my territory, and I looked upon it as my business, and tried to manage it accordingly.

I believe that that is what all of us should do, in whatever area we cover, and whatever accounts we cover. We have to develop in our operation the spirit of becoming self-starters, and the habit of supervising ourselves.

In our company, we do this matter of supervising and training men to supervise themselves through a few simple forms. One of the forms that we use is what we choose to call a daily call report, and on that daily call report each salesman analyzes what he did that day. Printed on the front of that call report are four simple questions.

Salesmen's Reports

We don't want the man to spend a lot of time doing detail work. We do not want him to write a narrative report of every call he has made. We do not want him to write a history. But we do want him to do enough of a job so that he can use it as a medium of self-supervision, and so we ask these four questions:

"What did you talk about"?

"What was the reaction"?

"What are you going to do about it"?

"When are you going back"?

In other words, if we had a call to make and we made it, did we have something specific to talk about? Did we have a definite objective? Did we reach that objective? Did we come to some conclusions? What are we going to do about those conclusions? And, have we made an appointment to make this a closed issue? When are we going to go back?

That, to my mind, is not so much a sales manager's report as it is a salesman's report, of self-supervision. If I were to go out tomorrow as a salesman for any other organization, whether that organization had a call report form to be filled out or not, I would make out a call report on every call I made, and I would analyze it by asking myself those four questions, because it is my belief that if a man does that, each succeeding call he makes will be a better call. It has to get him closer to selling somebody something.

We also try to get our salesmen to know the principal industries in their territories, the companies within those industries, their method of manufacture and distribution, the names and responsibilities of the top executives in those companies, so he learns, sooner or later, something of their problems which his products can solve. We feed the salesman continually with promotional information that he can use as a selling tool in making these contacts, and in sustaining interest in the company or in his product, and sustaining the interest of his prospect in the things he is talking about. Our belief is that if we focus a salesman's attention on a piece of literature, or a picture, or something definite, we feel that that old Chinese proverb is pretty good, that a picture is worth a thousand words. If you can get something in front of a prospect to hold his attention, and then send home your selling points, I think a good deal of your selling job is done.

Training Salesmen in Right Attitude

Therefore, we feel that it is rather necessary to train a salesman to have the right attitude towards his territory, to have the right attitude towards his operation and always to feel that his prospect is only his prospect when he is sitting across a desk talking to him. and putting across ideas. When he is not doing that, then the prospect is someone else's prospect.

We also try to get our salesmen to consider their territories as their own little business, as their kingdoms, because we feel that it can be a gold mine or a poorhouse, depending upon the way they look at that territory.

It has been said that the greatest things in the world have been done by those who systematized their work, by those who organize their time. In our company, we say, "Plan your work and work your plan", and so in addition to this daily call report we have what we call a weekly working plan, and that plan we feel differs somewhat from any of the weekly working plans that are shown in most of today's sales books. Most of the others show a plan of making calls by days, a listing of names by days.

The front part of our report covers that particular phase of the operation, but in addition to that we have the front half of the report divided so that we enter the additional calls made, over and above those that were planned.

On the reverse side of the report we have what I like to look upon as the weekly balance sheet that a salesman writes, of his operations. In that report, he summarizes his accomplishments, and his failures. In summarizing his accomplishments, he writes the total number of calls he made, the amount of business he closed, the number of demonstrations he made, the number of demonstrations he plans to make during the coming week. the number of proposals he plans to present during the coming week. It also shows, by major phases of activity, the total number of calls under each grouping, so that he can check his total number of calls made against the business closed and against the demonstrations he made, to see whether he is doing a well-rounded job of selling. In that way he supervises himself.

That report and the first one I referred to, the call report, are not sent in to our home office. They are used at the local office level only, so that the local office manager can help the man in analyzing his operations, in assisting him where he needs assistance, and bearing down where he has to bear down, on getting the job done.

On the other hand, the man who is doing a good job on self-supervision uses it as a spur, to do a better job each week. In other words, to better his best. That is, the producing salesman's attitude.

Setting Up a "Bogey"

Going hand in hand with these two operational reports, or two tools of self-supervision, we have a record card. On it is outlined the requirements for the salesman to do a job.

That is, we have a bogey. It isn't something that we pay the man on. It isn't something that we say he has got to do it, but we do set up a bogey, of a certain number of prospect calls and customer calls that he should make each day—and that differs, by the way, with the different types of business that we have. For our Typewriter Division we have one series of standards, and for our Time Clock Division, another, and for our Accounting Machine Group, we have another, but we do set forth the goal that a salesman should be trying to attain if he is going to do this job of selling.

Then, in addition to the reports I have mentioned, we have a forecast report, in which the salesman forecasts, the business he expects to close during the next 90 days. This is another incentive to self-supervision, because we find that some salesmen consistently close only 20% of what they forecast.

The salesman who is supervising himself and finds that he is consistently closing only 20% of what he has forecast, must realize that he must always have five times as much business forecast as he has quota, because if he is only getting 20% he has to forecast five times as much.

There are some salesmen who close 50% of what they forecast. That type of salesman has to have double his quota forecast, and it's a funny thing how you can analyze records of men and find, over a period of many, many months, and a period of years in some cases, that their percentage runs pretty consistent.

This may where, in one case, a man is over optimistic and another case where a man is pessimistic, or it may be where a man is playing safe. However, there is a pattern that is established, and I think a salesman can see the pattern for himself, as to how he's to operate in order to assure his doing the amount of business that he thinks, or his management thinks, he should do, in order for him to make progress in the company.

Above everything else, we try to encourage our salesmen, sitting down with these reports, and with his supervisor, They sit down each week and review their reports with their supervisors. This is important, particularly during the early stages of a salesman's training, so that the supervisor may evaluate the salesman's operation and have the salesman evaluate his own operation. This is done to help the salesman while he is getting started in a new territory, or on a new job, so that he will not run into the pitfalls that he might stumble upon if he were not given sufficient help.

Prospecting Activities

We must analyze each salesman's operations and success, and then give him the necessary assistance to help him do the job and also to help him check up the performance standards with the actual results.

Another thing we lay a lot of stress on is what we call a prospecting activity report. In many cases most of the companies and their salesmen know what calls they have made. But few companies and few salesmen analyze, to find out the ones they are not calling on. So the report that we get and the one that proves particularly valuable to us is what we call a prospecting activity report. This tells us by every salesman and by every territory, the individual prospects in that territory and the number of times they were called on each month.

That may sound like a very elaborate report. Take my word for it, it is a very simple report. It takes very little time for us to complete that report each month, but it gives the salesman the best basis of quickly telling, at a glance, where he may be running into trouble. If he sees a lot of wide-open spaces opposite a customer's name, indicating that he has not been making calls, it may indicate that he will have some trouble, or perhaps someone will get there ahead of him and make a sale. That is a situation we watch continually.

All of these reports that I have discussed are ones that we find, when properly used by a salesman, will enable him to do a job of self-supervision and, as I said, not all of these reports are sent to the home office. They are used only at the local office for the purpose of local branch manager supervision and for the matter of self-supervision by the man, himself.

The only call reports we get at the home office are for our men who are returning at less than 50% of their quota. We get these reports because we feel that we have an obligation to the salesman to give him every bit of assistance we can to help him become a success. We feel we have a very definite investment in each salesman, and unless we find out quickly whether he is doing a job, whether he is making the progress that we hope to have him make, analyze his reports, and find out perhaps the weaknesses that may exist. We see to it that he is given assistance to become a producing salesman, because we feel that, for each salesman we have to drop, we must train two to replace him. We feel that our job is a lot easier when we salvage men, rather than to let them go by the boards. Our job is one of salvaging.

You know, in this matter of selling, and in this matter of operating, we feel that, under the conditions of a seller's market, where orders were easy to get, unless we keep our salesmen trained and unless you keep yourselves trained in selling during a buyer's market—a competitive market—you will not be salesmen tomorrow.

Danger of Becoming "Diplomatic Beggars"

Salesmen can very quickly, if they don't keep on their toes, deteriorate into diplomatic beggars, and that is what many salesmen do. They don't keep abreast of the times, you have to think about this matter of self-supervision. Many years ago I heard Mr. Watson say:

"A minute has no negative qualitise. It can be made to yield something, not nothing. Every minute the clock ticks off yields something beneficial or something detrimental."

There is a lot of sense to that. The only thing a salesman has to sell is his time—his time before a prospect—His earnings in most cases depend upon what he does with his time, so every salesman should analyze the amount of time he has available to devote himself to selling, because it's rather an important thing. If you will think about it, we have 365 days in the year and if your deduct 52 Sundays in the year, and deduct only half a day for Saturdays, and deduct the holidays, of which we have 12, in most States, and a minimum vacation of 11 days, then you have 101 non-working days, or 264 net working days. This is about 22 days a month that every salesman should divide into the actual amount that he expects to make each month to get what he expects to make each day, and analyze, then, the amount of money that you are making on that basis. If you want to make substantial earnings then you should make your total large enough to make it interesting, and you should think about how you have used that time; and how those 22 days a month should be divided into hours in order to spend the most profitable time with the people who can buy—prospects to whom you can tell a story that is going to mean something.

This kind of thinking, I contend, will enable a salesman to use the necessary self-supervision to do a proper job, and you know, this matter of selling is comparable to turning on a faucet. I contend that you can make selling hot, cold, or medium, whichever way you want to make it. Our jobs, as salesmen, are to keep it hot, and the only way you can keep it hot is having a live, red-hot story, having a good, interesting kit to go out and talk about, and keep a prospect's interest. Make him realize that you have something that he needs and wants; above everything else. We have to look continually for new frontiers in selling. We have to look for new prospects and new places where we can market our wares, and we also must be blessed with a glorious discontent.

We should constructively criticize our operations, so that we will improve them, and do a better job tomorrow than we did today. I say that a salesman's success depends chiefly upon the frequency with which he presents his propositions, the frequency with which he exposes himself to orders, because calls and interviews have almost a fixed mathematical relationship to the amount of business done.

Immediately after the war, I was told that when the boys come back from the service there would be a new way of selling. We were going to have to sell differently. Frankly, I felt that there was one thing which we would never have to change, and that is what I have stressed here. I am going to repeat it:

More Calls Equal More Sales

More calls, plus more demonstrations, equal more sales. I don't think we will ever change that principle of selling. That is the soundest principle I know of to go by, and I say that you can take a mediocre salesman and if he will make a sufficient number of calls, and tell enough prospects what his product will do, he will do a pretty good job of selling. Take the best salesman in the world and make him double his number of calls and I think you will find that he will double the amount of business he produced.

I think, if we are always spurring ourselves on to do a better job of coverage, we will all be making more money and making better records. You know, the salesman may, through lack of experience, or through fear or poor preparation, be unable to get his story across, but if he comes to this sales executive of his, talks to him about the job he is doing and asks him to help him analyze it, he will find that the constructive suggestions and the constructive help that he can get in that way will, many times, change his attitude on selling, overnight. I do not think there are enough salesmen who go to their executives and say, "Here I need some help. I think there are some places where I am failing in selling."

When I started out in selling I came in every night with several pages of a notebook filled with notes that I took on things that I felt I had failed on during the day. I listed the questions that I could not answer, and I selected two salesmen in our organization who were diametrically opposite to each other, as far as selling went. I would go to each one in turn and ask how they would have handled that specific type of situation, what answer they would have given to the question that came up.

In that way, I built up a selling repertoire that helped me considerably in doing a job and developing my selling ability. There are too few men who do that, and if we will only expose ourselves to the things that perhaps we know we did wrong, tell someone about them and ask for their help, we will find that this is the kind of supervision we can give ourselves—the kind that will pay big dividends.

It has been said that a salesman is a man who sells. That definition may sound trite but if you think about it you will find that it really is thought-provoking. It eliminates all the men who go through the motions in a territory but who never consistently produce the outstanding records of real salesmen. Let's think about this matter of working the territory and supervising ourselves and, above everything else, don't rationalize, because as Robert Quillen said, in his newspaper column, a short while ago "Rationalizing is the tactful, modern way of describing the act of fooling yourself," so let's be practical.

Salesmen Create Demand

It is a matter of historical fact that in almost every field, in good times or bad, some companies have moved ahead of the rest of the pack through their aggressive and progressive sales policies, through proper emphasis upon the fundamentals of selling.

I contend that you cannot only ride the crest of the wave of a seller's market or a buyer's market, but you can actually create waves of selling of your own, and salemen can do the same thing, within their individual territories.

So, I would ask all salesmen to disregard any market as being a buyer's or a seller's market. We, as salesmen, should look upon all markets as salesmen's markets. Now, do you men who are selling, and to you men who supervise or support salesmen in the field, you who manage salesmen, my best suggestion in sales work is to plan your work, and work your plan. In doing so, remember that a prospect is only your prospect when you are sitting across the desk talking to him. However, in making plans for calls and on follow-up calls, and in getting across your thoughts in connection with selling, I suggest that you eliminate all extraneous conversation. Keep your eye on the ball and in your mind constantly. the fact that a sales talk should be short, the distance between two points—"Good Morning, Mr. Prospect," and "Thanks for the order."

With Delafield & Delafield

Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange, announce that W. Macy Chamberlin has become associated with them.

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The Credit Outlook

with the cooperation of the Credit Policy Commission of the American Bankers Association, has recently completed a survey of credit extended by banks with which its members are connected. This survey confirms the fact that the banks are in a position to take care of the financial needs of the nation and are doing so.

(1) The figures are as of Sept. 30, 1949, with a comparison of the figures as of Dec. 31, 1948. The banks responding numbered 155 (72% of the banks in which the Association has members). These 155 banks hold 36% of the total deposits of all banks and 48% of the deposits of all insured commercial banks. They report that the amounts available to borrowers under confirmed lines of credit, after deducting amounts currently running, is in excess of $11 billion. The figures on total loans show that in the neighborhood of two-thirds of the loan volume is to individuals and firms which do not have regular lines of credit, which is confirmation that the total amount of available credit is substantially greater than these unused lines.

(2) Total loans of the banks responding to the survey were $18,908,000,000 or 30% of their reported deposits of $56,887,000,000, reflecting ample lending capacity to more than take care of the foregoing line commitments if availed of, and any other foreseeable needs of business and individuals.

(3) With few exceptions, the reporting banks had experienced a slight decline in borrowings from Dec. 31, to Sept. 30. This was in part due to seasonal factors, but more generally attributed to factors arising out of the business cycle, including reduction of inventories and receivables, completion of construction programs, retained earnings and lower prices.

(4) Responses to the specific question indicate that with several exceptions, reporting banks have experienced no loss of loans through transfer to government lending agencies. On the other hand, banks responding to the survey do report a substantial amount of their loans as being repaid through refundings by placement with insurance companies or public financing. Estimates ran between 5% and 9% of outstanding loans, and in some cases higher.

(5) The replies show that the banks generally have aggressive and well organized programs for seeking out desirable loans and are not waiting for prospective borrowers to come to them. An increasing number of banks in communities of all sizes are vigorously endeavoring to develop their small loan business to individuals and small business concerns.

From the above it is obvious that there is no evidence that either large or small business is in any way handicapped by a lack of available bank credit. Where business expansion has been retarded or where failures have occurred in small businesses, the basic problem in this regard in most cases has been inadequate equity capital. The reason that the number of small business failures is currently greater than the number of openings of new small businesses, is due to tax policies and other restrictive governmental actions, more than any other single thing.

Dangers In Government Lending

It must also be remembered that it is a basic premise of our system that only the efficient business shall live and that the inefficient shall fail. If the Government undertakes to protect the inefficient from failure, it spells doom for our present high standard of living. If we are going to adopt the policy of taxing the efficient in order tc preserve and maintain the inefficient through subsidy, social credi, or other artificial props, we merel, destroy the incentive which is th mainspring of our economic mechanism. The elimination of inefficient marginal business is unavoidable in a healthy growing economy. Shedding the weak anc inefficient in business is as norma as for a plant, if it is to grov vigorously, to constantly shed it malformed or diseased leaves.

Furthermore, it is obvious tha if we are to keep alive by Federal aid all business venture: which come into existence, then of necessity, we must control by some system of licensing the cre ation of new business units. Whe we take that step we have prac tically reached the cartel systen of the social state.

Increasingly, the tendency is t relieve the individual of the nee to save and have the differenc provided by ever more libera government loans. This is th vogue in our housing legislatio wherein the borrower is given a opportunity to purchase with th minimum of his own equity fund —in some cases with none what ever. This is a complete chang from the sound basis of what con stitutes ownership of privat property as we formerly under stood it. Actually, it is the firs full preliminary step toward socialism. Investment funds in am ple amount to finance America business, both small and large have always come forth in th past without federal aid, when ever business was given a favorable climate in which to live an grow. If there is any one thing the average American will d with his dollars, it is to take risk in business enterprise, if h is offered reasonable hope of an adequate reward, but the risk element must be a fair one and no one in which the cards are stacked against him.

There is one final phase to thi: trend toward socialized credi which I would like to mention. am firmly convinced that the bes safeguard against the extensic of these socialized credit devices beyond their present limits is the preservation and improvement o our system of correspondent banking. When the country bank can go to and get assistance from its city correspondent with its loar problems—especially those which are beyond its legal lending limi —there is no need for the governmental lending agencies as far as the worthy borrower is concerned Surveys conducted by the Association of Reserve City Bankers show that the vast majority of city banks in the corresponden' banking business are cooperating in this matter with their correspondents. If there exist any which are not so doing, they should be made to realize that when they turn a deaf ear to the country bank seeking a partner in a sound loan, they are driving it straight into the arms of the governmental lending agency and thereby weakening the foundations of free enterprise and the American banking system.

In conclusion, what I have sai to you may be summarized as follows:

The credit outlook in the immediate future, both from the standpoint of commercial banks, as well as from that of all worthy borrowers, is good. Alert bankers should be able to find a sufficient volume of sound credits to maintain reasonably satisfactory earnings on their stockholders' investment. Borrowers who deserve bank credit will be able to obtain it in volume ample for their needs and at attractive rates of interest.

It is difficult, however, to be enthusiastic about a bright economic outlook which is based on prodigal federal spending and an unbalanced budget. But that is another subject.

NASD District No. 3 Elects New Officers

Malcolm F. Roberts Gerald P. Peters

DENVER, COLO.—District No. 3 of the National Association of Securities Dealers has elected Malcolm F. Roberts, Sidlo, Simons, Roberts & Co., chairman. Other officers elected were Gerald P. Peters, Peters, Writer & Christensen, Inc., vice-chairman, and Albert J. Gould, who was re-elected secretary.

Mr. Peters, Donald F. Brown, Boettcher & Co., and Karl L. Mayer, J. A. Hogle & Co., were elected members of the district committee. Other members of the committee are Harry W. Middaugh, Boettcher & Co.; Robert L. Mitton; Malcolm F. Roberts; Robert H. Burton, Edward L. Burton & Co., Salt Lake City; W. H. Hutchinson, Hutchinson & Co., Inc., Pueblo, Colo.; and Joseph E. Refsnes, Refsnes, Ely, Beck & Co., Phoenix.

John J. Sullivan, head of Bosworth, Sullivan & Co., Denver, was recently named for chairman of the board of governors of the NASD. The election will be held February 26th and 27th during the meeting of the governors at Washington.

New S. F. Exch. Member

SAN FRANCISCO, CALIF.—The election of Scott H. Stewart, Jr., to regular membership in the San Francisco Stock Exchange was announced by Ronald E. Kaehler, President of the Exchange. Mr. Stewart, a general partner in the Stock Exchange firm of Stone & Youngberg, has been in the securities business for more than 18 years except for 5 years military service. Mr. Richard P. Gross, also a general partner in Stone & Youngberg, formerly was the firm's Exchange member.

Midwest Exch. Members

CHICAGO, ILL.—The Board of Governors of the Midwest Stock Exchange has announced the election to membership of the following:

Reginald MacArthur, Miller, Kenower & Co., Detroit, Mich.; Arthur P. Nauman, Nauman, McFawn & Co., Detroit, Mich.; Emmet F. Connelly, American Securities Corp., New York, New York; Clarence J. Schulenburg, DeKalb, Ill.; Harold P. Goodbody, Goodbody & Co., New York, New York; Woodward C. Gardiner, Foster Bros. Young & Co., Toledo, Ohio.

With King Merritt Co.

LOS ANGELES, CALIF.—Joseph J. Donovan has become affiliated with King Merritt & Co., Inc., Chamber of Commerce Building. He was formerly with C. E. Abbett & Co. and Slayton & Co., Inc.

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Dangers of the Propped-Up Economic Stability

By economic stability, then, I mean a sustainable growth and development, with a gradual increase in productivity that will permit some combination of progressively higher wages, increased leisure, and adequate profits, all at generally high levels of employment and accompanied by price movements which assure the great mass of consumers that monetary gains will mean real gains in purchasing power. The generating source of this growth should spring from the application of capital to our production problems, and the ingenuity experimentation, and increasing technical skills which normally have characterized our free enterprise economy. The principal threat to this growth will be those trends in our economy which may seriously diminish incentives, and those elements of instability which may aggravate and enlarge normal fluctuations.

To demonstrate that these are not just words, let me refer briefly to the record of the past fifty years. It is estimated that there has been at least a three- or four-fold expansion in the volume of goods and services produced in the United States during this past half centry. The population of the country increased, in the meantime, by about 100%. The average real income per capital, therefore, has probably doubled in these fifty years. That has been the reward of increased productivity. That means that a substantial part of the great volume of goods and services recently at our disposal for consumption, for expansion of plant, for war purposes, and for postwar foreign aid has been due to increased productivity. That means that management and labor, farmers and city dwellers, have had strong incentives to work and to work well. Clearly, incentives must be maintained at all levels of the productive process if we are to go forward at this rate.

It should not be forgotten, however, that the gains of the past fifty years were not distributed evenly over time. During the first fifteen years of the century the gain in real income per capita of the population, with allowances for the sketchy statistics of the period, appears to have been slightly less than 2% a year. During the next fifteen years, although the average fall owing to a decline during the First World War, there was a period during which the annual rate of growth reached, and may have exceeded, 3%. The ten years 1929-39 were a period of retrogression, with real national income per head of population actually declining largely because of unemployment, although productivity continued to rise. Then came an unprecedented gain both in productive capacity and output during the war (a substantial part of which was used for war purposes, of course), and a resumption of more nearly normal expansion in productivity and average real income since the war. We must remember that averages covering long periods of time can conceal wide fluctuations. The severe depression of the thirties occurred during a half century in which the United States made economic gains probably exceeding those of any period in the history of any modern industrial economy. We must not be beguiled by averages.

The achievement of economic stability as I have defined it will depend on maintaining the incentives of economic progress, and on the success of our efforts in attacking the causes of instability in our economy.

The Causes of Instability

Perhaps the foremost cause and certainly a principal cause of economic instability is war. The switchover from a peacetime to a wartime economy requires sudden and extreme shifts in the composition of total output. A host of distortions is introduced which cannot work themselves out fully till many years after the end of hostilities. Production methods, the timing of interrelated processes, and the pricing of old and new products, are all given a violent wrench by the shift to a war economy. The regular processes of growth and adaptation are stifled, or diverted, or piled into backlogs of deferred demand by wartime controls and requirements. Several years, at least, must be consumed, after a war of the dimensions we now engage in, before all the moving parts of a modern economy can be fitted back "into phase" with each other. I doubt very much, for example, whether we have yet completed the readjustment among relative prices that must necessarily follow the distortions of World War II, despite the healthy corrections that have been brought about, particularly in the first half of 1949.

A second cause of instability, and one which may at times be closely related with the first, arises from the uneven rates and effects of new investment. Investment projects for the expansion of capacity, or for the utilization of new techniques, show a decided tendency to bunch together. The same tendency often appears in governmental construction of public buildings, roads, and the development of natural resources. Moreover, the resulting impact of any new investment upon the spending stream, and upon the cost structures of the various affected enterprises, will stretch out over differing periods of time. It appears inevitable that such unevenness in investment activity, and in the repercussions resulting from that investment, should lead to fluctuations in overall economic activity. There must always, of course, be an irreducible minimum of oscillation as a byproduct of continuous growth; but this is merely the effect of corrective adjustments, and as such is fully consistent with stability. On the other hand it does seem clear that we have had more than these small oscillations as a result of alternating periods of plenty and scarcity of private and public investment, and of unhappy combinations of the two.

A third cause of instability grows out of changes in the aggregate spending, or consuming habits of our 40 million families—families used to enjoying a large volume of consumer durables. These are the kinds of changes which the Federal Reserve System's surveys of consumer spending and finances are designed to illuminate. Overall spending and saving patterns, like investment behavior, are themselves results of the interactions of dozens, no doubt hundreds, of other factors. But it seems fairly well agreed that investment and consumption provide the best focussing points for drawing these many divergent factors together.

There are other influences or sets of influences which cause instability in our economy and which, although they may show up eventually as effects upon investment or consumption, seem to me important enough for special mention. A fourth set of causes of instability can be labeled "rigidities." The "rigidities" are the factors which delay or interrupt the necessary adjustments associated with the growth of the economy, and in that way prolong or exaggerate the associated cyclical swings. We now have, partly as a result of our desire for individual security, a number of added rigidities within the economic system which might, in the aggregate, greatly distort the moderate wavelike movements of a reasonably stable economy. Four of these rigidities are of particular importance: (1) the one-way flexibility of most industrial wages, (2) the administered prices of some key industries, (3) parity prices for agricultural products, and (4) the relatively high absolute level of taxation. We have heard much recently of the usefulness of some of these as "props" to the economy, when deflation threatened. But the other side, which we have to reckon with as well, is that each of these four factors is an important element in costs. As costs become rigid, necessary adjustments are impeded. That could mean wider fluctuations in output, and employment, corresponding (in reverse) to the reduced flexibility of costs and prices. And that, means added instability.

A fifth set of causes of instability, for which I have no good label, comprises the factors in our economy which may introduce a cumulative force into an otherwise innocent fluctuation, once it is underway. I refer particularly to the influence of business and consumer psychology. We have seen, over the past four years, the positive contribution of business "hesitation," of fear of the "inevitable bust," in helping the economy avoid a greater postwar inflation than it actually experienced. But the business state of mind can also have damaging repercussions. Every appraisal of economic prospects must be made with crossed fingers.

And, finally, I should frankly admit that unwise credit policies, resulting in or facilitating a rapid expansion or contraction of credit may also be a cumulative influence toward instability—not primarily as an independent force, but rather as a secondary force which may accentuate other more basic causes of instability. Similarly, improper fiscal policies, such as persistent deficit spending in periods of high activity, or sharp increases in taxation in periods of depression, may accentuate instability.

Combatting the Causes of Instability

I have merely mentioned, not tried to describe, certain causes of instability. It is not an exhaustive list; for example, I have left out foreign trade and the international situation. All I have done is to line up some of the more obvious causes of instability. The mere listing of these causes of instability will indicate, I hope, why I do not believe that we can cure instability by monetary measures, or fiscal policy, or some other single "device." The situation is too complex, the resultant of too many forces, varying in strength and influence from time to time, to yield to one means of control. We must also contemplate the more difficult and pedestrian approach of dealing with particular causes of disturbance, as they become important. It is a tough assignment.

So far as the dislocations produced by war are concerned, the only real solution is the abolition of war. If human error or the aggressive designs of others make that impossible, the best we can do is to try to learn something from past experience. Another war is likely to bring, for the first time in nearly a century, extensive physical damage to the economy of the United States itself. For that reason, we probably cannot look forward to a repetition of the relatively easy postwar transitions which followed the two world wars. For the same reason, the drain on public resources for rebuilding and reconstruction is likely to be very great. Consequently, it will prove much more important during another war than it was in the last to hold down the Government's deficit and the creation of new money. This will require heavy taxation, detailed planning, and elaborate controls. However remote we may hope the eventuality of war may be, it is not too early for careful study of the methods which may be used to cushion the disorganizing, perhaps the nearly paralyzing, effects of another war upon our economy.

Except under conditions of war or large scale preparation for war, however, we have no use for detailed planning and direct controls. These are not only repugnant to our political ideals; they also dull the incentives which provide the real stimulus for growth and development in our economy. It is for this reason that I would shy away from any master plan for evening out the irregular rates of investment, and the irregular spacing of the results of new investment. The primary guidance of innovation and investment must be left in the lap of market forces; it has to be if we are to get the maximum harvest from creative enterprise. But to a limited extent there are possibilities for influencing the timing of new investment projects. Such possibilities are clear enough in the case of Governmental investment; the problem is largely the political one of holding off pressure groups (which are always anxious to begin their pet projects **now**, regardless of prevailing economic conditions), and of avoiding investment for partisan political purposes—that is, to get votes at the next election.

It may also be possible to foster market conditions which will encourage a spacing out of new investment in the private sector of the economy, by means of appropriate monetary and fiscal policies. We need to avoid the temptations of even a modest perpetual inflation so that we may have buyers' as well as sellers' markets from time to time. Buyers' markets mean competition among sellers and producers; they mean a steady incentive for the development and use of cost-saving innovations. And investment of this type, characterized as it often is by a "follow-the-leader" behavior, may well tend to space itself, in a steady stream of new adaptations, so long as buyers' markets continue. There is a good example of what I have in mind going on at the present time. A year or so ago, as many postwar plans of industrial expansion were being completed, there were gloomy predictions of large declines in plant and equipment expenditures. But with the fairly general return of buyers' markets during 1949, a substantial volume of installations of new equipment was undertaken in manufacturing industries for modernization, i.e., for cost-cutting purposes. The decline in private capital expenditures during the year, excluding inventories, is now estimated to have been only 6 to 7 per cent. The latest projection of private capital expenditures for 1950, which the McGraw-Hill people have just published, indicates that about two-thirds of manufacturing investment during the coming year will be of the cost-saving variety; and that the overall drop in plant and equipment expenditures will be in the neighborhood of 13 per cent. Without the large rise in cost-saving investment, stimulated by buyers' markets, we might indeed be in for a drastic decline in private capital expenditures.

Of course, control over the availability of credit may be an even more direct means of influencing the spacing of new investment, but we must be careful not to exaggerate its importance. More than 90% of all the manufacturing investment scheduled for 1950 (again citing the McGraw-Hill findings) is to be financed from internal sources, that is, from depreciation allowances and retained profits, and is consequently somewhat impervious to conditions in the money market. There do remain, however, important sectors where the availability of credit can influence the timing of projected new investment. This is true particularly of the utilities and of residential construction. A flexible credit policy can certainly exert some influence in the right direction.

Consumer behavior, taken in the aggregate, is perhaps the most elusive of the principal causes of instability I have listed. There are, however, two approaches open which should be used to the fullest practicable extent. One is to provide information, as the Federal Reserve System's surveys of consumer behavior are now doing. Advance knowledge of consumer intentions, even after allowing for fickleness in consumer spending, may well help business prepare for, and so avoid, the shocks of sudden or marked shifts in consumption. The other approach involves Congressional re-enactment of the System's power to regulate the terms of consumer credit. I make no claims that either of these approaches will give a full solution to the problems arising from changes in consumption; but both should help. And it is through the accumulated effect of many small contributions, all in the right direction, that the causes of instability will be contained. There are no panaceas.

As for the various rigidities which I mentioned, perhaps the only general prescription is a better understanding of their implications, among businessmen, bankers, agricultural and labor leaders, and also among Government officials. A much more thorough job can be done in analyzing these rigidities and then in widening public information concerning them. It has been well said,[1] I think, that "one lesson to be drawn from the records of economic development in the United States in the 20th century, with its peaks of extraordinary achievements and its valleys of depression, is that in a modern industrial system, diversion of the fruits of advancing productivity to restricted groups brings them only short-lived benefits, and curtails the gains accruing to the economy at large. During the past fifty years too much of our gains has gone, at various times, to strategically placed groups of primary producers, or manufacturers, or distributors, or wage earners. One prime method of transmitting the benefits of industrial progress to consumers at large—prompt price reduction commensurate with declines in real costs—has not always been adopted as generally nor applied as broadly as the necessities of a dynamic economy require." This does not refer only to efforts in business to take an undue share of the benefits of increased productivity in profits. Organized labor has frequently attempted to get all the benefits for its membership—to the probable detriment of the demand for its services. An outworn "parity" concepts and related Government support programs have tended to

1 By Prof. Frederick C. Mills of Columbia University, New York City.

prevent consumers from getting the benefit of technological progress in agriculture.

One specific rigidity deserves a paragraph or two, since it is right in our lap at the moment. That is the rigidity introduced into the economic system by high tax rates and the heavy drain of taxation on the national income. Including Federal, state and local taxes, taxation now absorbs about one quarter of our national project, and notwithstanding this fact we are experiencing a large deficit in the Federal budget at a time of high production and employment. The declared objective of compensating fiscal policy has always been the maintenance of stability at high levels of production and employment. We cannot dissent from this objective. The means of attaining it, however, is subject to the danger of an upward bias in expenditures, with deficits increasingly threatening to become the rule and surpluses the exception. Such a tendency can have serious ill effects, both in the short run and in the long run. In the short run it has a tendency to shut off necessary adjustments within the economy, and to lead to expectations of and demands for public expenditures to sustain the economy before essential cost and price adjustments have been made.

There is also the longer run danger of devitalizing the economy. The problem of the budget is not merely that of deficits and surpluses, but also one of size. In this respect we might well learn from the experience of Great Britain, where it is being recognized by the Labor Government itself, that the budget is too high on both sides. Carried beyond some point, a large budget destroys incentives throughout the whole community. To follow that road could result in undermining incentives and destruction of growth and productivity. You are on a slippery road when you begin balancing the budget with next year's increase in productivity.

Finally, there are the psychological influences I listed as a cause of instability. I do not think that any of these, without some outside prompting, is likely to take the lead in precipitating inflation or depression. But optimism, fear, and the speculative urge—all of which comprise the psychological factor—have a part in accentuating every one of the other causes of instability. For these I have no prescription to offer, other than a flood of information, statistical and qualitative, concerning the underlying developments taking place in our economy at any time.

The Choice Before Us

In concluding, I want to draw what general implications I can concerning economic stability. I have concentrated my attention on the purely domestic aspects of the problem of stability. But, of course, it is impossible to discuss stability in the domestic economy as if the present tortured international situation did not exist. Apart from international political developments, the promotion of economic stability seems to require an increase in our imports, and an enlarged flow of capital exports, other than government gifts and grants.

Both present difficult domestic problems. The impact of a growth in imports is likely to bear heavily on a few industries, which may rightly object to bearing the entire burden of correcting our international position. We will have to combine virtuous ideals with some hardheaded, cautious revisions in our tariffs, and correction of needless complexities and hindrances of our customs administration. Capital export will continue difficult while the rewards to capital are still substantial at home, and the risks of investment abroad are great, and the rewards for such risky investment, when successful, are so greatly reduced by taxes. Guarantees, tax incentives, commercial treaties, and the development of a capital exporting mentality, all present nearly intractable obstacles. But I expect we can make progress, piece by piece, if we continue to grapple with the problem. No doubt we will also have to accept, for political and strategic (as well as economic) reasons, some further extension of our present temporary policies of government foreign aid— regardless of the serious defects of such an approach, and the knowledge that it cannot, of itself, provide a permanent solution.

Great as these international difficulties may be, however, and as important as the repercussions of developments abroad are certain to be for the healthful progress of our own economy, it is still true, I think, that the greatest contribution we can make toward world recovery is the maintenance of economic stability at home. To do that, with sure footing, we have to make a fundamental choice. We can plump for a propped up economy, with a perpetual bias toward inflation. That may well keep us going at a high level of production and employment for a considerable period of time. But in my view, it would carry within itself the seeds of an eventual breakdown; and probably a catastrophic breakdown that would jeopardize not only our standard of living, but our free political institutions. The other choice, the one I have tried to point up in these remarks, is that of an economy which emphasizes increased productivity, accepting some related ups and downs in its stride (with concern, but without panic), and fitting into place those economic and social improvements which the rate of growth in productivity permits. It is an economy which asks value received from management and labor, from farmer and city dweller; an economy which implies a certain degree of difficulty in making a profit of holding a job. To fulfill the potentialities of this choice, we must struggle in a variety of ways with the various causes of instability as one or another of them assumes particular importance. This prescription may seem complex and extremely difficult; but I am afraid we can achieve economic stability in no other way.

If we are to succeed, great great numbers of our people will have to have a better understanding of economic processes and the sources of increased productivity than they now have. That is why I said at the beginning of my talk that my subject is close to the core of purpose of the American Institute of Banking. For a full half century you have carried on a constructive adventure in adult education. You have tried to create an awareness among your members of the meaning of the work they do, and of its importance in a functioning, free economy. You have tried to nurture and sustain realization of the responsibilities, individual and collective, which are the necessary companions of the rights we cherish and the privileges we enjoy. In a society in which effective power is exercised by the people, the educational process has a tremendous task, if that power is not to be abused or usurped. Such enterprises as yours must go forward with renewed vigor, if we are not to lose through ignorance what could never be taken from us by foreign aggression.

Theodore Berdell Dead

Theodore Van Duzer Berdell, senior partner of Berdell Brothers, New York investment firm, died at his home at the age of 61.

Continued from page 8

Anti-Trust Suits and Investment Values

rayon firms; but no acquisition was made. Final utilization of the cash awaits the determination of the tax liabilities in connection with disposition of the sleeping car properties.

During the period from the filing of the plan in 1944 to the final sale of the sleeping car business, Pullman common stock rose from a price of 48 to a high of 69. By the end of 1948 Pullman common stock declined to 32⅜, to a level about 56% higher than its mid-1940 price, against a net advance of 45% in the Industrial Average between the two dates. Like previous targets of anti-trust action, the stock was affected marketwise more by the fundamental economic factors influencing the position of the company rather than the litigation proceeding. The filing of the suit had a sharp impact on the market of the stock, but thereafter the company's participation in the war effort and the prospect of a liquidating dividend became the major consideration in the market place.

From the stockholder's point of view the principal disadvantage in the outcome in this anti-trust separation was that he was not able to retain his proportionate interest in the pieces that resulted from the suit. A portion of the business was sold for cash, which was not distributed pro rata to the stockholders; but applied mostly to the open market purchase of stock outstanding. Fortunately the sale of the sleeping-car business occurred at a time when prices were reasonably high. Had a sale been enforced in a period of low prices, the company might have realized considerably less on the transaction to the detriment of the stockholder.

Paramount Pictures, Inc.

In the case of Paramount Pictures, which recently entered a consent decree calling for its separation into two companies, the initial impact of the filing of the suit and the subsequent decisions was as might be expected based on past history. From the following table it may be seen that the market reflected the developments in the suit as they occurred, but continued to be influenced more by the basic economic factors behind the industry, and the company:

PARAMOUNT PICTURES, INC.

	‡Paramount Market Price	Impact %	Index of Paramount Stock	D-J Ind. Avg.	Index of D-J Ind. Avg.
Jun 30, 1938	5¼	---	100%	133.88	100%
July 20, 1938 (Anti-trust suit filed)	*6½ to 5¼	—19.0	125 to 101	141.84	106
Jun 12, 1946 (Lower Court decision)	*37 to 39	— 5.8	701 to 742	209.86	157
May 3, 1948 (Supreme Court decision)	*24 to 22	— 7.8	455 to 419	181.09	135
Feb 25, 1949 (Consent judgment)	22⅞	---	436	171.10	128

‡Adjusted for 2-for-1 split in 1946.
*Fluctuation over immediate period following event indicated—prices rounded.

The Government suit was first filed on July 20, 1938 against Paramount and the major integrated producing and exhibiting companies. Upon the filing of the original suit, the Paramount Pictures' stock suffered a downward adjustment of 19% in three days of trading.

A consent decree entered into by the five major companies in 1940 was not final. The three smaller companies refused to join in the decree which banned so-called "block-booking."

The war had a pronounced effect on the motion picture industry raising movie attendance to record levels. The industry prospered and even greater records were established in the first post-war year of 1946. Paramount's stock reflected this prosperity even more than most movie stocks. From mid-1938 to June 12, 1946, the market for Paramount Pictures' common stock increased sevenfold. The subsequent decline was attributable mainly to industry factors, including the problems raised by television, rather than to any court decision.

On June 12, 1946, the New York District Court found illegal certain trade practices and certain forms of joint ownership of theatres. While producing companies were not required to divorce themselves from their theatre interests, they were given two years in which to dispose of their joint interests with each other and with independent exhibitors if their interest was less than 95% or the minority interest was more than 5%. The decision with respect to theatres was not as severe as had been anticipated and the Paramount shares moved up 5.8% in a matter of three days. An appeal was made to the Supreme Court which on May 3, 1948 handed down a ruling. The High Court upheld the ban on certain industry practices; but gave an inconclusive opinion regarding theatre ownership and directed the District Court to make a further study. Apparent market disappointment over the lack of a clear-cut decision caused the shares to decline 7.8% within two days.

Before a final decision was reached, however, Paramount terminated its part in the suit by entry into a consent judgment on Feb. 25, 1949. The plan provided for separation of the domestic theatre operations from the existing company. There was no immediate market movement that might be attributable to the consent action. A few days later, however, substantial selling developed, which probably reflected the investor disappointment in the complicated plan. In addition to the division of the company into two new companies, the plan required that the investor elect which surviving company he would retain, under penalty of withheld dividends from one company. The stockholders approved the plan on April 12, 1949, and actual separation of the old Paramount Pictures, Inc., into two independent companies is scheduled for the end of 1949.

Of the other integrated motion picture companies, only the Radio-Keith-Orpheum Corp. entered into a consent judgment to separate production and exhibition of motion pictures. On July 25, 1949, the District Court reached a decision with regard to the remaining defendants of the suit. Under the decision, Loew's, Inc., Twentieth Century-Fox Film Corp. and Warner Brothers Pictures, Inc., must separate their theatre and producing operations.

Owens-Corning Fiberglas Corp.

Joint ownership of a sole producer of a product is also looked upon with disfavor by the Government. A case in point is in the glass fiber industry. In 1938 the Owens-Corning Fiberglas Corp. was formed jointly by the Owens-Illinois Glass Co. and Corning Glass Works to acquire all the assets of both compaines which had been devoted to the production and development of glass in fibrous forms. Fiberglas insulation materials are sold directly and through four building material firms. Other uses for the product are as air filters, textile materials and fire resistant products.

Although full disclosure to the Department of Justice of the plan for formation was made in 1938, it was not until Sept. 10, 1947, that an anti-trust complaint was filed against the group in the United States District Court at Toledo, Ohio, charging conspiracy to dominate the development of the fiber glass industry. On Nov. 1, 1948, the three companies filed an answer in the District Court denying the Government charges that they had monopolized the manufactue and distribution of glass fiber products. The answer stated that since October, 1946, all Fiberglas patents for production of such products had been made available for licensing at reasonable royalties to other concerns without restrictions.

The suit was settled by a consent judgment handed down on June 23, 1949. Under the decree, Owens-Corning Fiberglas is required to license to any applicant 200 royalty-free patents, 60 patents on a "reasonable royalty basis" and all patents which it may acquire in the next five years. No change in the corporate makeup of the three companies was made and the companies were allowed to continue their normal operations. However, interlocking directorates in the three companies were prohibited and the parent companies, Owens-Illinois and Corning Glass were barred from voting their stock "except for very limited purposes."

As a jointly-owned subsidiary of the two glass companies, there naturally is no public market at this time for the stock of the Owens-Corning Fibergdas Corp. It is too early to determine whether the parents will sell their interest in Fiberglas. The loss of control, however, may prompt disposition of the shares, although no requirement to do so was contained in the consent judgment.

To the Owens-Illinois Glass Co. and the Corning Glass Works, as indivual companies, the Fiberglas operation represents only a portion of their business. Examination of the market movement of these two glass stocks leads to the conclusion that the anti-trust proceeding against the companies had little effect on the market for their respective stocks. On the day that the suit was filed the two stocks recorded a moderate advance in their market prices. As may be seen from the following table, the market prices for the stocks took divergent directions during the 21-month period from the filing of the suit to the date of the consent decree. The stock of the Owens-Illinois Glass Co. declined 27.6% from Sept. 10, 1947, the date of the filing of the suit, to June 23, 19449, the date of the consent judgment. The stock of the Corning Glass Works showed a net advance of 6.3% from 23¾ to 25 between the two dates, although a low of 18 was reached in 1948. During the same period the Dow-Jones Industrial Average had a net decline of 5.4%. Obviously, factors other than the anti-trust suit entered into the picture.

THE FIBERGLAS COMPANIES

	Owens-Illinois Glass	Corning Glass Works	Dow-Jones Industrial Average
Sept. 10, 1947 (Anti-trust suit filed)	72½	23¾	176.24
June 23, 1949 (Consent judgment)	52½	25¼	166.99
Percent change	—27.6%	+6.3%	—5.4%

[EDITOR'S NOTE: The foregoing is the second of three installments in which we are presenting Mr. Vultee's article. The concluding installment will appear in the "Chronicle" of Feb. 16.]

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week I said the market wasn't talking. This week I'm away from my desk—in Florida—where I can look at the translux while wearing a pair of trunks. But the market is still silent.

* * *

There's one advantage of watching the market under the conditions I mentioned above. If one gets too bored looking at a lagging projected ticker tape crawling across the top of the board, all one has to do is to step right through the screened door and there's the beach. That is, if you care for the beach, which I don't.

* * *

In the past few days there's been a little slipping here and there. Some sources attribute it to President Truman's stand on Taft-Hartley vs. John L. Lewis. The sources I refer to are mostly my neighbors occupying the chairs alongside me in the customers room I now frequent. I don't know if my voluntary informants know any more about it than their equivalents in New York. They talk the same way, but wear sport clothes or beach trunks and are frequently harried by ladies I assume are their wives.

* * *

But to get back to the market. You'll recall that last week I suggested that what signs were present pointed to some sort of decline. In the past few days you saw a little of this decline. I don't think it's enough. I wish I could be specific and say so far and no further. I could say it but just between ourselves I'd be guessing. All I can say, based on the past few days' action, is that if the two stocks you hold, Cooper-Bessemer and Mead, break their stops the market'll go lower. Not because these are any harbingers, but because they act with the market. And you don't have to see every stock go off to tell you a storm is here. These two will be enough.

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.]

C. H. Adams Heads Guardian Credit Corp.

HARTFORD, CONN.—Clarence H. Adams has resigned as Administrator of the Connecticut Securities Act, a post he has held since July 1, 1931, when the law became effective, to become President and General Manager of the Guardian Credit Corp. of Hartford. Mr. Adams has acquired working control of Guardian Credit, a concern engaged in the consumer finance business with six offices in the State of Connecticut.

Clarence H. Adams

Mordecai Gressitt Is With Geo. Shriver Co.

BALTIMORE, MD. — Mordecai B. Gressitt has become associated with George G. Shriver & Co., Inc., Mercantile Trust Building. Mr. Gressitt was formerly a partner in Gressitt & Reese, which has been dissolved following the death of Mr. Reese.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Arthur F. Broderick to Robert Proddow, Jr., will be considered on Feb. 16. Mr. Proddow will continue as a partner in Bache & Co.

Jacqueline de Saint-Phalle retired from partnership in Andre de Saint-Phalle & Co. on Jan. 31.

Owen H. Gassaway of Thomson & McKinnon, died Jan. 23.

Robert H. Matthews retired from partnership in G. H. Walker & Co. Jan. 31.

Albert Van Court Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harry R. Srole is with Albert E. Van Court, 650 South Grand Avenue. He was previously with Floyd A. Allen & Co.

Continued from first page

Investing Policy Under Today's Economic Status

But it is not only the past that has been highly unstable; the period ahead is fraught as well with many uncertainties and many difficulties.

Experience of the past is valuable and helpful to the student who endeavors to ascertain and analyze present trends. A study of past experience alone, however, without considering the great economic and political changes that have taken place and those which are in the making, is likely to lead to wrong conclusions and to the adoption of wrong policies. A few examples will prove this point. Experience of the past teaches us that every major war is followed by a period of inflation, which in turn is succeeded by a period of deflation. However, after World War II we witnessed a serious inflation—an increase in prices which went beyond the level reached after World War I. Yet the deflation that ensued was only minor in character, particularly if judged by changes in the cost of living. Whereas the index of the cost of living (1913=100) decreased from 216.5 in June, 1920, to 174.3 in December, 1921, i.e., a drop of 19.5%, the decline after World War II amounted to less than 4%. The cost of living index incidentally is of greater importance to the beneficiary of a trust fund than the index of wholesale prices.

Money Rates

Economic history teaches us that every period of inflation is accomplished by high money rates and declining prices of high grade bonds. Under such circumstances, the investor in bonds is well advised to sell his bonds before the inflationary movement gains momentum. When the inflationary period is nearing its peak and bond prices are low, the time is then ripe to acquire fixed income-bearing securities. However, after World War II, despite the sharp increase in commodity prices and the serious spiral between wages and prices, and notwithstanding the hugh liquidation of long-term government securities by institutional investors other than commercial banks, money rates did not witness any material increase. They remained low. Hence, the investment policy as regards bonds that proved to be successful in past periods would have caused losses if it had been adopted during and after World War II.

A study of the movement of prices of equities leads to the conclusion that, as a general rule, the equity market is a good barometer of the trend of business activity. However, this again seemed not to have been the case after World War II. Average prices of 354 industrial shares (1937 = 100) reached their peak in May, 1946, when they stood at 134. They declined to 101 in February, 1948. During the same period, however, when prices of equities were decreasing, business activity in the United States reached a very high level. On the other hand, beginning with the middle of 1949, prices of equities began to rise and reached a new peak toward the end of the year, in spite of the fact that a number of powerful deflationary forces made their appearance and earnings of corporations were lower. It is, therefore, evident that the investment officer of a trust company who bought common stocks, anticipating that increased business activity accompanied by a sharp increase in net profits after taxes would lead to higher equity prices, would have sustained losses. Apparently the equity market no longer reflects the outlook for business activity and prospective profits of corporations, and is guided less by economic than psychological forces which defy evaluation.

Other examples can be cited where past experience and performance are of little practical value at the present time. In order, therefore, to place trust investments on a sound basis, one has to study not only the lessons of the past, but also give careful consideration to present economic and political trends with the view of determining how they influence business activity and the movement of securities in general.

The New Developments

What are some of these new developments and what effects will they have on the attitude and policies of investment officers?

First and foremost, mention must be made of the influence which government exercises on business activity. This is not a passing phase. It will continue irrespective of political developments and changes and, even though it may vary from time to time and assume different forms, it is fair to state that the influence of government on business activity in the future will continue to be great. This means, above all, that in periods of declining business activity and increasing unemployment, the government will not hesitate to unbalance the budget, to increase the public debt, and to spend large sums of money in order to prevent a serious depression.

Second, maintenance of the purchasing power of the farm population, whether through price support, direct subsidies, or other methods is here to stay. It has been recognized that the changed world economic situation has brought basic changes into the marketing of American farm products. In order to prevent farm commodity prices from reflecting the forces of demand and supply, it will be necessary for the government not only to control prices but also to regulate production and marketing. Hence, a decline in farm prices followed by wholesale foreclosures of farm properties is a thing of the past and will not recur.

Third, social security is permanent and will be broadened to embrace more and more people. The spreading quest for economic security has raised a large number of very vital problems which are bound to affect the economy of the country in general and the money market in particular. So far, no solution to these problems has as yet to befound. We entered the broad field of social security, notably privately administered pensions, without first ascertaining its costs and implications. It is, however, of a permanent nature and is bound to exercise considerable influence on economic developments in the future.

Fourth, the role of government in housing may be considered as a permanent function irrespective of political changes that may take place in the future. It has been stated even by conservative legislators that every child in the country is entitled to good housing facilities irrespective of the economic status of the family to which it belongs.

All the above developments—and others that could be mentioned—indicate clearly and unmistakably that expenditures by the government will continue to be large and that taxes, both individual and corporate, are bound to remain high. They indicate also quite clearly that depressions of the magnitude witnessed in the early 30's are not likely to recur in the foreseeable future.

The credit policies of the monetary authorities as well are not likely to undergo any material changes in the foreseeable future. It is, of course, quite possible that interest rates may fluctuate more than they have during the past few years. However, the range of fluctuation is bound to be limited. In the first place, the public debt is large and is still rising. If we could not or would not balance the budget during the fiscal years 1948-1949 and 1949-50, when business activity was at a high level, when tax rates were high and exicse taxes imposed during the war remained in force, the question may be justly raised whether the budget will ever be balanced again. Second, the volume of the floating debt is large and the huge amount of demand obligations outstanding in the form of Series E, F, and G Bonds further complicates the debt management problem. The latter will play a particularly important role in the credit policies of the monetary authorities during 1951, 1952, and 1953, when a large volume of these securities matures. Third, the spreading of pension plans embracing manual workers will increase the supply of funds seeking an outlet in bonds and mortgages, thus pressing further on yields of high grade bonds. Hence, it may be concluded that, while fluctuations in prices of high grade bonds including governments will occur in the future, no material change in money rates is likely to take place.

The chances for a permanent and realistic settlement of the cold war in the foreseeable future are not good. This does not preclude the establishment of some working arrangements with those countries whose ideologies differ from ours. Yet, a return to conditions permitting drastic reductions in our military expenditures and complete cessation of our economic aid and shipments of armaments to foreign countries is not likely to take place. This, of course, is bound to have an effect not only on Federal expenditures but also on the taxes which are bound to remain high.

Bondholder Twice Hit

The holder of bonds under conditions as they exist at present has been hit twice—by the high cost of living which is not likely to decrease materially, and by the continued low money rates which are not likely to rise materially in the future. The cost of production is high and still growing. Above all, in many industries it has become rigid, and the only way of reducing production costs is through an increase in the efficiency and productivity of labor and machinery. This obviously is a slow process. A material reduction in the cost of living therefore is not likely; hence, the bondholder cannot expect the purchasing power of the dollar to increase materially in the foreseeable future. Second, the cost of government is high and will continue high. This in turn precludes any material reduction in taxes levied on individuals and corporations. Third, the public debt is large and is still increasing. The present policy of the monetary authorities, which considers the stability of the government bond market as an important cornerstone in the general economic stability of the country, is not likely to undergo a change. One may therefore take it for granted that in the foreseeable future the Federal Government will not be willing to offer more than a 2½% coupon on long-term obligations and this in turn more or less sets a pattern for all other yields of high grade obligations. Moreover, if pension plans administered by private trustees and fiduciaries continue to broaden, as they will, the long-range outlook for money rates is rather for lower and not for higher rates than those prevailing at present.

What Attitude by Trust Officer?

Do the above-described developments warrant a change in attitude on the part of trust companies toward bonds, or shall it continue to be the function of trustees to consider only safety of principal without regard to the return and the purchasing power of the currency? If the trustee takes into account the fact that the return on bonds is bound to remain low for an indefinite period of time and may even go lower, and if he is realistic and reaches the conclusion that a material increase in the purchasing power of the dollar is not likely to take place, the first question that he will ask himself is, by what percentage should the bond portfolio be reduced and what assets should replace the sold bonds? The first part of the question cannot be answered generally, for it will depend to a large extent upon the position of the individual beneficiary.

Bank Shares

As regards the second question, particularly where safety of return and, as far as possible, maintenance of principal are considered as of great importance, shares of well managed banks suggest themselves as a substitute for a certain percentage of bonds. This opinion is based on the following reasoning:

(1) The dividends paid by banks, as a general rule, are steady. For a great many years, in good and in bad times, the present dividend rates have been paid, and while one cannot consider banks as a growth industry, the outlook for their earnings on the whole is fair. If business activity is at a high level, the banks will make loans. If, on the other hand, business activity turns downward and unemployment increases, one may expect a rise in the public debt and the banks will then hold more government obligations.

(2) A great many bank shares are selling today substantially below book value. As the capital resources of the banks increase—and they have already increased considerably during the past ten years—it may be expected that some banks will increase their dividends while others may declare stock dividends. In any event, the holder of shares of well managed banks is assured of a steady income, with price fluctuations not likely to be very wide.

(3) The return on bank shares also seems to be satisfactory. Many high quality bank shares are selling to yield 4 per cent or more. To some extent, certain types of insurance stocks may also be considered in the same category.

The Impact of Inflation

In periods of rising prices and particularly when the fear of inflation is widespread, many investors turn to equities as a hedge against inflation. It should be noted, however, that equities are not always a hedge against inflation and that at times and under certain conditions the investor or the trustee does better by holding bonds rather than equities. This is particularly illustrated in the following table which compares prices of equities and wholesale prices in Great Britain from 1937 through November, 1949:

GREAT BRITAIN
(1937=100)

	Index of Prices of Industrial Shares (96 shares)	Wholesale Price Index
1937	100	100
1938	83	93
1939	76	95
1940	63	126
1941	68	140
1942	81	147
1943	98	150
1944	107	153
1945	116	155
1946	129	161
1947	131	176
1948	118	202
1949:		
January	121	204
February	118	203
March	109	203
April	111	208
May	107	213
June	99	213
July	99	210
August	100	210
September	104	211
October	98	218
November	99	221

A perusal of the above table shows that while the wholesale price index increased from 100 in 1937 to 140 in 1941, the index of prices of 96 industrial shares declined from 100 to 68. Thus, an individual or trustee who bought equities in 1937, and sold them in 1941, not only failed to preserve his purchasing power but, moreover, lost 32 per cent of the principal. Even in 1947, when the share price index rose to 131, the highest annual price for the period 1937 to 1949, it compensated only partly for the lost purchasing power of the pound sterling since the wholesale price index increased in that year to 176.

There are, of course, specific reasons why equity prices in Great Britain do not reflect the sharp decline in the purchasing power of the pound. First, the high taxes on individuals and corporations and the increased taxes on distributed dividends are a great deterrent to the purchase of equities. Second, the coming into power of the socialistic government and the nationalization of some of the basic industries did not augur well for the stockholder. Finally, the serious balance-of-payments problem which confronts Great Britain and the consequent maintenance of rigid controls does not create an atmosphere favorable to the equity market.

The interesting part about the divergent movement of stock and commodity prices in Great Britain is that, while prices of shares were not restricted and fluctuated freely in accordance with the law of demand and supply, commodity prices were to a large extent controlled and prices of certain commodities were kept low by subsidies at substantial cost to the British taxpayer.

French Experiences

In France, on the other hand, equities proved a much better hedge against inflation than was the case in England, but even in France they only partially compensated for the decline in the purchasing power of the franc, as may be seen from the following table:

FRANCE
(1938=100)

	Index of Stock Prices	Wholesale Price Index	Paris Retail Price Index
1948	1,366	1,712	1,632
1949:			
July	1,122	1,854	1,715
Aug.	1,168	1,918	1,752
Sept.	1,148	1,958	1,826
Oct.	1,110	2,000	1,884

While the index of wholesale prices rose from 100 in 1938 to 2,000 in October, 1949, the index of French stocks was at 1,110 in October, 1949, substantially below the average for 1948 when commodity prices were lower. Thus, in France the holder of equities salvaged a little more than one-half of his purchasing power. The example of France, therefore, clearly proves that in cases of severe inflation the holder of equities is better off than the holder of bonds and other strictly monetary claims, such as mortgages, life insurance policies, and annuities.

The United States

In the United States equities also did not prove a suitable hedge against inflation as may be seen from the following table:

UNITED STATES
(1937=100)

	Index of Prices of Industrial Shares (354 shares)	Wholesale Price Index
1937	100	100
1938	76	91
1939	80	89
1940	74	91
1941	68	101
1942	60	114
1943	80	119
1944	86	121
1945	104	123
1946	121	140
1947	108	176
1948	110	191
1949:		
January	108	186
February	104	183
March	105	184
April	106	182
May	105	180
June	99	179
July	105	178
August	109	177
September	111	178
October	114	176
November	116	176

Moreover, as was already pointed out, equity and commodity prices at times moved in opposite directions. However, in the case of the United States the holder of equities obtained a material increase in dividends and thus at least was partly compensated in his current income for the decline in the purchasing power of the dollar.

The above discussion points out the following lessons: (1) There is no perfect hedge against inflation, particularly in the field of securities. (2) Whether equities can offer a partial hedge against inflation will depend to a large extent on economic and political conditions, including types and rates of corporate taxes prevailing in the country. (3) There is no easy way to protect an estate from the erosion of the purchasing power of the currency and, if an attempt is made to increase the income or to achieve an enhancement of principal, the risks are automatically increased. The old problem of preserving the corpus intact versus an increase in income at the expense of security still remains unsolved.

Despite the difficulties described and the dilemma which confronts the investment officer of a trust company, an analysis of the pros and cons will lead him to the conclusion that recent economic and political developments have even further increased the desirability of investing a larger percentage of trust funds in equities. This conclusion is bound to be reached if the following factors are taken into consideration:

(1) Government intervention in business and the great changes that have taken place in the field of banking, credit, social security, etc., give assurance that the major depression of the early 30's is not likely to recur. If the government did not hesitate to operate with large deficits during the fiscal years 1948-49, and 1949-50, when business activity, employment, and national income were at a high level, it may be expected that much larger deficits will be incurred once business activity turns downward and unemployment increases. Under such conditions the government will most certainly start a veritable flood of public works and other major projects, including housing, to provide employment and maintain consumers' demand.

(2) Corporations are at present in a much stronger financial position than they were before the war. A large percentage of the net earnings during the past few years has been plowed back, thus increasing the equity of the stockholder.

(3) Large capital investments were made by corporations during the years 1945 through 1948. Capital expenditures are declining, hence it is quite possible that many corporations may disburse a larger percentage of earnings in dividends than was the case during 1946-48. This implies that the present dividends will be maintained even though earnings may decline.

(4) The return on stocks today is high, averaging about 6.5% on representative common stocks, and the discrepancy in the income derived from high grade bonds and well seasoned equities is today wider than during the past eight years.

(5) Margin requirements have to a large extent dissociated bank credit from security trading and are bound to narrow the swings in equity prices, although considerable swing in bound to be expected. At least the drastic reduction in brokers' loans has eliminated the danger of forced selling by overextended operators.

(6) The capital gains tax is at present 25% so that many individuals in the higher income brackets are better off by relying on capital gains than on regular income.

(7) The dissolution of many public utility holding companies has made available to the public a considerable volume of high grade operating utility equities, some of which are suitable for trust investments.

(8) The fixed assets, such as buildings, machinery, and equipment owned by corporations, have a much higher value than that at which they are carried on the books. Earnings thereon should be based on reproduction costs, which are from two to three times higher than the shown book value. This, too, ought to have a favorable effect on the earnings of some corporations. The permanent rise in prices of commodities should lead to higher profits in terms of dollars as compared with the prewar period.

These factors, taken together, are quite impressive. However it should not be overlooked that there are also some unfavorable factors which the trust officer must consider: First, taxes on corporations are high and nobody can tell whether they may not be increased. High taxes have an adverse effect on net earnings. Second, the strongly-organized labor unions are in a position to demand and obtain higher wages as well as pensions, thus further reducing the earning power of corporations. Third, there is also a possibility of increased competition from governmental agencies and establishments. Finally, the high income taxes on individuals have reduced the ability of many to buy equities.

Advantages Outweigh Disadvantages

On balance, however, the advantages seem to outweigh the disadvantages particularly if one takes into account the fact that trust companies have good staffs to study not only individual industries and companies but also economic and political trends. Moreover, the economic information that is currently available to the trust officer is much greater and more reliable than ever before. Hence investments today can rest more on knowledge and facts and less on guessing.

Economic and political developments in the United States during the last decade-and-a-half have had a pronounced effect on money rates. on the purchasing power of the dollar, and thus are bound to have an effect on the investment policies of trust companies. The holder of bonds has been adversely affected in two ways; namely, by the permanent low money rates and by the continued high cost of living. It is quite evident that a change in this respect is not likely to take place, for the Administration favors neither lower prices for commodities nor higher money rates. The Administration and the Congress are committed to a policy of preventing sharp declines in business activity and a material increase in unemployment.

The economic and political developments warrant the adoption of the following policies by trust investment officers:

(1) Less reliance on bonds. Where the beneficiary is primarily interested in safety and stability of income, a shift of a percentage of bonds into bank shares seems to be advisable.

(2) A larger percentage of well selected equities and a smaller percentage of bonds seem to be to the interest of the beneficiaries, both life tenant and remainderman.

(3) There is no real hedge against inflation particularly in the field of equities, although where the inflation has been quite pronounced, equities have stood up better than bonds or other fixed-income assets.

(4) The function of the trustee should not be merely to conserve the principal, irrespective of the purchasing power of the dollar and the return received on the principal. In following a policy of pure conservation and of investing exclusively in high grade bonds, the beneficiary in a period of drastic inflation as occurred in a number of countries is actually wiped out.

(5) In view of the increased power of labor and their ability to base their wage demand on the employer's ability to pay, and in view of other economic and political changes, the new inventions, and the new buying habits of the public, selectivity becomes of much greater importance than was perhaps the case in the past. The performance of an industry or of a corporation in the past is no indication of what it may do in the future.

(6) The investment policy should be based on a careful analysis of the great mass of economic data that are available today and less on prejudices or on past performance. It is quite evident that widely-held and traded equities are bound to fluctuate, but fluctuation should be of less consideration than the intrinsic value of a security, the income derived from it, and the prospects of the future.

(7) In a changing world the attitude of the fiduciary must also undergo a change; it must be dynamic and not static. It must break away, particularly where no legal restrictions exist, from the old concept that preservation of principal is the beginning and the end of the fiduciary's duty.

Joins Merrill Lynch Staff

LOS ANGELES, CALIF.—William D. Kennedy has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street. He was formerly with Shields & Co.

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. 12	91.5	93.1	94.0	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 12	1,744,200	1,744,700	1,791,900	1,845,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Jan. 28	4,955,950	4,962,300	4,995,500	5,492,500
Crude runs to stills—daily average (bbls.)	Jan. 28	¶5,470,000	5,513,000	5,626,000	5,558,000
Gasoline output (bbls.)	Jan. 28	18,363,000	17,988,000	19,051,000	17,531,000
Kerosene output (bbls.)	Jan. 28	2,686,000	2,663,000	2,476,000	2,588,000
Gas, oil, and distillate fuel oil output (bbls.)	Jan. 28	7,302,000	7,482,000	7,591,000	7,582,000
Residual fuel oil output (bbls.)	Jan. 28	8,389,000	8,266,000	8,444,000	8,941,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 28	124,270,000	*122,204,000	113,497,000	114,970,000
Kerosene (bbls.) at	Jan. 28	18,449,000	*19,046,000	20,838,000	21,744,000
Gas, oil, and distillate fuel oil (bbls.) at	Jan. 28	66,337,000	*69,214,000	77,801,000	63,142,000
Residual fuel oil (bbls.) at	Jan. 28	57,036,000	58,585,000	61,675,000	63,333,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 28	§636,415	§618,950	§495,634	679,302
Revenue freight received from connections (number of cars)	Jan. 28	§577,196	§558,104	§480,233	601,270
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 2	$160,683,000	$216,406,000	$323,398,000	$209,703,000
Private construction	Feb. 2	90,540,000	163,002,000	54,479,000	148,290,000
Public construction	Feb. 2	70,143,000	53,404,000	268,919,000	61,413,000
State and municipal	Feb. 2	47,481,000	33,712,000	52,837,000	56,043,000
Federal	Feb. 2	22,662,000	19,692,000	216,082,000	5,370,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 28	7,500,000	7,260,000	6,385,000	10,480,000
Pennsylvania anthracite (tons)	Jan. 28	726,000	732,000	408,000	653,000
Beehive coke (tons)	Jan. 28	18,700	*19,200	25,300	150,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Jan. 28	223	230	197	218
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 4	6,062,095	5,971,662	5,695,372	5,778,476
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 2	199	232	161	145
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 31	‡3.837c	3.837c	3.837c	3.720c
Pig iron (per gross ton)	Jan. 31	$46.05	$46.05	$45.88	$46.82
Scrap steel (per gross ton)	Jan. 31	$27.08	$26.75	$26.25	$40.42
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 1	18.200c	18.200c	18.200c	23.200c
Export refinery at	Feb. 1	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	Feb. 1	74.250c	75.000c	77.500c	103.000c
Lead (New York) at	Feb. 1	12.000c	12.000c	12.000c	21.500c
Lead (St. Louis) at	Feb. 1	11.800c	11.800c	11.800c	21.300c
Zinc (East St. Louis) at	Feb. 1	9.750c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 7	103.79	103.76	104.57	101.41
Average corporate	Feb. 7	116.41	116.41	116.41	113.12
Aaa	Feb. 7	121.46	121.46	121.67	118.80
Aa	Feb. 7	119.82	119.82	120.02	116.80
A	Feb. 7	111.02	116.02	115.82	112.19
Baa	Feb. 7	108.70	108.88	108.70	105.17
Railroad Group	Feb. 7	111.62	111.62	111.81	108.88
Public Utilities Group	Feb. 7	117.40	117.20	117.20	113.31
Industrials Group	Feb. 7	120.43	120.43	120.43	117.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 7	2.22	2.22	2.17	2.40
Average corporate	Feb. 7	2.83	2.83	2.83	3.00
Aaa	Feb. 7	2.58	2.58	2.57	2.71
Aa	Feb. 7	2.66	2.66	2.65	2.81
A	Feb. 7	2.85	2.85	2.86	3.05
Baa	Feb. 7	3.24	3.23	3.24	3.44
Railroad Group	Feb. 7	3.08	3.08	3.07	3.23
Public Utilities Group	Feb. 7	2.78	2.79	2.79	2.99
Industrials Group	Feb. 7	2.63	2.63	2.63	2.70
MOODY'S COMMODITY INDEX	Feb. 7	355.8	356.2	350.5	377.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 28	178,895	189,449	147,044	167,930
Production (tons)	Jan. 28	208,453	204,852	111,463	181,483
Percentage of activity	Jan. 28	92	92	53	88
Unfilled orders (tons) at	Feb. 28	337,785	371,395	359,271	304,146
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Feb. 3	122.1	122.3	124.9	141.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Jan. 21	28,169	40,999	20,764	19,356
Number of shares	Jan. 21	833,639	1,266,307	629,727	526,635
Dollar value	Jan. 21	$34,501,271	$46,609,715	$25,535,429	$22,795,512
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 21	29,369	42,534	26,269	18,197
Customers' short sales	Jan. 21	282	421	130	140
Customers' other sales	Jan. 21	29,087	42,113	26,139	18,057
Number of shares—Customers' total sales	Jan. 21	804,312	1,227,242	757,493	473,702
Customers' short sales	Jan. 21	10,906	15,448	4,703	5,711
Customers' other sales	Jan. 21	793,406	1,211,794	752,790	467,991
Dollar value	Jan. 21	$29,546,513	$42,177,839	$27,090,706	$18,745,225
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 21	261,610	417,850	301,540	126,840
Short sales	Jan. 21	------	------	------	------
Other sales	Jan. 21	261,610	417,850	301,540	126,840
Round-lot purchases by dealers—					
Number of shares	Jan. 21	289,140	413,170	174,590	213,620
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Jan. 31	151.1	150.7	150.6	159.3
Farm products	Jan. 31	155.5	153.2	153.9	169.9
Grains	Jan. 31	160.7	160.3	160.4	161.6
Livestock	Jan. 31	197.8	191.2	187.2	206.8
Foods	Jan. 31	154.7	154.5	154.5	162.3
Meats	Jan. 31	208.1	208.2	204.7	215.5
All commodities other than farm and foods	Jan. 31	145.1	145.1	145.1	152.7
Textile products	Jan. 31	137.4	137.4	137.4	145.7
Fuel and lighting materials	Jan. 31	130.4	130.3	130.1	137.2
Metals and metal products	Jan. 31	169.3	*169.3	169.5	175.5
Building materials	Jan. 31	190.1	190.3	190.3	201.9
Chemicals and allied products	Jan. 31	115.8	115.8	115.5	124.0

*Revised figure. †Includes 502,000 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
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. —U. S. DEPT. OF LABOR—Month of November (000's omitted):			
All building construction	$612,758	*$678,540	$479,411
New residential	368,289	*399,178	239,553
New nonresidential	179,391	*196,076	170,553
Additions, alterations, etc.	65,078	*83,286	69,305
BUSINESS INCORPORATIONS, NEW IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of December	7,857	6,755	7,421
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939 100—As of Dec. 15:			
All items	167.5	168.6	171.4
All foods	197.3	200.8	205.0
Cereals and bakery products	169.2	169.2	170.2
Meats	223.2	229.1	241.3
Dairy products	186.2	186.4	199.2
Eggs	178.0	207.8	217.3
Fruits and vegetables	198.2	202.0	192.3
Beverages	292.5	265.3	207.8
Fats and oils	136.7	139.7	184.4
Sugar and sweets	178.8	178.9	173.0
Clothing	185.8	186.3	200.4
Rent	122.2	122.0	119.5
Fuel, electricity and refrigerators	139.7	139.1	137.8
Gas and electricity	97.2	97.0	95.3
Other fuels	191.6	190.0	191.3
Ice	145.5	146.6	138.4
Housefurnishings	185.4	185.4	198.6
Miscellaneous	155.5	154.9	154.0
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 31	23,341,000	23,338,000	23,751,000
Spinning spindles active on Dec. 31	20,241,000	20,314,000	20,776,000
Active spindle hours (000's omitted) Dec.	9,206,000	9,442,000	8,544,000
Active spindle hrs. per spindle in place Dec.	419	429	383
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of December:			
Earnings—			
All manufacturing	$56.20	*$54.53	$55.10
Durable goods	59.31	*57.00	59.40
Nondurable goods	53.02	*52.02	50.51
Hours—			
All manufacturing	39.8	*39.2	40.0
Durable goods	40.1	*39.2	40.6
Nondurable goods	39.6	*39.2	39.3
Hourly earnings—			
All manufacturing	$1.412	*$1.391	$1.376
Durable goods	1.479	*1.454	1.457
Nondurable goods	1.339	*1.327	1.286
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of December:			
Factory sales (number of units)	268,517	253,516	273,890
MAGNESIUM WROUGHT PRODUCTS (DEPT. OF COMMERCE) — Month of November:			
Shipments (in pounds)	622,000	793,000	532,000
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE) — Month of November:			
Shipments (short tons)	49,439	57,150	77,194
For sale (short tons)	25,250	28,582	42,241
For producers' own use (short tons)	24,189	28,568	34,953
Orders booked, less cancellation, for sale (short tons)	26,723	25,392	30,312
Unfilled orders, end of month, for sale (short tons)	55,795	54,322	146,422
MONEY IN CIRCULATION—TREASURY DEPT.			
As of December 31 (000's omitted)	$27,509,995	$27,543,493	$28,223,786
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Jan.:			
Industrials (125)	6.50	6.58	6.84
Railroads (25)	7.10	7.36	7.77
¶¶Utilities (24)	5.35	5.50	6.00
Banks (15)	4.55	4.54	4.67
Insurance (10)	3.37	3.18	3.33
Average yield (200)	6.23	6.36	6.62
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of January:			
Copper (per pound)—			
Electrolytic, domestic refinery	18.200c	18.200c	23.200c
Electrolytic, export refinery	18.420c	18.425c	23.430c
Lead (per pound)—			
Common, New York	12.000c	12.000c	21.500c
Common, St. Louis	11.800c	11.800c	21.300c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	73.250c	73.250c	70.000c
Silver, London (pence per ounce)	64.000	64.000	42.500
Sterling Exchange (Check)	$2.79750	$2.79750	$4.02750
Zinc (per pound)—East St. Louis	9.763c	9.753c	17.500c
Tin (per pound)—			
New York Straits	76.070c	79.038c	103.000c
New York, 99% min. (§§)	75.070c	78.038c	102.000c
Gold (per ounce U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$71.000	$71.000	$89.600
¶Antimony (per pound), (E. & M. J.)	33.200c	35.280c	41.713c
Antimony (per pound), bulk, Laredo	29.920c	32.000c	38.500c
Antimony (per pound), in cases, Laredo	30.420c	32.500c	39.000c
Antimony (per pound), Chinese Spot	Nominal	Nominal	Nominal
Platinum, refined (per ounce)	$69.000	$69.000	$91.600
†Cadmium (per pound)	$2.00000	$2.00000	$2.00000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.05000
§Cadmium (per pound)	$2.15000	$2.15000	$2.10000
Cobalt, 97%	$1.800	$1.800	Not Avail.
Aluminum, 99% plus, ingot (per pound)	17.000c	17.000c	17.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
**Nickel	40.000c	40.000c	40.000c
NEW YORK STOCK EXCHANGE — As of Dec 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$877,351	$813,106	$551,440
Credit extended to customers	60,623	62,546	52,218
Cash on hand and in banks in U. S.	307,208	301,115	351,963
Total of customers' free credit balances	638,811	596,116	587,310
Market value of listed shares	76,291,958	73,174,833	67,048,278
Market value of listed bonds	128,463,516	132,444,956	131,306,126
Stock price index, 12-31-24=100	79.1%	76.2%	73.0%
Member borrowings on U. S. Govt. issues	$132,063	$115,257	$170,896
Member borrowings on other collateral	542,203	465,070	250,591

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained. ¶¶Exclusive of American Telephone and Telegraph stock.

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Government's Challenge To Private Banking

not be loaned out by the banks which maintain them.

Member and Non-Member Bank Reserves

Much has been said in an effort to prove that great inequities exist between member and non-member banks reserves. First of all, it should be pointed out that no method of determining reserves has yet been suggested that could bring about equity for all banks. No plan has ever been devised that creates equity with respect to total required reserves, the form and place in which they may be kept, or the specific types of deposits against which they are required. The proposals that have been advanced up to now usually cure one inequity at the expense of creating another one.

Great stress is placed by the Joint Economic Committee on the point that reserves should be identical for members and non-members, and that all reserves should be kept in the Federal Reserve. However, this would mean a loss by correspondent banks of the reserve deposits of other banks. These non-member reserve balances total some $2 billion. Most of the correspondent banks which hold them are member banks. While the appearance of greater equity may result from identical reserves for members and non-members, the fact remains that this proposal would take $2 billion of deposits from the member banks. It is inconceivable that the proposal could be urged as a credit control measure, if the reserves the Board prescribes are allowed to remain outside the System.

I can assure you that the ABA will continue to testify against measures which may come before Congress to increase Federal Reserve authority over member bank reserves, and broaden it to include fixing the reserve requirements of non-members. The Association has opposed recommendations such as these before other sessions of Congress in recent years. Neither members nor non-members want to see state chartered banking and supervision placed in jeopardy. Centralized control of the reserve requirements of all banks would be a serious blow to the dual system. It would probably be only the first of a series of steps to further centralize banking control. Members and non-members alike do not want to see state governments divested of their right to regulate the credit-creating functions of the banks they charter.

Welfare of Banking Industry Involved

There is an even broader concern in this issue than the welfare of the banking industry. This is the public welfare. Chartered banking provides credit for business, industry, and agriculture. This credit is the lifeblood of a vital, enterprise economy. We, together with the vast majority of the American people, are committed to the welfare of that economy. I for one am convinced that the public does not want to look forward to a day when the control of credit is tightly vested in a central agency of the Federal Government.

Legislative proposals such as these affecting bank credit are another step in the direction of a socialized state. It would be a serious error for either bankers or the public to conceive of them as a necessary or desirable credit control. It is my belief that no banker can seriously regard the proposal to control non-member reserves as a practical remedy for reserve inequities. The price that banking as a whole would pay is far too great. In this challenge to banking lies an opportunity for us to demonstrate our belief in both chartered banking and the best interests of the nation.

Continued from page 4

The Havana Charter—Obstacle To World Reconstruction

of ITO the United States desired to set up was not at that time a practical proposition. We should thereupon have dropped this project until such a time as the condition of the world and that of national tempers would allow genuine international economic cooperation to come to life.

Any Compromise Resorted To

No such wise course was, alas, pursued by the American negotiators. It became apparent early in the ITO Conferences that the U. S. delegates had set their hearts on establishing an ITO — any ITO — and that they were willing to go to great lengths of compromise in reaching a universally acceptable to follow from very close quarters both the Geneva and Havana Conferences of 1947-48 and to see at first hand the progress—if one may call it so — of negotiations which led to the adoption of the document now known as the Havana Charter. Elsewhere I have recounted the story of the Charter's progressive deterioration[1] and concluded by quoting the following passage from the famous essay **On Compromise** written in the last quarter of the 19th Century by Great Britain's statesman and philosopher, Lord Morley:

"A principle, if it be sound, represents one of the larger expediences. To abandon that for the sake of some seeming expediency of the hour, is to sacrifice the greater good for the less, on no more credible ground than that the less is nearer. It is better to wait, and to defer the realization of our ideas until we can realize them fully, than to defraud the future by truncating them, if truncate them we must, in order to secure a partial triumph for them in the immediate present. It is better to bear the burden of impracticableness, than to stifle conviction and to pare away principle until it becomes mere hollowness and triviality. What is the sense, and what is the morality, of postponing the wider utility to the narrower? Nothing is so sure to impoverish an epoch, to deprive conduct of nobleness, and character of elevation."

Unfortunately the concept of **limits of compromise** was not present amongst our negotiators and they overstepped these limits so considerably as to put their signature eventually under a document which is the negation of American aims and which can truly be described, in my opinion, as a **charter of economic nationalism.** Indeed, one title of distinction of that document is that it is probably the **first** international charter of economic nationalism ever written in the long history of the civilized world.

[1] "Fortune" magazine, September, 1949, "How the U. S. Lost the ITO Conferences."

II

The Havana Charter vs. Free Enterprise

At the beginning of these remarks I suggested that the Havana Charter jeopardized free private enterprise as well as America's position in the world. I shall now proceed to explaining the reasons for that double indictment —which I would like at this point to transform into a triple one by adding the following third count. The Havana Charter, instead of setting the stage for a revival of multilateral world trade, contributes to making such a revival very difficult indeed. Instead of promoting world trade the rules of the Charter would promote its disintegration.

The Charter is a very long and intricate document: by the process of careful study, however, one can discover amongst its many provisions several of which the significance is basic and which by themselves define the kind of world in which we would have to live if the ITO were now established.

The first and most important of these provisions is buried in paragraph 4 of Article 21. It establishes a priority of national—and nationalistic—economic planning over the requirements of good international economic relations. A country is free under the Charter to pursue domestic policies which inevitably lead to balance-of-payments difficulties and, once these difficulties occur, it is free to adopt import quotas, to control by government regulations the composition of its import trade, and to engage in various discriminatory practices. The Organization, on the other hand, is allowed neither to object nor to point out that a change in that country's domestic policies would make it internationally solvent, thereby removing the need for the use of import quotas, etc. In the words of Mr. Walter Nash, who was until recently Finance Minister and Deputy Prime Minister of New Zealand, and who is one of the principal authors of the Havana Charter; "when a conflict arises between the desirability of pursuing policies of economic development and full employment on the one hand and the desirability of avoiding quantitative restrictions on the other, the domestic policies will take precedence."[2]

Trade Barriers Permitted

As if there were a possible shade of doubt as to the Charter's intent, we find in another Article —Article 6—a broad directive to the ITO to "have regard, in the exercise of its functions under other Articles of this Charter, to the need of Members to take action within the provisions of this Charter to safeguard their economies against inflationary or deflationary pressure from abroad." What this means in simpler language is that a member government is free to surround its country with trade barriers in order to insulate it from what goes on in world economy. It is well to remember, however, that such policies of economic "insulation" have considerably aggravated the economic depression of the 'thirties and substantially contributed to the breakup of international economic relations during that distressing decade.

Thus for the first time in an official document, socialistic planning is given precedence over international order and economic "insulation"—the right-of-way over operating requirements of the world economy.

[2] Report by New Zealand Delegation on the Conference held at Havana, Cuba, from Nov. 21, 1947, to March 24, 1948; Department of External Affairs Publication No. 58.

Concern Our Full Employment

As is well known, the Havana Charter deals not with matters of commercial policy alone but also with full employment and economic development. To be sure, an international agreement on principles of commercial policy was the original objective of the State Department; however, leadership in the drafting of the Charter having passed, in the course of the ITO Conferences, from the American delegation to those of state socialistic countries, chapters on full employment and economic development acquired a very important place in the Charter. In the course of a conversation I had with him in Geneva in the late summer of 1947, Dr. Coombs of Australia, another of the principal authors of the Charter, told me that he considered the employment and development provisions of that document as being the two main pillars of the ITO. When we read these two chapters, however, what do we find? Constructive proposals for maintaining national prosperity and employment amongst increasingly abundant international trade? or ways of promoting the growth of backfard areas within the context of an expanding world economy? By no means. All we find in these two chapters are abundant sources of exceptions to the "rules" which prohibit quantitative restrictions and discriminatory practices. Article 21, paragraph 4 represents the invasion of the commercial policy provisions of the Charter by the socialistic preoccupations with national planning for employment and development and constitutes the ultimate negation of the entire purpose of a "true" ITO.

Under the Charter the government of the United States (as do governments of other member countries) assumes an obligation to "take action designed to achieve and maintain full and productive employment and large and steadily growing demand within its own territory through measures appropriate to its political, economic and social institutions." (Article 3) Now it is important to note that under the existing political, economic and social institutions of the United States the government hasn't got the power to take any such action. This was well recognized when the so-called Murray Bill, introduced in Congress in 1945 and hotly debated, was turned down in favor of The Employment Act of 1946. The former would have required the United States to accept just this kind of obligation as is imposed upon it by the Havana Charter. The latter realized that it was not within the power of the U. S. government to live up to such an obligation without major changes in our political, economic and social institutions.

It is safe to forecast that should the United States join the ITO, Congress will be seized with a new version of the once-discarded Murray Bill and that we would start moving with increasing speed in the direction of state controls over our economic life. The climate would then become increasingly harsh for free private enterprise.

It is all-too-easily forgotten nowadays that the successful functioning of multilaterial trade requires the adoption by every government of domestic policies which assist the maintenance of its country's international solvency. This was the core of the "unwritten rules" of the gold standard and it could easily be shown that it must be so under any system of international economic equilibrium. The Articles of Agreement of the International Monetary Fund accept this principle albeit only implicitly. A member of the Fund which runs into balance-of-payments difficulties can obtain relief from the Fund but must seek to improve its balance-of-payments position; the longer it fails to regain balance the more certain it is to become ineligible for further use of the Fund's resources, in other words, to lose its good standing with the Fund. We have seen that under the ITO Charter there is no parallel obligation. On the contrary; a country in persistent balance-of-payments difficulties can obtain a degree of freedom of action in terms of restrictive and discriminatory commercial policies which is not available for countries whose international solvency has been better preserved. Considering how many countries have governments that are more concerned with preserving their freedom of action in terms of national economic planning than with preserving their country's international solvency, there can be no doubt in my mind but that they will preserve their freedom of action under the ITO even at the risk of falling into bad standing with the International Monetary Fund. Thus, the ITO, if established, will undoubtedly spell the doom of the International Monetary Fund.

Multilateral Trade

There is no reference throughout the Charter to multilateral trade and that ommission I consider to be one of the most candid features of this uncandid document. I happen to know that in the closing phase of the Havana Conference it was considered in certain circles whether a general resolution in favor of multilateral trade might not be appended to the Havana Charter, thereby opening the door for possible future improvements in that direction. That idea was, however, given up without an attempt at realization because it was anticipated that the Conference would never agree to an unqualified statement commending multilateralism.

III

Entrenching Socialism

Within the short compass of this paper I cannot, of course, discuss the many other provisions of the Charter which, important though they are, are less basic than those already mentioned. I shall even gloss over the unfortunate investment provisions of the Charter partly because they have received wide airing and partly because they are less fundamental than those mentioned. After all if private capital doesn't obtain sufficient assurances of fair treatment in foreign countries it simply won't move abroad. The defense against wrong provisions is easy and the effect may readily be a change in the provisions themselves.

This is not the case, however, of those provisions of the Charter which establish the wrong kind of economic system, which entrench socialistic planning at the expense of expanding world trade, and which places private trade in an increasingly weak and precarious position. The Havana Charter should be rejected by everybody who wishes the establishment of a world economy because it represents the negation of such an economy. It amounts to a code of law which accepts as legitimate most all illegal practices which occur from time to time in actual life. For the United States there is, in addition, a special reason not to become a member of the ITO. This reason lies in the fact that membership in that Organization would practically destroy for this country the possibility of pursuing beyond the ITO the goal of restoring multilateral trade. Our hands would be

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The Havana Charter—Obstacle To World Reconstruction

tied, we could neither object to trade restrictions and discriminatory practices adopted by countries invoking balance-of-payments difficulties or economic developments to justify their actions, nor could we retaliate in kind because of our own solvency and of our high degree of economic development. Under the Havana Charter we are obliged to apply the Most-Favored-Nation treatment to all members in good standing of the ITO, even to those who by their policies discriminate against the United States, and it must be always kept in mind that import quotas are discriminatory by their very nature and that to speak of a non-discriminatory administration of such import quotas is simply absurd.

The "universalist approach" to the problem of restoring the world economy to its former health having failed, as witnessed by the contents of the Havana Charter, the American government might wish someday to seek the reconstruction of multilateral trade by other means, namely through bilateral negotiations with a small group of countries who are of like mind with us. Our bargaining power in such negotiations would include the application to these countries of lower tariff rates and the limitation to them of the Most-Favored-Nation treatment. By joining the ITO we would throw this bargaining power away. Having stood up many times publicly in opposition to the ITO I found it incumbent on myself to discuss an alternative approach to the reconstruction of world trade. This I have attempted to do in an article published in the current—February 1950—issue of "Fortune" magazine. Without going into this problem here, let me merely state that as a member of the ITO the United States would not have the possibility of developing any such program.

The advocates of the Havana Charter declare themselves undisturbed by the fact that in the ITO the United States like every other member would have one vote. Yet the "one country one vote" voting procedure creates an absurd and intolerable situation in that it places the large trading nations of the world in a permanent minority while the majority is permanently invested in the large number of countries whose stake in world trade is small, whose experience in commercial policy is recent, and who are animated by a fierce spirit of nationalism, economic and otherwise. It is true that the United States was not often outvoted in the course of the ITO negotiations. This was true, however, exclusively to the fact that American delegates always accepted damaging compromises in advance of a ballot.

Adherents of the Charter deny that the "one country one vote" voting procedure will have the bad effects mentioned above. Their argument is based upon three considerations: one, a country's position in international organizations is not measured merely by its numerical vote, and that the United States would exercise always an influence greater than the one vote it would formally possess; secondly, all the countries other than the United States have conflicting interests, and to anticipate that they would, all of them, "gang up" on the United States is to take an unduly dim and unrealistic view of the actual probabilities; and finally, adherents of the Charter consider that the fear of the "one country one vote" voting procedure assumes bad faith on the part of other countries in accepting commitments under the Charter; they, the defenders of the Charter, assume, on the contrary, throughout that other governments will always act in complete good faith.

U. S. Influence Negligible

Here again my own judgment differs from that of the defenders of the Havana Charter. True, the influence of a country in international councils is not measured by its numerical vote. But the fact remains that the influence of the United States upon the final shape of the Havana Charter was negligible and not at all at variance with the minority position we had on the councils which drew the Charter up. This is perhaps obscured by the fact that our delegates were far too prone to recede from their earlier positions and to rationalize the unhappy compromises which they accepted; but we have before us the Charter as a determining proof of America's position in the ITO Conferences.

Secondly, the alleged diversity of interests of the other 50-odd countries — these countries may have many interests at variance but they are all at one in their desire to have practically complete freedom in the use of quantitative trade restrictions and discriminatory practices. They are also at one in their wish not to be exposed to unfavorable American reactions when they use these instruments of policy to which the United States is supposed strongly to object. I have heard a great many references on the part of defenders of the Charter to the "miracle" of agreement that took place among these 50-odd countries. But looking at it more closely one cannot help wondering whether that agreement meant anything. What **did** these countries agree upon in the end? On their right to do as they please, a right which only two among them would be deprived of because these two countries are both economically developed and financially solvent. That all the other countries should have agreed to the Havana Charter is not miraculous. That one of these remaining two countries should object to the Charter is not miraculous either; the only thing that is miraculous is that the American signature should appear at the bottom of the Havana text. I have no doubt that if we tried to amend the Charter at any foreseeable time in the direction of free-enterprise multilateral trade we should find an overwhelmingly massive vote against us.

As to the question of good or bad faith, that is in the present context largely a matter of definition. Is a country in good faith which accepts the principle of eliminating import quotas but sees to it that its own right to continue having them is safeguarded by escape clauses and special provisions? I think it is better not to go into that too deeply!

* * *

These are then, in short, my own reasons for considering that the Havana Charter should be rejected by the Congress of the United States in the interest of world economic reconstruction. Instead of following the will-o'-the-wisp of a fallacious universal agreement let us devote ourselves to the task of rebuilding multilateral trade and a prosperous world economy by the only means which will lead to that goal: by making it possible to put an end to import quotas and exchange control and by insisting that an end be really put to these disruptive and dangerous practices; by cooperating wholeheartedly with countries that share our desire to re-establish economic peace in the world; by ceasing to throw away our influence for the good by unnecessarily compromising with economic nationalism and its evil fruit. To reject the ITO Charter is not enough; we need a positive policy for free-enterprise multilateral world trade. If we join the ITO we shall have thrown away the possibility of developing such a policy.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Aircraft Maintenance International, Inc., N. Y.
Jan. 23 (letter of notification) $300,000 12-year 5% debentures due Jan. 1, 1962, and 75,000 shares of common stock (par 25c) offered in units of $1,000 debentures and 250 shares of common stock at $1,000 per unit. No underwriter. Proceeds for purchase of inventory and equipment and for working capital. **Office**—51 East 42nd Street, New York City.

• Alaska-Pacific Consolidated Mining Co.
Jan. 27 (letter of notification) $40,000 of 4% cumulative notes payable out of 25% of the net operating profit, and 80,000 shares of common stock (par 1c) to be sold in units of two shares of common with each $1 loan made under a production note, at $1.40 a unit. No underwriter. Proceeds to develop mine in Willow Creek Mining District in Alaska and for additional capital. **Office**—609 Colman Bldg., Seattle, Wash.

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 Mutual Fund, Inc., Los Angeles
Feb. 3 filed 2,000,000 shares of capital stock (par $1). **Underwriter**—Kidder, Peabody & Co., New York. **Business**—Management investment company.

Ampal-American Palestine Trading Corp., N. Y.
Nov. 3 filed $3,250,000 10-year 3% sinking fund debentures due 1958 and 200,000 shares ($10 par) class A stock. **Underwriter**—Israel Securities Corp. may be underwriter. Debentures are to be offered at par and the stock at $11 per share. **Proceeds**—To be used for economic development of Israel. Statement effective Dec. 9.

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 stock of Freedom-Valvoline Oil Co. **Underwriter**—None.

• Austill Waxed Paper Co.
Feb. 3 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $10) and 50,000 shares of common stock (par 10¢) to be sold in units of one preferred and ten common shares. **Price**—$11 per unit. **Underwriter**—Capital Co., Inc., Jacksonville, Fla. **Proceeds**—To install steam and electrical equipment and for working capital. **Office**—921 Lynch Bldg., Jacksonville, Fla.

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.

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.

Bullion Monarch Mining Co., Salt Lake City, Utah
Jan. 17 (letter of notification) 262,600 shares of common stock (par 10c) at $1 per share. No underwriter. Proceeds to develop mining properties. **Office**—Utah Oil Bldg., Salt Lake City, Utah.

• (The) Bureau of National Affairs, Inc.
Jan. 19 (letter of notification) 1,000 shares of common stock (no par) at $17 per share, to be offered to employees. No underwriter. Proceeds for cash reserve.

Calon Corp., Washington, D. C.
Jan. 16 (letter of notification) 15,000 shares of 6% nonredeemable cumulative participating preferred stock at $1 per share, to be sold through Leonard H. Whitaker, Washington, D. C. Proceeds to finance company, Office, 417 Union Trust Building, Washington.

• Camp B Mining Co.
Jan. 23 (letter of notification) 35,000 shares of common stock to be sold at par ($1 per share). No underwriter. Proceeds to be used to drill a mine. **Address**—Box 392, Wickenburg, Ariz.

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.

• Colorado Skyline Photo Campers, Inc.
Jan. 26 (letter of notification) 35,000 shares of common stock, at $1 per share. No underwriter. Proceeds to buy equipment. **Office**—1515 Tremont Place Denver, Colo.

• Colorvision, Inc.
Jan. 30 (letter of notification) conditional preorganization subscription agreements by Harold V. Lee, Edward G. Borgens and Herbert J. Reinohl, to buy 60,000 shares of common stock (par $5). No underwriter. **Office**—3518 3rd Ave., San Diego, Calif.

• Commodity Investors, Inc., Seattle, Wash.
Jan. 25 (letter of notification) 95,000 shares of common stock at $1 per share. No underwriter. Proceeds to be deposited with local members of the Chicago Board of Trade and other exchanges for buying and selling commodities.

• Consolidated Engineering Corp.
Jan. 27 (letter of notification) 50 shares of common stock (par $1) to be sold at $5 per share to Harold J. Boucher, Altadena, Calif. No underwriter. Proceeds for working capital. **Office**—620 N. Lake Avenue, Pasadena 4, Calif.

Consumers Power Co., Jackson, Mich.
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.

● **Crown Western Investments, Inc., Dallas, Texas**
Feb. 7 filed 100,000 shares of common stock. **Manager**—Texas-Arkansas Fund, Inc. **Business**—Open-end investment company.

Davenport Garden Homes, Inc.
Jan. 27 (letter of notification) 500 shares of 4% preferred stock at $100 per share. No underwriter. Proceeds to expand business of building, selling and renting homes. **Office**—108 Security Bldg., Davenport, Ia.

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. Rights expire Feb. 28. Unsubscribed shares 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.

● **Doman Helicopters, Inc. (2/14)**
Feb. 6 (letter of notification) 3,365 shares of capital stock and warrants to purchase not more than 336 shares. Latter will be sold to officers and employees who act as underwriters at 1c per warrant while the stock will be offered to the public at $1⅞ per share. **Proceeds**—For working capital. **Office**—545 Fifth Avenue, New York, N. Y.

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 (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

● **Douglas Oil Co. of California**
Feb. 3 (letter of notification) 15,000 shares of common stock (par $1) to be sold at the market price of about $3.75 per share by Woodrow G. Krieger, President. **Underwriter**—Shearson, Hammill & Co., Los Angeles, Calif.

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 on Feb. 14, 1950. [The United Gas Corp., owner of 373,557 shares, or 74.71% of the outstanding 550,000 shares of 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. (2/21)
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 by delivery of 112,000 shares of $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. Expected Feb. 20 or 21.

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 a week.

● **Eastern Stainless Steel Corp.**
Jan. 20 (letter of notification) 2,000 shares of common stock to be sold at $10 per share by John M. Curley, selling stockholder. **Underwriter**—Hansel & Co., Philadelphia.

● **Eaton & Howard Stock Fund, Boston**
Feb. 6 filed 500,000 trust shares. **Underwriter**—Eaton & Howard, Inc., Boston. **Business**—A diversified open-end trust.

● **Emery Air Freight Corp., N. Y.**
Feb. 2 (letter of notification) 500 shares of common stock (par 20c). to be offered at market (about $2.50 per share), the proceeds going to a selling stockholder. **Office**—314 East 39th Street, New York 16, N. Y.

● **Finch Telecommunications, Inc.**
Jan. 30 (letter of notification) 4,333 shares of capital stock (par $1) to be offered at market (about $2 per share). Proceeds to pay for legal services rendered. **Office**—Fourth and Virginia Sts., Passaic, N. J.

Fitzsimmons Stores, Ltd., Los Angeles, Cal.
Dec. 16 (letter of notification) 30,000 shares of class A common stock, of which 22,778 are to be issued in exchange for 3,254 shares of Roberts Public Markets, Inc. at the rate of seven shares of Fitzsimmons for each share of Roberts. Any additional shares not needed for

NEW ISSUE CALENDAR

February 10, 1950

Gilchrist Co.	Debentures

February 14, 1950

Doman Helicopters, Inc.	Capital
New Jersey Power & Light Co.	Preferred
Philadelphia Suburban Transportation Co.	Pfd.
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
Grammes (L. F.) & Sons, Inc.	Common
International Beauty Tools, Inc.	Preferred
Lake Superior District Power Co.	Bonds
Moller-Dee Textile Corp.	Capital
Sharp & Dohme, Inc.	Preference
Vacuum Plants, Inc.	Common

February 21, 1950

East Tennessee Natural Gas Co.	Notes and Com.
Greenpoint Coal Docks, Inc.	Common
Metropolitan Edison Co. 12 noon (EST)	Bonds & Preferred
Virginia Electric & Power Co.	Common & Pfd.

February 28, 1950

Gulf States Utilities Co., 11 a.m. (EST)	Common

March 1, 1950

Kansas Gas & Electric Co.	Preferred
Louisville Gas & Electric Co.	Common
Otter Tail Power Co.	Preferred
Pennsylvania RR.	Equip. Trust Ctfs.

March 6, 1950

Pennsylvania Power Co. 11:30 a.m. (EST)	Bonds

March 7, 1950

Mississippi Power Co. 11 a.m. (EST)	Bonds

March 14, 1950

New Jersey Bell Telephone Co.	Bonds

March 15, 1950

Detroit Edison Co.	Bonds

March 21, 1950

Appalachian Electric Power Co.	Bonds
Jamaica Water Supply Co.	Bonds and Common

April 4, 1950

Georgia Power Co.	Bonds

April 10, 1950

Utah Fuel Co. 11 a.m. (EST)	Common

Proceeds—For working capital.
the exchange will be sold at $10 each. No underwriter.

● **Food Fair Stores, Inc.**
Jan. 27 (letter of notification) 376 shares of common stock (par $1) at $15.37½-$15.25 per share, the proceeds to go to holders of scrip which expired on Jan. 15, 1950. **Underwriter**—Eastman, Dillon & Co.

● **Foster Metal Products Co.**
Jan. 30 (letter of notification) 21,500 shares of common stock to be offered at $12.50 per share. No underwriter. Proceeds will be used for manufacture, sale and distribution of metal products.

● **Fundamental Investors, Inc., New York City**
Feb. 7 filed 2,250,000 shares of capital stock. **Underwriter**—Hugh W. Long & Co., Inc., New York. **Business**—A diversified open-end investment company.

● **Garfinkel (Julius) & Co., Inc.**
Feb. 2 (letter of notification) 5,000 shares of common stock (par 50c) to be sold by Mrs. Dee M. Schmid, Washington, D. C., at the market price of between $19⅝ and $16¾ per share. **Underwriter**—Auchincloss, Parker & Redpath, Washington.

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.

● **Grammes (L. F.) & Sons, Inc. (2/15)**
Feb. 6 (letter of notification) 1,200 shares common stock to present common stockholders and officers and employees at $30 per share. **Purpose**—For working capital. **Office**—Jordan & Union Streets, Allentown, Pa.

● **Grand Rapids Stadium, Inc.**
Jan. 27 (letter of notification) 1,004 shares of 6% non-cumulative participating preferred stock at $100 per share. No underwriter. Proceeds to pay costs of erecting stadium. **Office**—2500 Turner Ave., N. W., Grand Rapids, Mich.

● **Granmesa Petroleum Co., Inc.**
Jan. 25 (letter of notification) 2,295 shares of common capital stock at $100 per share. No underwriter. Proceeds for oil and gas leases, drilling equipment and expenses. **Office**—874 Texas Avenue, Grand Junction, Colorado.

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.

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 $6⅞ each. **Underwriter**—First of Michigan 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.

Hawaiian Electric Co., Ltd., Honolulu
June 21 filed 150,000 shares of series E cumulative ($20 par) preferred and 50,000 shares of ($20 par) common. **Offering**—Preferred will be offered to preferred holders at 1-for-3 rate and common will be offered to common stockholders at 1-for-9 rate. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. will buy unsubscribed preferred; unsubscribed common will be sold either at public auction or to the underwriters. **Proceeds**—To pay off short-term promissory notes and to carry merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction. Indefinite.

● **Houston Diced Cream Co.**
Feb. 1 (letter of notification) 300,000 shares of common stock at par ($1 per share). No underwriter. Proceeds to buy the business and assets of Camellia Creameries, Inc., Houston, Texas, and for working capital. **Office**—727 W. 7th Street, Los Angeles, Calif.

● **Ice Cream Confection Co.**
Jan. 30 (letter of notification) 50,000 shares of common stock (par 10c). **Price**—50 cents per share. **Underwriter**—Graham & Co., Pittsburgh. **Proceeds**—For operating expenses. **Office**—218 Mt. Vernon Ave., Etna, Pa.

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.

Industria Electrica de Mexico, S. A., Mexico City
Nov. 29 filed 250,000 shares of 6% cumulative convertible preferred stock, 100 pesos par value ($11.5607). **Offering**—This stock is to be offered at par to holders of common and special stock at rate of five shares for each 12 shares held, either of common or special, or a combination of both. **Underwriter**—Banco Nacional de Mexico, S. A. **Proceeds**—To reduce outstanding short-term indebtedness.

Insurance Co. of North America, Philadelphia
Dec. 30 filed 30,000 shares of capital stock (par $10) to be offered to employees of the company and its six affiliated companies under an employees' stock subscription plan. No underwriter. Proceeds for general corporate purposes. Statement effective Feb. 1.

● **International Beauty Tools, Inc. (2/15)**
Feb. 6 (letter of notification) 4,000 shares of 6% preferred stock (par $5) and 12,000 shares of common stock (par $1). **Price**—At par. **Underwriter**—None. **Proceeds**—For expansion and for working capital. **Office**—1303 Atlantic Avenue, Brooklyn 16, N. Y.

● **Jeannette Glass Co., Jeannette, Pa.**
Feb. 2 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (about $4.50 per share). **Underwriter**—None. **Proceeds**—To go to selling stockholder (George W. Todd, Chairman).

● **Julian & Kokenge Co., Columbus, O.**
Jan. 26 (letter of notification) 20,000 shares of common stock (no par) to be offered to employees. **Price**—$15 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—280 S. Front St., Columbus, O.

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**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To be used to redeem unexchanged 7% and $6 preferred shares. Expected about March 1.

● **Kentucky Oil & Distributing Corp., Monticello, Ky.**
Jan. 26 (letter of notification) 60,000 shares of capital stock (par 10c). **Price**—$1 per share. **Underwriter**—Peter Morgan & Co., New York. **Proceeds** — For additional working capital.

Kerr-McGee Oil Industries, Inc.
Dec. 22 (letter of notification) 1,500 shares of common stock (par $1), for Dean Terrill, selling stockholder. **Underwriter**—Straus & Blosser, Chicago. **Price**—$12 per share.

● **Kohn & Co., Columbia, S. C.**
Feb. 2 (letter of notification) $75,000 of serial deben-

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tures, in varying principal amounts. No underwriter. Proceeds to build a new building. **Office**—1526 Main Street, Columbia, S. C.

● **La Crosse Telephone Corp.**
Feb. 1 (letter of notification) 9,100 shares of common stock at $10.12½ per share. **Underwriter**—Bell & Farrell, Inc., Madison, Wis. **Proceeds**—To pay advances made by parent company, Central Telephone Co.

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. (2/15)
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.; Robert W. Baird & Co.; Equitable Securities Corp. and R. W. Pressprich & Co. (jointly); White, Weld & Co.; Carl M. Loeb, Rhoades & Co.; The First Boston Corp. **Proceeds**—Property additions and betterments. Expected Feb. 15.

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.

● **Louisville (Ky.) Gas & Electric Co. (3/1)**
Feb. 3 filed 101,297 shares of common stock (no par) to be offered publicly. **Price**—To be filed by amendment. **Underwriters**—Lehman Brothers; J. J. B. Hilliard & Sons; Stein Bro. & Boyce; Almstedt Brothers; and Blyth & Co., Inc. **Proceeds**—For construction costs and working capital.

● **Lowell Adams Factors Corp.**
Feb. 2 (letter of notification) 50,000 shares of common stock (par 10c) and 25,000 shares of 6% cumulative convertible preferred stock (par $4). **Price**—For preferred, par; and for common, $2 per share. **Underwriter**—The First Guardian Securities Corp., New York. **Proceeds**—For working capital. **Office**—20 Pine Street, New York, N. Y.

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.

Manufacturers & Merchants Indemnity Co., Cincinnati
Dec. 16 (letter of notification) 10,000 shares of common stock (par $5) to be offered at $27.50 per share. No underwriter. Proceeds to increase capital and surplus.

● **Marquette Casualty Co., New Orleans, La.**
Jan. 30 (letter of notification) 10,000 shares of capital stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To increase authorized capital and surplus. **Office**—Baronne at Gravier Sts., New Orleans, La.

Messenger Corp., Chicago
Jan. 11 (letter of notification) 2,000 shares of common stock (par $1), to be sold for the account of Harry M. Messenger, President. **Price**—$11 per share. **Underwriter**—Cruttenden & Co., Chicago. **Office**—1 N. La Salle Street, Chicago.

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. **Bids**—Expected to be received Feb. 21 at 12 noon (EST).

● **Mexican Village, Inc.**
Jan. 23 (letter of notification) 24,000 shares of common stock to be offered at par ($10 per share). No underwriter. Proceeds to buy real estate and erect buildings. **Office**—518 Goodrich Building, Central and Washington Streets, Phoenix, Ariz.

● **Mines Operating, Inc.**
Jan. 23 (letter of notification) 300,000 rights at 5 cents each to be issued to holders of common stock in proportion to their holdings. No underwriter. Proceeds for mining development and for operating capital. **Office**—1909 Northern Life Tower, Seattle 1, Wash.

● **Mississippi Power Co. (3/7)**
Feb. 3 filed $3,000,000 first mortgage bonds. **Bids**—Scheduled to be opened at 11 a.m. (EST) on March 7. **Underwriters**—To be determined by competitive bidding. 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 program. The SEC will hold a hearing Feb. 17.

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.

Mono-Kearsarge Consolidated Mining Co.
Jan. 27 (letter of notification) 250,000 shares of common stock, to be offered at par (10c per share). No underwriter. Proceeds to buy drilling equipment and other machinery. **Office**—209 Atlas Bldg., Salt Lake City, Utah.

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 caiptal or pay off bank notes. Bids expected to be opened about Feb. 14.

Northern Wholesale Hardware Co., Portland, Oregon
Jan. 9 (letter of notification) $125,000 10-year certificates of indebtedness, bearing 4% interest, and 100 shares of common stock to be offered at par ($1,000 per share). No underwriter. Proceeds to provide working capital, and retire obligations to stockholders. **Office**—805 N. W. Glisan, Portland, Ore.

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.

● **Omar, Inc., Omaha, Neb.**
Feb. 6 filed 20,000 shares of 4½% cumulative convertible preferred stock ($100 par), to be offered in exchange for 16,933 shares of outstanding 6% preferred stock at the rate of one share of 6% stock and the payment of $1 for each new share, and 120,000 shares common stock (par $1) to be reserved for conversion of the convertible preferred. **Underwriter**—Kirkpatrick-Pettis Co., Omaha, who will reoffer unexchanged 4½% preferred at $103 per share.

● **Paradox Corp.**
Jan. 26 (letter of notification) 150,000 shares of common stock to be sold at par ($1 per share). No underwriter. Proceeds for milling equipment. **Office**—1515 Tremont Street, Denver Colo.

Parking Services, Inc., Washington, D. C.
Dec. 29 (letter of notification) 120,000 shares of class A common stock, non-voting (par 50 cents) and 60,000 shares of class B voting common stock (par 10 cents). **Price**—At $5 per unit, each unit to consist of two shares of class A and one share of class B stock. **Underwriter**—James T. DeWitt & Co., Washington, D. C. **Proceeds**—For general working capital to lease or buy property for parking and garage use. **Office**—1419 Eye Street, N. W., Washington, D. C.

Pennsylvania Power Co. (3/7)
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.; Lehman Brothers; The First Boston Corp.; Equitable Securities Corp. and R. W. Pressprich & Co. (jointly); Carl M. Loeb, Rhoades & Co. and Blair, Rollins & Co., Inc. (jointly); Drexel & Co. **Proceeds**—To reimburse treasury for construction expenditures. **Bids**—Bids are expected to be received at 11:30 a.m. (EST) on March 6. Offering expected to be made March 7.

● **Philadelphia Suburban Transportation Co. (2/14)**
Feb. 6 (letter of notification) 1,000 shares of 5% preferred stock (par $50) to be issued to the trustee of the company's Employee Retirement Plan Trust in payment of contribution to the fund to the extent of $50,000.

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.

● **San Francisco Engineering & Mining Corp.**
Jan. 25 (letter of notification) 200,000 shares of common stock at $1 per share. No underwriter. Proceeds to develop and operate the Mad Ox mine, Shasta County, Calif. **Office**—139 N. Virginia Street, Reno, Nev. and 821 Market Street, San Francisco, Calif.

● **San Juan Mining & Developing Co.**
Feb. 2 (letter of notification) 627,000 shares of capital stock (par 1c) to be sold to old stockholders for reoffering at 1.2 cents per share. No underwriter. Proceeds to pay for development program at Matterhorn, Colo. **Address**—Box 18, Montrose, Colo.

(E. J.) Scarry & Co., Denver, Colo.
Jan. 11 (letter of notification) 1,000 shares of 8% preferred stock to be offered at par ($100 per share). No underwriter. Proceeds for expansion and to provide additional working capital. **Office**—1620 Market Street, Denver, Colo.

● **Schwarz Paper Co.**
Jan. 30 (letter of notification) 250 shares of preferred stock at $105 per share. No underwriter. Proceeds for working capital. **Office**—8th and O Sts., Lincoln 1, Neb.

● **Seafood Products Corp.**
Jan. 20 (letter of notification) 2,500 shares of common stock to be offered at par ($10 per share). No underwriter. Proceeds to buy equipment and operate a business. **Office**—Old Post Office Road, Box 352, Silver Spring, Md.

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.

● **Shedd-Bartush Foods, Inc., Detroit, Mich.**
Feb. 6 filed 140,000 shares of common stock (par $1), of which 120,000 shares are being sold by Stephen J. Bartush, President, and 20,000 are being offered by the company directly to employees. **Underwriters** (for the 120,000 shares)—Blair, Rollins & Co. Inc., New York, and Shader-Winckler Co., Detroit. **Price**—To be filed by amendment. **Proceeds**—From 20,000 shares to be added to cash balance. **Business**—Manufacturer of food products.

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.

● **Southern California Petroleum Co.**
Jan. 23 (letter of notification) subscription warrants to be issued to common stockholders at the rate of one for each three shares held, and enough no par value common shares to be issued under these warrants, at $3.75 each. No underwriter. Proceeds to pay existing obligations. **Office**—General Petroleum Building, 612 S. Flower Street, Los Angeles, Calif.

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.

Spectrolux Television Corp.
Jan. 17 (letter of notification) 60,000 shares of common stock (par 1c) and 60,000 shares of cumulative preferred stock (par $5) to be offered in units of one preferred and one common share. Of this amount, 2,500 units will presently be sold, the proceeds to be used for working capital. No underwriter. **Office**—48 West 43rd St., New York, N. Y.

● **Standard-Thomson Corp.**
Feb. 1 (letter of notification) 21,500 shares of common stock to be sold at the market price of about $4.50 per share by Reginald N. Webster (President), Lillian M. Webster and John M. Kimball, Lincroft, N. J., and Audrey J. Webster, Greenwich, Conn. **Underwriters**—Lee Higginson Corp., Carreau & Co. and Reich & Co., New York.

● **Stanzona Petroleum Corp.**
Feb. 1 (letter of notification) 288,570 shares of common stock (par $1). No underwriter. Proceeds to buy and sell oil leases. **Address**—Box 1463, Phoenix, Ariz.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter** — None. **Proceeds** —Funds will be applied to the purchase of equipment, road construction, exploration and development.

Teco, Inc., Chicago
Nov. 21 filed 100,000 shares ($10 par) common stock **Offering**—These shares are to be offered to holders of common stock in Zenith Radio Corp. at rate of one share for each five held. Underwriter—None. **Proceeds**—For working capital and the promotion of Zenith's "Phonevision" device, whereby television users could pay a special fee for costly television programs by calling the telephone company and asking to be plugged in.

● **Television Fund, Inc.**
Feb. 1 filed 750,000 shares of common capital stock (par $1), the proceeds to be used for investment. **Underwriter** —Television Shares Management Co.

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.

Transcontinental Oil Co., Inc., Albuquerque, N. M.
Jan. 13 (letter of notification) 1,000,000 shares of common capital stock (par 10 cents), to be offered at 30 cents per share, the net proceeds to be used to drill wells. No underwriting. **Office**—4012 N. Second Street, Albuquerque, N. M.

● **U. S. Thermo Control Co.**
Jan. 30 (letter of notification) 35,000 shares of common stock (par $1) to be sold at $1.50 per share to George F. Breen, New York. No underwriter. Proceeds for working capital. **Office**—44 S. 12th Street, Minneapolis 3, Minn.

● **Universal Winding Co., Providence, R. I.**
Jan. 25 (letter of notification) 1,000 shares of common stock (par $5) at about $10.25 per share for Charles W. Mason, Jr., Chestnut Hill, Mass. No underwriter.

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.

● **Vacuum Plants, Inc. (2/15)**
Feb. 7 (letter of notification) 600,000 shares of common "A" stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For working capital and to purchase equipment, etc. **Office**—471 No. 17th Street, Philadelphia 30, Pa.

● **Video Corp. of America**
Feb. 6 (letter of notification) 60,000 shares of common stock (par 10c). **Price**—37½c per share. **Proceeds**—To selling stockholders. **Underwriter**—Henry P. Rosenfeld, New York. **Office**—229 West 26th St., New York, N. Y.

● **Videograph Corp., N. Y. City**
Feb. 2 (letter of notification) 300,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—George J. Martin Co., New York. **Proceeds**—For additional working capital. **Business**—Assembles a coin operated combination television and phonograph. **Office** —701-7th Avenue, New York, N. Y.

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**—For common stock: Stone & Webster Securities Corp., Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; First Boston Corp. and Kidder, Peabody & Co., New York. For preferred stock: Stone & Webster Securities Corp. may head group. **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.

Yogo Sapphire Mining Corp., Billings, Mont.
Jan. 19 (letter of notification) 285,000 shares of common stock at par ($1 per share). No underwriter. Proceeds to buy properties and resume mining operations. **Office** —21 Hedden Bldg., Billings, Mont.

Prospective Offerings

● **Alabama Power Co.**
Feb. 3 company reported to be planning sale of about $8,000,000 bonds after July 1. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Equitable Securities Corp. and Union Securities Corp. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; First Boston Corp.; Lehman Brothers.

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. Expected early in April.

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.

● **Brooklyn Union Gas Co.**
Feb. 4 it was reported company may sell some $8,000,000 of first mortgage bonds this year, and possibly some preferred stock. Probable bidders include Blyth & Co., Inc. and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce Fenner & Beane. Proceeds may be used to retire about $15,000,000 of bank loans and to pay part of cost of conversion from manufactured to natural gas.

● **Buzzards Bay Gas Co.**
Feb. 4 the company petitioned the Massachusetts Department of Public Utilities for authority to issue $750,000 of 4% bonds or notes, to mature Oct. 1, 1971; 4,000 shares of prior preferred stock (par $25); and 10,200 shares of common stock (par $25). The shares are to be offered at not less than par. **Proceeds**—To pay in part $1,546,904 presently outstanding indebtedness.

● **Carolina, Clinchfield & Ohio RR.**
Feb. 4 reported company planning sale of $3,885,000 mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Kidder, Peabody & Co. (jointly); Dick & Merle-Smith; R. W. Pressprich & Co.; Harriman Ripley & Co. and Drexel & Co. (jointly). Proceeds to pay notes due to Louisville & Nashville RR. Expected late this month or early in March.

● **Central RR. of New Jersey**
Jan. 30 reported planning sale of $3,700,000 1-to-15-year equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly). Expected in March.

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.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

● **Columbus & Southern Ohio Electric Co.**
Jan. 26 announced company's budget for 1950 provides for expenditures totaling $18,725,000.

Delaware Power & Light Co.
Jan. 21, Stuart Cooper, President, said company may issue $4,000,000 to $5,000,000 of common stock early in the Spring as part of a tentative financing program estimated at from $17,000,000 to $19,000,000. This stock will first be offered to stockholders. Several months later, it is planned to offer $10,000,000 bonds and 50,000 shares of preferred stock (par $100). The common stock offering may comprise 250,000 shares. Probable bidders: (1) On bonds only—Halsey, Stuart & Co. Inc.; Kuhn Loeb & Co., and Salomon Bros. & Hutzler (jointly); First Boston Corp.; Union Securities Corp.; (2) on common and preferred stocks—W. C. Langley & Co. and Union Securities Corp. (jointly); (3) on common stock only—Harriman, Ripley & Co., Inc.; (4) on all three issues—White, Weld & Co. and Shields & Co. (jointly); Morgan, Stanley & Co.; Lehman Brothers. Construction costs in 1950, it is estimated, will total about $25,000,000.

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 underwriters: Coffin & Burr, Inc. and Spencer Trask & Co. (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Dillon, Read & Co. Inc.

Eastern Stainless Steel Corp.
Jan. 31 announced company may issue additional common stock (par $5) for subscription by stockholders, with the offering to be underwritten. Proceeds to pay bank loans of about $1,000,000.

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.

● **Florida Power & Light Co.**
Jan. 12 McGregor Smith, President, said company plans to spend $18,000,000 in 1950 for construction. The following have groups to bid on the 191,590 shares of common stock which Electric Bond & Share Co. will receive upon consummation of American Power & Light Co. plan: Blyth & Co. Inc.; Dillon, Read & Co. Inc.; Lehman Brothers; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Union Securities Corp.

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.

Howe Sound Co.
Jan. 20 announced stockholders on March 20 will consider authorizing approximately 76,000 shares of convertible preferred stock (par $50) to be first offered to common stockholders. **Underwriter**—Union Securities Corp. **Proceeds**—For further development of company's properties and for other corporate purposes.

● **Huttig Sash & Door Co.**
March 9 stockholders will vote on increasing the authorized common stock from 139,861 shares, par $5 (of which 137,292 shares are outstanding) to 400,000 shares, par $10, each old share to be exchanged for one new share, and one additional share will subsequently be issued as a stock dividend for each two $10 par shares held. Traditional underwriter: Stifel, Nicolaus & Co.

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.

● **Idaho Power Co.**
Feb. 7 T. E. Roach, President, said company plans to sell additional 4% preferred stock later this year to raise up to $4,000,000 to finance, in part, its 1950 construction program. Traditional underwriter: Wegener & Daly Corp., Boise, Ida.

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.

Jamaica Water Supply Co. (3/21)
Jan. 31 stockholders will vote on approving issuance of 50,000 additional shares of common stock on a 1-for-2 basis, the unsubscribed shares to be sold to underwriters at subscription price. It is also planned to issue and

Continued on page 46

Continued from page 45

sell $7,995,000 first mortgage bonds at competitive bidding. Probable bidders—Halsey, Stuart & Co., Inc.; White, Weld & Co.; Blyth & Co., Inc.; W. C. Langley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhodes & Co. Proceeds to retire $5,745,000 first mortgage 3¾% bonds, series A, and $1,250,000 of first mortgage 3¼% bonds, series B, and for other corporate purposes. Bonds expected about March 21.

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.

Montana Power Co.
Dec. 20 reported the company may issue in a few months approximately $22,000,000 in new securities, which may include bonds and debentures and possibly some additional common stock. Financing of $10,000,000 or more in bonds may be undertaken in May. The proceeds are to be used for expansion and extension of its gas and electric lines. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; First Boston Corp.

● **New Jersey Bell Telephone Co. (3/14)**
Feb. 3 New Jersey Board of Public Utility Commissioners authorized company to issue $50,000,000 common stock (par $100) and $15,000,000 of debenture bonds. **Underwriters**—For bonds: To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Shields & Co.; First Boston Corp.; White, Weld & Co. Expected March 14. Stock to be sold to American Telephone & Telegraph Co., the parent. **Proceeds**—To discharge notes of parent and to finance 1950 construction costs.

● **New York Central RR.**
Feb. 7 reported that offering of $9,000,000 equipment trust certificates is expected early in April. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly). Expected in April.

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.

Pacific Power & Light Co.
Dec. 24 reported that company's tentative plans call for funding of $9,000,000 bank loans, probably in March. On Sept. 15 it was said plans to do some permanent financing of approximately $7,000,000 through the sale of additional first mortgage bonds to retire outstanding notes and to finance its construction program had been postponed to about May 1, 1950. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; White, Weld & Co. and Harris, Hall & Co. (Inc.) (jointly); Carl M. Loeb, Rhoades & Co.

Pennsylvania RR. (3/1)
Jan. 9 it was reported company would probably be in the market about March 1 with $10,200,000 additional equipment trust certificates series Y. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman, Ripley & Co. Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); First Boston Corporation. Jan. 9 also reported company is expected to take care of additional equipment financing through issuance of series Z certificates.

● **Seaboard Air Line RR.**
Feb. 7 directors appointed a committee to proceed with the refunding of the approximately $31,800,000 outstanding first mortgage bonds, provided satisfactory terms could be arranged. Probable bidders include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers; First Boston Corp.; Harriman Ripley & Co. (jointly).

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).

Southern Natural Gas Co.
Jan. 4 announced company has applied to the FPC for authority to construct natural gas facilities at an estimated cost of $32,520,000, which will be financed through the issuance of additional securities. Of the total cost, $18,360,000 will be applicable to the 1950 program, and the remaining $14,160,000 to be spent in 1951. This year's program will be financed initially by bank loans, which will be refunded later through the sale of bonds. The 1951 financing may be through the sale of $5,000,000 additional common stock to be offered to stockholders under preemptive rights. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly), and The First Boston Corp.

● **Staten Island Edison Corp.**
Feb. 1 SEC announced a decision granting the request of General Public Utilities Corp. for exemption of its proposed sale of its entire holdings of 325,000 shs. of Edison common stock from the requirements for competitive bidding. The exemption is applicable only to the sale of the stock to private purchasers. Probable bidders may include: Stone & Webster Securities Corp. and White, Weld & Co. (jointly); W. C. Langley & Co. and Union Securities Corp. (jointly); Lehman Brothers; First Boston Corp.; Kidder, Peabody & Co.

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.

Texas Electric Service Co.
Nov. 28 reported company plans sale of $8,000,000 of bonds early in 1950, the proceeds to be used to finance the company's construction program. Additional financing also is anticipated in the first half of 1950 by other subsidiaries of Texas Utilities Co. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Smith, Barney & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp., White, Weld & Co., and Glore, Forgan & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Drexel & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly); Lehman Brothers; Salomon Bros. & Hutzler; Harriman, Ripley & Co.

Texas Electric Service Co.
Dec. 19 reported may offer 100,000 shares of new preferred stock. Expected to be sold competitively, possibly in April. Probable bidders may include W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); Harriman, Ripley & Co.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; Smith, Barney & Co.

Texas-Illinois Natural Gas Pipeline Co.
Dec. 5 it was announced company plans to build a 1,400 mile pipeline, which it is estimated will cost between $140,000,000 and $150,000,000. James F. Oates, Jr., Chairman of Peoples Gas Light & Coke Co., stated financing of the new project would probably consist of 75% debt and 25% stock. Probable bidders: (1) for bonds: Halsey, Stuart & Co.; (2) for preferred stock: White, Weld & Co.; Glore, Forgan & Co.

Texas Power & Light Co.
Oct. 28 Texas Utilities Co. in SEC application covering bank loans to be advanced to subsidiaries to finance their construction program, it was revealed that Texas Power & Light plans permanent financing probably to extent of $7,000,000 of bonds before August, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Carl M. Loeb, Rhoades & Co. and E. H. Rollins & Sons (jointly); Union Securities Corp.; Drexel & Co. and Hemphill, Noyes & Co. (jointly); Lehman Brothers; Salomon Bros. & Hutzler.

Texas Utilities Co.
Dec. 19 reported to be seeking about $8,000,000 new money in the Spring through additional sale of about 400,000 shares of common stock. Probable bidders: Blyth & Co., Inc.; and The First Boston Corp. (jointly); Lehman Brothers; Dillon, Read & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); First Southwest Corp.; Rauscher, Pierce & Co. and Dallas Union Trust Co. (jointly).

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.

● **White (S. S.) Dental Mfg. Co.**
Feb. 2 announced stockholders will vote April 4 on increasing the authorized capital stock (par $20) from 300,000 to 450,000 shares, through issuance of 150,000 additional shares.

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.

Our Reporter's Report

Looking at American Telephone & Telegraph Co.'s $200,000,000 flotation in retrospect, well-posted investment banking interests came to the conclusion that here was about the ultimate in aggregation of capital available for corporate underwriting.

The two groups which bid for the issue just about made up the investment banking world, embracing, between them, a total of 334 underwriting and distributing firms which must have represented close to the peak of available investment banking capital.

Moreover, it was noted, that without the two top firms in the unsuccessful syndicate, it would have been virtually impossible to have set up such a large deal for competitive bidding.

The winning group, headed by Morgan Stanley & Co., comprised 110 firms, which observers were inclined to refer to as the "powerhouse" aggregation, since it embraced the bulk of the larger underwriting firms.

The second group, headed by First Boston Corp., and Halsey, Stuart & Co., Inc., took in 224 banking and underwriting firms. But without the large capital of the two managing units, it is argued, it could never have been gotten together.

With the State of Pennsylvania's veteran bonus issue for $375,000,000 it can be seen at a glance that this could hardly go to competitive bidding, but for the fact that, being a municipal, commercial banks will be in the picture.

Taking It Easy

Although there is reportedly a goodly sprinkling of recent issues remaining unsold, institutional buyers apparently are showing little interest at the moment either in that direction or in the seasoned market.

The temporary stagnation in new issues has not had any marked effect on the trading market. High-grade utilities and industrials are holding at their best and even the top rails have done little more than shade their recent high levels in consequence of the coal strike and its dire threats.

But insurance companies are more or less standing aside, doing little more than a smattering of cautious buying, according to observers. Fire companies, on the other hand, are reported to be picking up fair lines of equities.

Big One Goes Privately

The spectre of direct sales came up to plague underwriters with real gusto as Pennsylvania Power & Light Co. announced private placement of $33,500,000 of new first mortgage bonds, of 30-year maturity, carrying a 2¾% coupon rate.

The utility filed with the State Public Utility Commission only about a week ago for $37,000,000 of such new bonds, and was able to announce placement, through bankers of all but $3,500,000 of the issue.

Proceeds will permit retirement of $15,644,000 short-term debt and $10,000,000 of 3¼% mortgage bonds while also providing funds for new construction needs.

A Real Quickie

Public offering of 220,000 shares of G. D. Searle & Co., common stock at $38 per share reached the market yesterday. An additional 26,573 shares is also being sold but this portion of the issue is slated for employees.

There was a quick oversubscription with a fair-sized premium on the price.

The proceeds will put the company in possession of needed additional working capital.

John P. Lavin With F. S. Yantis & Co.

CHICAGO, ILL.—John P. Lavin, well known on La Salle Street for the past 25 years, has become associated with F. S. Yantis & Co., Inc., 135 So. La Salle Street, members of the Midwest Stock Exchange. Mr. Lavin has recently been with Bear, Stearns & Co.

Largest New York Stock Exchange Firm Issues Annual Report

Winthrop H. Smith, managing partner of Merrill Lynch, Pierce, Fenner & Beane, reports net profits, before income taxes of $2,335,370 in which 86 partners participate.

Winthrop H. Smith Charles E. Merrill

Merrill Lynch, Pierce, Fenner & Beane had net profits in 1949 of $2,335,370 after partners' salaries and interest on capital of 6 per cent, Winthrop H. Smith, managing partner, announced yesterday (Feb. 8) when he made public the annual report of the firm. This compares with $3,604,-413 earned in 1948. After estimated income taxes of $1,100,000 there was $1,235,370 available for distribution among the 86 partners of the firm participating in profits. This compares with $1,704,513 available after taxes in 1948. Mr. Smith said that Merrill Lynch contributed a total of $581,777 to the employee profit sharing plan and employee bonuses last year.

Charles E. Merrill, directing partner of the firm, said in his annual letter to customers that he believed 1949 represented a major turning point in the attitude of government toward investors. However, Mr. Merrill warned that if investors do not support those people in public life who are anxious to put the investor back on the political map the gain in 1949 could easily be lost. He also pointed out that there are over eighty million Americans who own an interest in American industry through holdings of life insurance and savings deposits. Furthermore, he said there are more than six million individuals who hold corporate securities directly who have a more obvious but not more real concern with the treatment investors receive from the government.

D. J. McMillen Co. Formed in N. Y. City

Announcement is made of the formation of D. J. McMillen & Co. to act as dealers in reorganization securities. Offices will be located at 40 Exchange Place, New York City; telephone is Whitehall 4-8247.

LIQUIDATION NOTICES

The First National Bank of Winsted, located at Winsted, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

CLARENCE H. BUNNELL,
Liquidating Agent.

Dated December 9, 1949.

The Hurlbut National Bank of Winsted, located at Winsted, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

EDWARD F. McARDLE,
Liquidating Agent.

Dated December 9, 1949.

Halsey, Stuart Group Offers Gulf, Mobile & Ohio RR. Equipments

Halsey, Stuart & Co. Inc. and associates won the award Feb. 1 of $3,570,000 Gulf, Mobile & Ohio Railroad series E 2⅛% equipment trust certificates, maturing $255,000 annually from Feb. 15, 1951 to 1964, inclusive, on a bid of 99.657. The certificates, issued under the Philadelphia Plan, were re-offered subject to Interstate Commerce Commission authorization, at prices to yield from 1.25% to 2.425%, according to maturity.

Geo. Rice Joins Staff Of Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

ROCK ISLAND, ILL.—George R. Rice has become associated with Reynolds & Co., 208 South La Salle Street, Chicago. Mr. Rice has recently been with Beyer-Reuffel & Co. of Davenport, Iowa. Prior thereto he was Rock Island representative for Blyth & Co., Inc.

Town Finance Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD CITY, IND.—Town Finance Company is engaging in a securities business from offices at 121 North High Street. Officers are Raymond M. Maddox, President; H. D. Thornburg, Vice-President, and L. M. Maddox, Secretary and Treasurer.

Seven With Minn. Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — Eric B. Ander, Cortlen L. Cloutier, Richard M. Engebretson, George W. Fried, Carl A. Heinecke, Guy A. Jodouin and Francis R. Weir have been added to the staff of Minneapolis Associates, Inc., Rand Tower.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND. — William G. Curry is with Merrill Lynch, Pierce, Fenner & Beane, Circle Tower. He was previously with Kidder, Peabody & Co. and Eastman, Dillon & Co.

Frederick B. Taylor Opens

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, MASS. — Frederick B. Taylor is engaging in a securities business from offices on Trapelo Road. In the past, he was with First Boston Corp. and White, Weld & Co.

Hogan Price Adds Two

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Douglass W. Hamilton and Morgan J. Koval have been added to the staff of Hogan, Price & Co., 118 South Beverly Drive. Mr. Hamilton was previously with E. F. Hutton & Co.; Mr. Koval with Floyd A. Allen & Co.

SITUATION WANTED

UTILITY TRADER

Experienced Public Utility Trader seeks connection. Will be available March 1st. Box V 27, Commercial & Financial Chronicle, 25 Park Place, New York 8.

Edgar F. Grimm Now With F. S. Moseley

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edgar F. Grimm has become associated with F. S. Moseley & Co., 135 South La Salle Street. Mr. Grimm was formerly with Eastman, Dillon & Co., and prior thereto was an officer of Wheelock & Cummins, Inc.

F. Thomas Kemp Joins Staff of J. Barth Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—F. Thomas Kemp has become associated with J. Barth & Co., 210 West Seventh Street. Mr. Kemp has recently been with Jones, Cosgrove & Co. in Pasadena. Prior thereto he was with Edgerton, Wykoff & Co. and conducted his own investment business in Pasadena.

Myran Crane With First Securities Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Myran J. Crane has become associated with First Securities Company of Chicago, 134 South La Salle Street, members of the Midwest Stock Exchange. Mr. Crane was previously with David A. Noyes & Co. and prior thereto was Richmond, Ind., representative for F. S. Yantis & Co.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Ralph R. Smith has become associated with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange. He was formerly with Newhard, Cook & Co.

With Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—H. R. Portman has become associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Portman was previously with G. Brashears & Co.

With Pacific Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert T. Caffery is now connected with Pacific Company of California, 623 South Hope Street, members of the Los Angeles Stock Exchange.

With Titus-Miller

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Donald J. Nadeau has become connected with Titus-Miller & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Myles H. Sinnott and Roy E. Warnock have become affiliated with First California Co., 300 Montgomery Street.

Samuel E. Guild Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Samuel E. Guild is engaging in a securities business from offices at 50 Congress Street.

Investment Secs. Add

(Special to THE FINANCIAL CHRONICLE)

JACKSON, MICH. — John T. Brown has become connected with Investment Securities Co., National Bank Building.

Margaret Kennedy, Vice-President of Distributors Group

Distributors Group, Incorporated, 63 Wall Street, New York City, announce that Margaret Elouise Kennedy has been appointed a Vice-President of their firm.

John L. Walton Opens

BELLINGHAM, WASH. — John L. Walton has formed J. L. Walton & Co. with offices in the Herald Building to engage in the securities business. Mr. Walton was formerly with Merrill Lynch, Pierce, Fenner & Beane, and in the past conducted his own firm in Bellingham.

Four With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—James C. Elgin, David J. Mentzel, Harry L. Thomas, Jr., and Clyde A. Westland have been added to the staff of King Merritt & Co., Inc., Chamber of Commerce Building.

Joins Heller, Bruce Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—James O. Jordan, III, has become associated with Heller, Bruce & Co., Mills Tower. Mr. Jordan was formerly with the municipal bond department of the California Bank in Los Angeles.

Two With Noble, Tulk

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Ewance A. Copeland and Thomas H. Donaldson have become affiliated with Noble, Tulk & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On January 31, 1950 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable April 1, 1950 to Stockholders of record at the close of business March 16, 1950. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary.*

Atlas Corporation
33 Pine Street, New York 5, N.Y.

Dividend No. 33 on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable March 20, 1950, to holders of record at the close of business on February 28, 1950 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, *Treasurer*

February 1, 1950

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

15th Consecutive Quarterly Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on March 1, 1950 to stockholders of record at the close of business on February 15, 1950.

B. C. TAYLOR, Treasurer

February 3, 1950

Business Man's Bookshelf

Cost and Financing of Social Security—Lewis Meriam, Karl T. Schlotterbeck and Mildred Maroney—The Brookings Institution, Washington 6, D. C.—cloth—$3.00.

Present Day Banking 1950—A reference book on Business and Banking—The American Bankers Association, 12 East 36th Street, New York 16, N. Y.—cloth.

Recent Developments in the World Economic Situation—United Nations — Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—40¢.

Max L. Morton Opens

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, IND.—Max L. Morton is engaging in the securities business from offices at 1425 East Fox Street. In the past Mr. Morton conducted his own investment business in South Bend.

DIVIDEND NOTICES

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, January 26, 1950, a dividend of one dollar twelve and one-half cents ($1.12½) per share was declared on the $4.50 Cumulative Preferred Stock of the Corporation, payable March 15, 1950 to Preferred Stockholders of record at the close of business on March 1, 1950.

S. A. McCASKEY, JR., Secretary.

CITY INVESTING COMPANY
25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on February 2, 1950, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable April 1, 1950 to stockholders of record at the close of business on March 15, 1950.

The Board of Directors of this company on February 2, 1950, declared a dividend of 15 cents per share on the Common Stock outstanding of the company payable February 18, 1950, to stockholders of record at the close of business on February 10, 1950.

EDWARD FRAHER, Secretary.

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh **Pennsylvania**

February 6, 1950

Board of Directors have declared for quarter ending March 31, 1950, DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share, on PREFERRED STOCK, payable April 20, 1950 to stockholders of record April 6, 1950.

Also declared a DIVIDEND of FIFTY CENTS per share on the NO PAR COMMON STOCK, payable March 1, 1950 to stockholders of record February 16, 1950.

G. F. CRONMILLER, JR., Secretary

Safeway Stores, Incorporated

Preferred and Common Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on January 27, 1950, declared quarterly dividends on the Company's $5 Par Value Common Stock and 5% Preferred Stock.

The dividend on the Common Stock is at the rate of 50c per share and is payable April 1, 1950 to stockholders of record at the close of business March 15, 1950.

The dividend on the 5% Preferred Stock is at the rate of $1.25 per share and is payable April 1, 1950 to stockholders of record at the close of business March 15, 1950.

MILTON L. SELBY, *Secretary.*

January 27, 1950.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One of the truly significant speeches of the present year is the address delivered to the Senate on Feb. 2 by Chairman Brien McMahon of the Congressional Joint Committee on Atomic Energy, for it hints clearly that the Administration means to evaluate the hydrogen bomb as the greatest of all emergencies of the 20th Century.

Senator McMahon categorically attaches the most dangerous appraisal to the H-bomb of all the many that have been bandied about in print. The bomb is 1,000 times stronger than the "ordinary" atom bomb dropped on Hiroshima. "Densely populated American cities are made to order for an explosive that levels hundreds of square miles." Great American cities, he said, could be incinerated in a matter of minutes.

Surely it is only a question of time when American cities will be burned off the earth unless—

The "unless" is unless the government of the United States adopts some such bold program as the Connecticut Senator proposes. He would have the United States spend $50 billion over a 5-year period, $10 billion a year, a paltry two-thirds, he says, of what the U. S. now spends alone on defense.

This "money" would be spent in transmuting the evil spirit of atomic energy into a world-wide angel of peace and plenty, for a world-wide Marshall plan, and for a world-wide Point IV program.

As a consequence of this gigantic endeavor, the deserts of the Saraha—even the deserts of the U. S. — could be converted, the Senator said, into gardens. Arid lands would be made to produce plenty. Every hungry mouth on the face of the earth could be fed. In return the other nations of the world would have only to agree to an effective control and inspection of their own atomic energy development, to guarantee peaceful use, and recipient countries would have to agree also to diverting paltry sums equivalent to two-thirds of their own military outlays for constructive purposes.

* * *

Of course few beyond the inner circle of the Administration know whether the hydrogen bomb is a few times or a thousand times more powerful than the "ordinary" atomic bomb of today, for it has not been built. Few know whether the Reds, in fact, have developed a practicable atomic bomb, for the President only referred to an "atomic explosion." Few actually know, furthermore, whether the President did, in fact, despite his statement to that effect, order the hydrogen bomb built.

No one outside the Administration knows anything authoritative, except a very, very few members of Congress, and it may be doubted even how much they really know of the fundamental facts about atom warfare progress, for the facts are blanketed in a dark shroud of secrecy, and the government through the Atomic Energy Commission has a pretty tight monopoly on all substantative information.

So no one knows whether the President Senatorial friends are truthful when they say, in effect, that he is on the verge of holding in his hands an instrument capable of devastating much of civilization. Few can possibly judge what safety there would be in refusing to follow the President if the President should say, "follow me or you will perish from the earth."

* * *

In this capital few are so naive as to assume that such a major pronouncement as that made by the Chairman of the Atomic Energy Committee represented the inspiration alone of even such a prominent Senator as Brien McMahon. The inspiration, if it did not originate from fairly high within the Administration, probably was shared in that quarter.

Hence it is a pretty good bet that the McMahon speech represented a major Administration trial balloon for this grandiose foreign aid idea. As a trial balloon, it is just the forerunner of others. The $50 billion world recovery-atomic energy development program offered by Mr. McMahon is not at this stage a formal Administration proposal. In the precise form presented by the Connecticut Senator, it may never be actually proposed, but may be reduced in size when, as, and if the time arrives when its formal presentation to Congress does seem in the eyes of the White House, to be feasible.

* * *

For a long time a considerable number of persons here in and out of public life have suspected that the Administration had not in the least reconciled itself to the termination of ECA in 1952. They have felt that the Administration was offering the nebulous and undefined "Point IV" by way of groping to get something on the statute books in the form of any new program which, once enacted, could be thereafter modified and expanded to serve as a means of propping the economies of friendly countries and providing an outlet for surplus U. S. products, farm and manufactured—and outlet which could be expanded at the sign of a contraction in domestic business.

The McMahon speech as served almost to confirm these suspicions, for if there is any Administration sentiment for the McMahon idea, it is an indication of another approach toward foreign aid on even a bigger scale than the Marshall Plan.

* * *

For the present, Point IV is just coasting, except for the one leg, "technical aid."

Under the technical aid provisions, so-called, the U. S. would provide government-to-government assistance for such things as sanitation, public health, improvement of agricultural methods, and so on. In its present scope, this program is budgeted for less than the cost of supporting potato prices—or peanuts.

A number of outstanding businessmen were invited to Washington in December to re-write the technical aid bill under the sponsorship of Rep. Christian Herter, of Massachusetts, a Repubiican, and they gave the Administration a big break. These businessmen did meet and they did re-write the bill.

This bill was re-written stating legal generalities to the effect that recipient countries should be kind to U. S. investments, should provide all self-help possible, and so on, which were incorporated in the technical aid bill. Idea was to attempt to tie in to technical aid as well as guarantee of investments, the notion that foreign governments should "create a climate" favorable to American investments.

Since the entire Point IV, while reported out of committee in parts, and under Administration pressure, is regarded so skeptically and has so little backing, the State Department was quick to accept the recommendations of the business group. It was a small price to pay for acquiring a respectable backing to one phase of Point IV.

So now Point IV's "technical aid" provisions, without some of the former business opposition, will be pushed through both Houses in the near future. Then the proposed Export-Import Bank guarantee of foreign investments will be brought up for action, but later. This latter is still regarded most skeptically in Congress, and will fare better with some new Russian or H-bomb or other emergency. At present there are no substantive plans worth the name, for its operation after enactment.

* * *

Chief significance of the offering by Senator Lucas of a bill giving the Reconstruction Finance Corp., the power to make character loans of not more than 10 years maturity to small businessmen, and business loans of longer maturity if there is collateral, is to emphasize and underscore the Administration's determination to work these particular political diggings. Luca's bill is not yet an official Administration bill, however.

The Administration's solicitude for small business credit was further underscored by the Majoritys Leaders killing of the proposed investigation of the RFC by a Senate Banking Subcommittee headed by Senator J. William Fulbright of Arkansas. Fulbright was critical of the governments making equity capital "loans" to such relatively big businesses as Kaiser auto. It is seldom that a proposed Congressional investigation, approved as this one was by two Senate Committees, is quashed.

It was knocked down by Senator Lucas because he wants no dirty questions asked about the RFC while he is leading the drive to expand that agency's lending powers.

* * *

If the ways of God and man are sometimes strange, the ways of bureaucracies are s o m e t i m e s stranger.

There are two Senators, Paul H. Douglas, Ph.D, of Illinois, and A. Willis Robertson, of Virginia, who have been able to comprehend the problems of the Reserve System more clearly than any others in Congress. Within the heavily-guarded Reserve Board m a r b l e palace on Constitution Avenue, they have always been welcome, and have been among the few outsiders who ate in the exclusive private dining room of the Board.

Senator Douglas has comprehended the problems of the Board so closely that his JEC Monetary subcommittee report recommended almost e v e r y-thing the Board saw necessary, including control over the reserve requirements of ALL nonmember banks, and a study aimed at the idea of perhaps centralizing all bank examination in the Reserve System.

Now Gov. Eccles of the Federal Reserve Board publicly blames the nation's bankers for frustrating the Board's desires to obtain from Congress the p o w e r s the Board believes necessary to regulate the monetary affairs of the nation's economy effectively.

These private bankers want the burden of assessments to the Federal Deposit Insurance Corp., fund reduced. FDIC finally consented to an arrangement for reducing these assessments, on condition that FDIC, which now can examine state member banks only on written permission, be given that power of examination without requiring such permission first of the Reserve Board.

FDIC's point of view was that if its income were to be reduced while at the same time deposit insurance coverage were raised, it should have the right to move instantly to examine any potential trouble spot.

The Reserve System, however, championed, it said, the problems of the private bankers, who didn't want "triple examinations," so with the help of the friendly senators, the independent power of the FDIC to examine a risk was killed.

Senator Douglas also set out to help the private bankers in another way. He proposed that not only should the FDIC be the first important quasi-government agency to repay a government investigation therein, as has been done, but that it also should be the first agency to pay interest on its past use of government capital, which was adopted. So the FDIC in the pending bill would be ordered to cut its reserves by some $90 m i l l i o n to pay interest on former Treasury capital. This, Douglas said, would improve the standing of banks with the country.

(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

"Well, this is NOT the movies!—put that *—* popcorn away!"